


FundConnect A/S

Gammeltorv 4, 3., DK-1457 Copenhagen K

CVR. no. 25 85 94 48

Annual Report 2017

Godkendt på selskabets
Ordinære generalforsamling
24. maj 2018


CARSTEN MAHLER





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Statement by Management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of FundConnect A/S for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

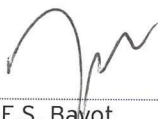
Copenhagen, 23 April 2018

Executive Board:



Carsten Mahler

Board of Directors:



Marc F.S. Bayot
Chairman



Michael Petersen
Vice Chairman

Finn Schwarz



Finn Kjærgård



Carsten Mahler

Independent auditor's report

To the shareholders of FundConnect A/S

Opinion

We have audited the financial statements of FundConnect A/S for the financial year 1 January - 31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

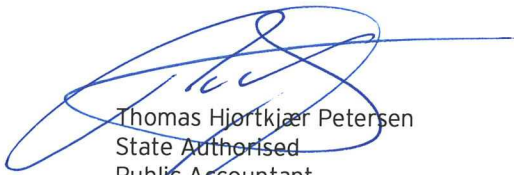
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 23 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Thomas Hjortkjaer Petersen
State Authorised
Public Accountant
MNE no.: mne33748

Management's review

Company details

Name	FundConnect A/S
Address, zip code, city	Gammeltorv 4, 3., DK-1457 Copenhagen K
CVR no.	25 85 94 48
Established	15 January 2001
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.fundconnect.com
E-mail	info@fundconnect.com
Telephone	+45 70 26 01 18
Fax	+45 70 26 01 19
Board of Directors	Marc F.S. Bayot (Chairman) Michael Petersen (Vice Chairman) Finn Schwarz Finn Kjærgård Carsten Mahler
Executive Board	Carsten Mahler
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmutsh Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Management commentary

Business review

FundConnect's key activities are information services and technology solutions directed towards the mutual fund industry and companies involved in the distribution of mutual funds and/or fund data.

FundConnect's business activities consist of operating services and licencing income, which is recurring income, and implementation and development revenues.

The activities of the Company can be divided into infrastructure services and fund technology services.

The infrastructure services consist of data collection services directed towards larger financial institutions, national fund associations, stock exchanges and the operational activities supporting FundConnect's own brands, such as the independent information portal Nordic Fund Data, TPT Connect, that offers solvency II data reporting to insurance companies, as well as PRIIPsHub which focuses on the distributors' need for documents and data related to the PRIIPs and MiFID2 directives. In the context of PRIIPsHub, the Company also services other product issuers such as structured product issuers and exchange traded derivatives issuers.

FundConnect's fintech products are primarily offered to the individual financial institutions, not least fund managers, and include web information services, factsheet production, KIID and KID production and bespoke data and document distribution.

FundConnect's activities in 2017

The Company realised a turnover of DKK 18,125,168 against DKK 17,548,590 for 2016 equal to an increase of DKK 579,578 or 3.3 %. Earnings before tax totalled DKK 802,825 against DKK 988,146 for 2016. Profit for the year totalled DKK 479,339 against DKK 669,446 the previous year.

The calculated tax continues to exceed the average tax rate of 22 %. This is due to a write-down of the deferred tax asset, so that it reflects the Company's expectations as to using the expected results of operations for the coming years, and hence the projected budget was not met. For 2018, the Company expects earnings growth due to increase in the licence portfolio and continued cost cutting. The licence business is developing positively, and especially the investment in PRIIPsHub in 2017 is expected to pay off in 2018.

The Company's Danish partially owned subsidiary, FundCollect, is developing positively and contributed with a satisfactory dividend for the year. FundCollect experienced growth in its business activities with revenue growth of 1.5 % amounting to DKK 11,308,653 and a profit of DKK 1,919,665 for 2017. FundCollect distributed interim dividends of DKK 1,500 thousand in 2017, which was DKK 100 thousand more than in 2016. FundCollect is equally owned by Investering Danmark (the Danish investment association formerly known as IFR / IFB) and FundConnect. FundCollect expects that earnings for 2018 will remain at the same level as in 2017.

Licence-based revenue, which is the core business for both FundConnect and its associate FundCollect, originates in information exchange in the form of collection and distribution of mutual fund data as well as web solutions for the processing and presentation of investment data. The Company's customer focus is the investment fund industry itself in the form of fund groups, fund administrators and the national industry associations.

The Company is experiencing a continued strengthened position in Europe due to its investment in the MiFID/PRIIPs space. The Company's infrastructure services have been further strengthened with data infrastructure services for utility companies and the Company continues to experience a very high rate of customer stability.

Management's review

The TPTConnect brand, which is geared towards the exchange of information in between the insurance and fund industries, is developing in a steady manner. The service is built around the exchange of holdings information on a confidential basis, in order for the insurance companies to meet the reporting for the capital requirement directive, Solvency 2. PRIIPsHub, focusing on data and document exchange to banks and insurance companies, in order for the institutions to comply with the PRIIPs and MIFID directive, has developed in a satisfactory manner and is still in the process of acquiring new meaningful leads, as there is still room for growth from a sales perspective during this year.

The Company's Board of Directors

FundConnect's presidency was unchanged in 2017 with Managing Director Marc Bayot, (Belgium) as chairman and Deputy Michael Petersen as vice chairman. Furthermore, the Board consisted of Finn Kjærgård, attorney-at-law Finn Schwarz and CEO Carsten Mahler.

The Board held four meetings in 2017. Focus was primarily on business development, and the setup of the Polish business entity. The Board of Directors has especially been closely monitoring the implementation of the MIFID/PRIIPs services.

FundConnect's results of operations and capital resources

The Company reported revenue of DKK 18,128,168 and earnings before interest and tax of DKK 802,825 for the year. The Company's profit for the year came at DKK 479,339. The Company's financial performance is also for 2017 below Management's expectations - from a revenue as well as an earnings perspective, the PRIIPsHub initiative has, however, solely been a cost in 2017 as the licences are first starting as of 1 January 2018. Additionally, the development of the Polish operations is contributing to lower expenses both short and long-term and hereby improved profitability.

Management believes that the Company's capital resources are adequate for the coming year. In particular, the Board of Directors assesses on a continuous basis FundConnect's capital requirements and funding structure. This includes an ongoing assessment of the working capital versus the development in the client portfolio and new business initiatives.

Significant estimates in connection with recognition and measurement

The valuation of the shares in FundCollect A/S is based on Management's expectations as to the fair value of the shares at 31 December 2017. The Board of Directors has on the basis of current and expected revenue reassessed the value of the shares to DKK 14,407 thousand vs DKK 14,374 thousand for 2016.

The income statement item "Work completed at own cost" covers in-house developed software, which is a precondition for the Company's operations. This item is recognised as an asset, calculated at cost and amortised in accordance with the accounting policies described later in the annual report.

Deferred tax assets totalling DKK 4,105,924 vs DKK 4,429,410 for 2016 have been reconciled in the balance sheet. The computation of deferred tax assets is based on Management's expectations as to the Company's results of operations in the coming years and the consequential utilisation of tax losses. Utilisation of the tax loss within a 4- 5-year period calls for considerable growth in earnings. The Company assesses this to be realistic, especially based of the considerable expansion of the Company's services and its cooperative partners which has taken place in recent years. Consequently, the Company has increased investments in order to streamline the organisation and the Company's technology in order to be able to grow at a satisfactory contribution margin. The Company has in 2017 established operational activities in Poland, which we believe can facilitate lower expenses. As the Company did not fully meet expectations for 2017, the tax asset has been written down by DKK 127,065. Valuation of the assets is thus based on the Company's ability to meet expectations.

Management's review

Outlook for 2018

The outlook for 2018 is positive, as the Company expects growth in both revenue and earnings. The Company experiences a satisfactory growth in recurring revenue, resulting in a better earnings structure where non-recurring revenue accounts for a still decreasing share of total revenue. The development in expenses is moderate and is expected to increase only as the business expands. Furthermore, the Polish operations are expected to ensure a lower break-even for the data infrastructure product. FundConnect's interest payments are expected to continue to fall, as the long-term loan is amortised. The associate FundCollect continues to consolidate at a stable level and expects to pay a higher dividend as well.

FundConnect's ownership structure

The following shareholders are registered in FundConnect's registry as owning more than 5% of FundConnect's share capital:

- ▶ Danske Invest Management A/S, Copenhagen
- ▶ Jyske Invest Fund Management A/S, Silkeborg
- ▶ Mahler Holding ApS, Lyngby-Taarbæk
- ▶ Nordea Funds Ltd., Helsinki
- ▶ Nykredit Portefølje Administration A/S, Copenhagen
- ▶ Prolab Holding A/S, Lyngby-Taarbæk
- ▶ Søren Mygind Holding A/S, Copenhagen

Prolab Holding A/S is a subsidiary of Mahler Holding ApS, which owns 43% of FundConnect's shares.

Events after the balance sheet date

No significant events after the year-end have occurred that might affect the annual report for 2017.

Financial statements for the year ended 31 December

Income statement

Note	DKK	2017	2016
3	Revenue	18,125,169	17,548,596
	Work completed at own cost	4,790,940	4,596,718
	External expenses	-7,854,573	-7,163,491
	Gross margin	15,061,536	14,981,823
4	Staff costs	-10,711,083	-10,402,473
8,9	Depreciation and amortisation	-4,014,357	-3,648,286
	Operating profit	336,096	931,064
6	Income from investments	945,067	592,628
5	Financial expenses	-478,338	-535,546
	Profit before tax	802,825	988,146
7	Tax for the year	-323,486	-318,700
	Profit for the year	479,339	669,446
	Proposed profit appropriation		
	Retained earnings	-3,226,343	-3,695,874
	Reserve for development costs	3,705,682	4,365,320
		479,339	669,446

Financial statements for the year ended 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Non-current assets		
8	Intangible assets		
	Software	12,215,078	11,412,432
	Patents and licences	16,868	24,654
		<u>12,231,946</u>	<u>11,437,086</u>
9	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	263,113	242,994
		<u>263,113</u>	<u>242,994</u>
	Investments		
10	Investments in subsidiaries	0	0
11	Investments in associates	14,407,000	14,374,000
	Deposits	364,764	356,907
		<u>14,771,764</u>	<u>14,730,907</u>
	Total non-current assets	<u>27,266,823</u>	<u>27,266,823</u>
	Current assets		
	Receivables		
	Trade receivables	691,194	1,252,289
	Receivables from subsidiaries	55,621	0
	Receivables from associates	43,187	126
12	Deferred tax assets	4,105,924	4,429,410
	Prepayments	1,394,748	1,230,330
		<u>6,290,674</u>	<u>6,912,155</u>
	Cash	9,302	10,833
	Total current assets	<u>6,299,976</u>	<u>6,922,988</u>
	TOTAL ASSETS	<u>33,566,799</u>	<u>33,333,975</u>

Financial statements for the year ended 31 December

Balance sheet

Note	DKK	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	1,164,333	1,164,333
	Reserve for revaluation	13,129,000	13,096,000
	Reserve for development costs	8,071,002	4,365,320
	Retained earnings	-3,811,133	-584,790
	Total equity	<u>18,553,202</u>	<u>18,040,863</u>
	Liabilities		
	Non-current liabilities		
14	Payables to associates	4,940,717	4,940,717
15	Payables to shareholders and Management	1,826,155	1,766,285
16	Loan from The Danish Growth Fund	1,466,630	2,154,142
		<u>8,233,502</u>	<u>8,861,144</u>
	Current liabilities		
15,16	Current portion of non-current liabilities	1,005,659	1,200,257
	Payables to credit institutions	632,126	45,671
	Trade payables	583,401	468,228
	Payables to subsidiaries	352,788	220,270
	Payables to associates	0	0
17	Other payables	1,934,108	2,063,751
	Deferred income	2,272,013	2,433,791
		<u>6,780,095</u>	<u>6,431,968</u>
	Total liabilities	<u>15,013,597</u>	<u>15,293,112</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>33,566,799</u></u>	<u><u>33,333,975</u></u>
1	Accounting policies		
2	Significant estimates in connection with recognition and measurement		
18	Contingent liabilities		
19	Mortgages and collateral		
20	Related party disclosures		

Financial statements for the year ended 31 December

Statement of changes in equity

DKK	Share capital	Reserve for revaluation	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2017	1,164,333	13,096,000	4,365,320	-584,790	18,040,863
Value adjustment for the year of investments in associates	0	33,000	0	0	33,000
Transferred, see "Profit appropriation"	0	0	3,705,682	-3,226,343	479,339
Equity at 31 December 2017	1,164,333	13,129,000	8,071,002	-3,811,133	18,553,202

Financial statements for the year ended 31 December

Notes to the financial statements

1 Accounting policies

The annual report of FundConnect A/S for 2017 has been prepared in accordance with the provisions applying to class B entities under the Danish Financial Statements Act. The Company has chosen to follow the provisions applying to large reporting class C entities in connection with development projects. Investments in associates and subsidiaries are measured at fair value.

Under reference to section 110 of the Danish Financial Statements Act, the Company has decided not to prepare consolidated financial statements.

The accounting policies are consistent with those of last year.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the date of the transaction. Exchange differences arising between the exchange rate at the date of transaction and the exchange rate at the date of payment are recognised in the income statement as interest income and expense and similar items.

Non-current assets acquired in foreign currencies are measured at the exchange rates at the date of transaction.

Income statement

Revenue

Revenue comprising accrued subscriptions for the financial year as well as other services is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration excl. VAT and tax charged on behalf of third parties. All discounts granted are recognised in revenue.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

External expenses

External expenses include expenses related to external consultants, distribution, sale, advertising, administration, premises, payments under operating leases, etc.

Depreciation and amortisation

The item consists of depreciation and amortisation of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Dividend from investments in associates is recognised as income at the time of declaration.

Financial statements for the year ended 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax for the year

Tax for the year, which consists of current taxes and deferred tax adjustments, is recognised in the income statement at the portion relating to the profit/loss for the year and directly in equity at the portion relating to entries directly in equity.

Balance sheet

Intangible assets

Intangible assets comprise patents, deposits and software.

Software comprises development costs, such as wages and salaries and other expenses that can be ascribed directly to the Company's development activities.

Development projects which are clearly defined and identifiable, where the technical rate of amortisation, adequate resources and a potential future market or development potential in the Company can be established and where it is the intention to produce, market or amortise the project, are recognised as intangible assets if cost can be calculated reliably and if sufficient assurance is obtained as to the ability of future revenue to cover expenses relating to production, sale, administration and development. Other development costs are recognised in the income statement as defrayed.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and recoverable amount.

After completion of the development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 5 years.

Patented trademarks are amortised on a straight-line basis over 5 years.

Gains and losses from disposal of development projects, patents and licences are measured as the difference between sales price less sales costs and the carrying amount at the time of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets which are:

Fixtures and fittings, tools and equipment	5 years
Leasehold improvements	3 years

Gains and losses from disposal of property, plant and equipment are measured as the difference between sales price less sales costs and the carrying amount at the time of disposal. Gains and losses are recognised in the income statement as depreciation.

Investments

Investments in subsidiaries and associates are recognised and measured at fair value.

Financial statements for the year ended 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for evidence of impairment other than the decrease in value reflected by amortisation or depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is evidence of impairment. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost. Provisions are made for bad debts.

Prepayments

Prepayments recognised under "Assets" comprise expenses incurred in relation to subsequent financial years.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets are measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Adjustments to deferred tax due to changes in tax rates are recognised in the income statement.

Financial statements for the year ended 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised under "Liabilities" comprises payments received concerning income in subsequent financial reporting years.

2 Significant estimates in connection with recognition and measurement

The valuation of the shares in the associate FundCollect is based on Management's expectations as to the fair value of the shares at 31 December 2017.

Management has on this basis carried out a valuation of the shares in FundCollect to DKK 14,407 thousand with a background in FundCollect's current and projected earnings ratio.

The income statement item "Work completed at own cost" covers self-developed software, which is a pre-condition for the operations of FundConnect. This item is recognised as an asset, calculated at cost and amortised in accordance with the accounting policies.

Deferred tax assets totalling DKK 4,106 thousand (2016: DKK 4,429 thousand) have been reconciled in the balance sheet. The tax assets mainly consist of tax loss carry-forwards.

The computation of deferred tax assets has been based on the Executive Board's and the Board of Directors' expectations as to the results of operations for the coming five years and the consequential use of tax losses. In case FundConnect does not achieve the estimated results of operations, the tax asset will be written down accordingly.

DKK	2017	2016
3 Revenue		
Revenue, associate	6,637,633	6,419,237
External revenue	11,487,536	11,129,359
	18,125,169	17,548,596
4 Staff costs		
Wages and salaries	9,679,956	9,348,244
Pension costs	427,214	416,188
Other social security costs	129,127	121,072
Other staff costs	474,786	516,970
	10,711,083	10,402,474

Financial statements for the year ended 31 December

Notes to the financial statements

DKK	2017	2016	
5 Financial expenses			
Interest, banks	64,400	57,240	
Interest, payables to shareholders and Management	201,114	236,150	
Interest, The Danish Growth Fund	150,539	187,754	
Other financial expenses	62,285	54,402	
	<u>478,338</u>	<u>535,546</u>	
6 Results from investments			
FundConnect Dataservices LTD IS	195,067	-107,372	
Dividend from FundCollect A/S	750,000	700,000	
	<u>945,067</u>	<u>592,628</u>	
7 Tax for the year			
Tax for the year	<u>-323,486</u>	<u>-318,700</u>	
Specified as follows:			
Tax for the year	0	0	
The year's deferred tax adjustments	<u>-323,486</u>	<u>-318,700</u>	
	<u>-323,486</u>	<u>-318,700</u>	
8 Intangible assets			
DKK	Software	Patents and licences	Total
Cost at 1 January 2017	42,229,682	120,177	42,349,859
Additions	4,790,940	0	4,790,940
Cost at 31 December 2017	47,020,622	120,177	47,140,799
Amortisation at 1 January 2017	-30,817,250	-95,523	-30,912,773
Amortisation	-3,988,294	-7,786	-3,996,080
Amortisation at 31 December 2017	-34,805,544	-103,309	-34,908,853
Carrying amount at 31 December 2017	<u>12,215,078</u>	<u>16,868</u>	<u>12,231,946</u>

Financial statements for the year ended 31 December

Notes to the financial statements

9 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	429,595	88,575	518,170
Additions	38,396	0	38,396
Cost at 31 December 2017	467,991	88,575	556,566
Depreciation at 1 January 2017	-186,601	-88,575	-275,176
Depreciation	-18,277	0	-18,277
Depreciation at 31 December 2017	-204,878	-88,575	-293,453
Carrying amount at 31 December 2017	263,113	0	263,113

10 Investments in subsidiaries

DKK	2017	2016
Fair value at 1 January	0	0
Fair value at 31 December	0	0
Carrying amount at 31 December	0	0

Name	Registered office	Voting rights and interest	Profit/loss for the year t.kr./DKK'000	Equity t.kr./DKK'000
FundConnect Dataservices LTD IS	Israel	100%	195	55
Fund Connect UK Limited *	UK	100%	-13	56

*According to the financial statements for 2016. The Company has not yet prepared financial statements for 2017.

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11 Investments in associates

DKK	2017	2016
Fair value at 1 January	14,407,000	14,374,000
Fair value at 31 December	14,407,000	14,374,000

Name	Registered office	Voting rights and interest	Profit/loss for the year	Equity
			t.kr./DKK'000	t.kr./DKK'000
FundCollect A/S	Denmark	50%	1.888	2.857

Investments in associates (level 3 in the fair value hierarchy) are measured annually based on a yield-based cash flow model based on expected, future net cash flows in FundCollect A/S for a 5-year period and a terminal period. The yield requirement (WACC) and other input are determined by Management. The valuation model used is unchanged compared to 2016.

The most significant, non-observable input in stating the fair value is:

DKK	2017	2016
Average increase in EBITDA in the forecast period in %	26%	21%
Growth in the terminal period in %	1%	1%
Yield requirement in % (WACC)	11.0%	11.0%

The forecast is based on growth in expenses with inflation and growth in revenue both in sales and inflation. The value of the cash flow is adjusted with a haircut addressing the uncertainties of the valuation of an unlisted share.

12 Deferred tax assets

Deferred tax assets totalling DKK 4,106 thousand (2016: DKK 4,429 thousand) have been recognised in the balance sheet.

The tax asset which is capitalised reflects the Company's expectations regarding earnings in the coming 4-5 years. If the Company does not realise the presented budgets, the carrying amount will be written down. However, the Company does not lose the right to utilise the tax loss in case of a write-down, and the Company can realise taxable income of DKK 27,358 thousand before having to pay tax.

13 Equity

The share capital consists of 781,033 class A shares and 383,300 class B shares.

Movements in the share capital

DKK	2017	2016	2015	2014	2013
Balance at 1 January	1,164,333	1,164,333	1,164,333	1,164,333	1,150,429
Cash capital increase	0	0	0	0	0
Capital increase in connection with exercise of warrants	0	0	0	0	13,904
Balance at 31 December	1,164,333	1,164,333	1,164,333	1,164,333	1,164,333

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14 Payables to associates

At 31 December 2017, the amount is attributable to 12 months' prepayment regarding sale of services to the associate FundCollect. The agreement with FundCollect can be terminated at 3 years' notice.

15 Payables to shareholders and Management

DKK	2017	2016
Loan	2,147,838	2,326,724
	<u>2,147,838</u>	<u>2,326,724</u>

The loan falls due with DKK 322 thousand in 2018 (current portion of liabilities) and the remaining amount falls due during 2019-2022. The loan earns interest of 10 % per annum.

16 The Danish Growth Fund

The last payment on the loan falls due in 2021. The Company has classified DKK 684 thousand as short-term liabilities.

17 Other payables

DKK	2017	2016
Compensated absence commitment	1,067,276	1,028,295
Directors' fees	90,000	186,260
VAT	504,705	646,271
Other payables	272,127	202,926
	<u>1,934,108</u>	<u>2,063,752</u>

18 Contingent liabilities

The notice regarding the leasehold premises at Gammeltorv is 6 months as a minimum. The rent commitment is DKK 250 thousand.

19 Mortgages and collateral

The Company's bank commitments and loan from The Danish Growth Fund are secured upon an owner's mortgage, and mortgages are issued totalling DKK 11,400 thousand (company charge) with collateral in fixtures and fittings, tools and equipment, trade receivables, goodwill and trademarks with a carrying amount totalling DKK 971 thousand.

In addition, the Company's bank commitment is secured upon nominal 300,000 shares in the associate FundCollect A/S at the carrying amount of DKK 14,407 thousand at 31 December 2017.

A charge on the source code has been provided as security for the amounts owed to the associate FundCollect A/S mentioned in note 14. The carrying amount of software amounts to DKK 12,215 thousand.

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20 Related party disclosures

FundConnect A/S' related parties exercising control comprise:

- ▶ Carsten Mahler, Holmevej 24, 2830 Virum, CEO
- ▶ Mahler Holding ApS, Lyngby-Taarbæk

Other related parties of FundConnect A/S:

- ▶ The Board of Directors of FundConnect A/S
- ▶ FundCollect A/S - associate
- ▶ FundConnect Ltd. IS, Israel - subsidiary
- ▶ FundConnect Uk Limited, the UK - subsidiary

Related party transactions

Transactions with the Board of Directors comprise payment of Directors' fees.

Transactions with Carsten Mahler comprise CEO remuneration. Further, Carsten Mahler has granted a loan to the Company, see note 15.

Transactions with FundCollect comprise administrative functions, sale of IT software and IT support.

Transactions with subsidiaries comprise acquisition of system development and IT operations.