FundConnect A/S

Gammeltorv 4, 3. sal, DK-1457 København K

CVR.No. 25 85 94 48

Annual Report 2016

Approved at the Company's annual general meeting on 18 May 2017

Chairman:

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Building a better
working world

Contents

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 2016.

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 2016 and of the results of Company's operations for the financial year 1 January – 31 December 2016.

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, 10 May 2017

Executive Board:

Carsten Mahler

Board of Directors:

Marc F.S. Bayot Chairman	Kaj 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 2016, 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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, 10 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Per Gunslev State Authorised Public Accountant	Christian Thuesen State Authorised Public Accountant

Management's review

Company details

Name	FundConnect A/S
Address, zip code, city	Gammeltorv 4, 3. sal, DK-1457 København 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) Kaj Michael Petersen (Deputy Chairman) Finn Schwarz Finn Kjærgård Carsten Mahler
Executive Board	Carsten Mahler
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths 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 licensing income, which is recurring income, and implementation and development revenues.

The activities of the company can be divided into infrastructure services and fundtech services.

The infrastructure services consist of data services directed towards larger financial institutions, national fund associations, stock exchanges and own brands, such as the independent information portal Nordic Fund Data, TPT Connect that offer Solvency2 data reporting to insurance companies as well as PRIIPsHub which focus the distributors need for documents and data related to the PRIIPs and MIFID2 directive.

FundConnects Fintech products are primarily offered to the individual financial institutions, not at least fund managers and contains of web information services, factsheet and KID production and bespoke data distribution.

FundConnect's activities in 2016

The Company realized a turnover of DKK 17,548,596 against DKK 16,271,650 for 2015 equal to an increase of DKK 1,276,946 or 8%. Earnings before tax totalled DKK 988,146 against 632,010 DKK for 2015. Profit for the year totalled DKK 669,446 against DKK 138,510 the previous year.

For the last four years, the calculated tax exceeded 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 use the expected results of operations for the coming years and, hence, the projected budget was not met. The Company expects both revenue and earnings growth in 2017. The license business is developing positively, and new service initiatives within infrastructure and portal services have reached break-even and are expected to increase the Company's revenue and earnings base.

The Company's Danish associate, FundCollect, is developing positively and contributed with a satisfactory dividend in the year. FundCollect experienced growth in business activities with revenue growth of 9.5% to DKK 11,009,359 and a profit of DKK 1,771,779 for 2016. FundCollect distributed interim dividends of DKK 1,400 thousand in 2016, which was DKK 100 thousand less than in 2015. FundCollect is equally owned by IFB (InvesteringsFondsBranchen) and FundConnect. FundCollect expects that earnings for 2017 will remain at the same level as in 2016. License-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. The Company's infrastructure services have been further strengthened with data infrastructure services for utility companies such as ISE (the Irish Stock Exchange) and MFEX, fund distributions platform. The Company continues to experience a very high rate of customer stability.

At the end of 2015, FundConnect launched an information service in a separate brand, TPTConnect. The services are geared towards the exchange of information in between the insurance and fund industry consisting of holdings information, on a confidential basis in order for the insurance companies to meet the reporting for the capital requirement directive, Solvency 2. Similar the company launched in 2016 a new brand 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.

Management's review

The Company's Board of Directors

FundConnect’s presidency was unchanged in 2016 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 5 meetings in 2016. Focus was primarily on business development and the financial consolidation process. The Board of Directors has especially focused on the previous described EU directives.

FundConnect’s results of operations and capital resources

The Company reported revenue of DKK 17,548,596 and earnings before interest and tax of DKK 988,146 for the year. The Company's profit for the year came at DKK 669,446. The Company's financial performance is below Management's expectations - from a revenue as well as an earnings perspective. The growth in recurring licenses is however on a satisfactory level and will fully contribute moving forward.

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 2016. The Board of Directors has on the basis of current and expected revenue revaluated the value of the shares to DKK 14,374 thousand against DKK 11,640 thousand for 2015.

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 4,429,410 against DKK 4,748,110 for 2015 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 2016, the tax asset has been written down by DKK 101,300. Valuation of the assets is thus based on the Company's ability to meet expectations.

Outlook for 2017

The outlook for 2017 is positive, as the Company expects both revenue and earnings growth. 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.

The Polish operations is expected to ensure this. FundConnect’s interest payments will fall, as the long term loan is amortised. From an overall perspective, a stable and positive development in core earnings is expected. The associate FundCollect continues to develop at a stable level. The associate does not expect any significant growth in its business activities in 2017, but noted considerable stability in the form of high customer loyalty. FundCollect expects positive earnings at about the level attained in 2016.

Management's review

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 Administration 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 have occurred after the year-end which could affect the annual report for 2016.

Financial statements for the year ended 31 December

Income statement

Note	DKK	2016	2015
3	Revenue	17,548,596	16,271,650
	Work completed at own cost	4,596,718	3,903,945
	External expenses	-7,163,491	-6,158,679
	Gross margin	14,981,823	14,016,916
4	Staff costs	-10,402,473	-9,928,092
8,9	Depreciation and amortisation	-3,648,286	-3,671,181
	Operating profit	931,064	417,643
6	Income from investments	592,628	760,272
5	Financial expenses	-535,546	-545,905
	Profit before tax	988,146	632,010
7	Tax for the year	-318,700	-493,500
	Profit for the year	669,446	138,510

Proposed profit appropriation

	2016	2015
Retained earnings	-3,695,874	138,510
Reserve for development costs	4,365,320	0
	669,446	138,510

Financial statements for the year ended 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Non-current assets		
8	Intangible assets		
	Software	11,412,432	10,411,346
	Patents and licences	24,654	32,440
		11,437,086	10,443,786
9	Property. plant and equipment		
	Fixtures and fittings, tools and equipment	242,994	70,650
	Leasehold improvements	0	0
		242,994	70,650
	Investments		
10	Investments in subsidiaries	0	0
11	Investments in associates	14,374,000	11,640,000
	Deposits	356,907	287,768
		14,730,907	11,927,768
	Total non-current assets	26,410,987	23,676,987
	Current assets		
	Receivables		
	Trade receivables	1,252,289	686,871
	Receivables from subsidiaries	0	253,091
	Receivables from associate	126	123,426
12	Deferred tax assets	4,429,410	4,748,110
	Prepayments	1,230,330	1,923,813
		6,912,155	7,735,311
	Cash	10,833	4,819
	Total current assets	6,922,988	7,740,130
	TOTAL ASSETS	33,333,975	30,182,334

Financial statements for the year ended 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	1,164,333	1,164,333
	Reserve for revaluation	13,096,000	10,362,000
	Reserve for development costs	4,365,320	0
	Retained earnings	-584,790	3,111,084
	Total equity	18,040,863	14,637,417
	Liabilities		
	Non-current liabilities		
14	Payables to associates	4,940,717	4,940,717
15	Payables to shareholders and Management	1,766,285	2,094,633
16	Loan from The Danish Growth Fund	2,154,142	2,810,836
		8,861,144	9,846,186
	Current liabilities		
	Current portion of non-current liabilities	1,200,257	1,152,592
	Payables to credit institutions	45,671	45,120
	Trade payables	468,228	396,751
	Payables to subsidiaries	220,270	29,580
	Payables to associates	0	0
17	Other payables	2,063,751	1,918,002
	Deferred income	2,433,791	2,156,686
		6,431,968	5,698,731
	Total liabilities	15,293,112	15,544,917
	TOTAL EQUITY AND LIABILITIES	33,333,975	30,182,334

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 2016	1,164,333	10,362,000	0	3,111,084	14,637,417
Value adjustment for the year of investments in associates	0	2,734,000	0	0	2,734,000
Transferred, see "Profit appropriation"	0	0	4,365,320	-3,695,874	669,446
Equity at 31 December 2016	1,164,333	13,096,000	4,365,320	-584,790	18,040,863

Financial statements for the year ended 31 December

Notes to the financial statements

1 *Accounting policies*

The annual report of FundConnect A/S for 2016 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.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Reserve for development costs

An amount corresponding to development costs recognised will, in future, be tied up in the Parent Company in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes impacts on the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, 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.

Financial statements for the year ended 31 December

Notes to the financial statements

1 *Accounting policies (continued)*

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.

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.

Financial statements for the year ended 31 December

Notes to the financial statements

1 *Accounting policies (continued)*

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.

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.

Financial statements for the year ended 31 December

Notes to the financial statements

1 *Accounting policies (continued)*

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.

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 2016.

Management has on this basis carried out a valuation of the shares in FundCollect to DKK 14,374 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 4,429 thousand (2015: DKK 4,748 thousand) have been reconciled in the balance sheet. The tax assets mainly consist of tax loss carry-forwards.

Financial statements for the year ended 31 December

Notes to the financial statements

2 *Significant estimates in connection with recognition and measurement (continued)*

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 5 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	2016	2015
3	Revenue		
	Revenue, associate	6,419,237	6,063,038
	External revenue	11,129,359	10,208,612
		17,548,596	16,271,650

4	Staff costs		
	Wages and salaries	9,348,244	8,784,761
	Pension costs	416,188	414,936
	Other social security costs	121,072	121,942
	Other staff costs	516,970	606,453
		10,402,474	9,928,092

5	Financial expenses		
	DKK	2016	2015
	Interest, banks	57,240	132,264
	Interest, payables to shareholders and Management	236,150	213,097
	Interest, The Danish Growth Fund	187,754	55,720
	Other financial expenses	54,402	144,824
		535,546	545,905

6	Results from investments		
	FundConnect Dataservices LTD IS	-107,372	10,272
	Dividend from FundCollect A/S	700,000	750,000
		592,628	760,272

Financial statements for the year ended 31 December

Notes to the financial statements

7 Tax for the year

Tax for the year	-318,700	-493,500
Specified as follows:		
Tax for the year	0	0
The year's deferred tax adjustments	-318,700	-493,500
	-318,700	-493,500

8 Intangible assets

DKK	Software	Patents and licences	Total
Cost at 1 January 2016	37,632,964	120,177	37,753,141
Additions	4,596,718	0	4,596,718
Disposals	0	0	0
Cost at 31 December 2016	42,229,682	120,177	42,349,859
Amortisation at 1 January 2016	-27,221,618	-87,737	-27,309,355
Amortisation	-3,595,632	-7,786	-3,603,418
Disposals, amortisation	0	0	0
Amortisation at 31 December 2016	-30,817,250	-95,523	-30,912,773
Carrying amount at 31 December 2016	11,412,432	24,654	11,437,086

9 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2016	477,687	88,575	566,262
Additions	217,214	0	217,214
Disposals	-265,306	0	-265,306
Cost at 31 December 2016	429,595	88,575	518,170
Depreciation at 1 January 2016	-407,037	-88,575	-495,612
Depreciation	-44,870	0	-44,870
Disposals, depreciation	265,306		
Depreciation at 31 December 2016	-186,601	-88,575	-275,176
Carrying amount at 31 December 2016	242,994	0	242,994

Financial statements for the year ended 31 December

Notes to the financial statements

10 Investments in subsidiaries

DKK	2016	2015
Fair value at 1 January	0	0
FundConnect Dataservices LTD IS	0	0
FundConnect Limited UK	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	Equity
			t.kr./DKK'000	t.kr./DKK'000
FundConnect Dataservices LTD IS				
FundConnect Dataservices LTD IS	Israel	100%	-143	-29
FundConnect UK Limited *				
Fund Connect UK Limited *	UK	100%	-13	69

*According to the financial statements for 2015. The Company has not yet prepared financial statements for 2016.

11 Investments in associates

DKK	2016	2015
Fair value at 1 January	14,374,000	11,640,000
Fair value at 31 December	14,374,000	11,640,000

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%	1.778	2.475

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 2015.

The most significant, non-observable in put in stating the fair value are:

DKK	2016	2015
Average increase in EBITDA in the forecast period in %	21%	8%
Growth in the terminal period in %	1%	1%
Yield requirement in % (WACC)	11.0%	11.0%

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12 Deferred tax assets

Deferred tax assets totalling DKK 4,429 thousand (2015: DKK 4,748 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 27,259 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	2012	2013	2014	2015	2016
Balance at 1 January	1,150,429	1,150,429	1,150,429	1,164,333	1,164,333
Cash capital increase	0	0	0	0	0
Capital increase in connection with exercise of warrants	0	13,904	13,904	0	0
Balance at 31 December	1,150,429	1,164,333	1,164,333	1,164,333	1,164,333

14 Payables to associates

At 31 December 2016, 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	2016	2015
Loan	2,326,724	2,658,061
	2,326,724	2,658,061

The loan falls due with DKK 560 thousand in 2017 (current portion of liabilities) and the remaining amount falls due during 2018-2021. The loan earns interest of 10 % per annum.

16 The Danish Growth Fund

The last payment on the loan falls due in 2021. Debt falling due for payment after more than 5 years amounts to DKK 66 thousand. The Company has classified DKK 589 thousand as short-term liabilities.

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17 Other payables

DKK	2016	2015
Compensated absence commitment	1,028,295	933,607
Directors' fees	186,260	185,665
VAT	646,271	367,507
Other payables	202,926	431,223
	2,063,752	1,918,002

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 totaling DKK 11,400 thousand (company charge) with collateral in fixtures and fittings, tools and equipment, trade receivables, goodwill and trademarks with a carrying amount totaling DKK 1,520 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 14,374 thousand at 31 December 2016.

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 11,412 thousand.

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.