Reputation Institute Holding A/S

Borgergade 24, 3., 1300 København K

Company reg. no. 28 27 94 85

Annual report

1 January - 31 December 2016

The annual report have been submitted and approved by the general meeting on the 22 June 2017.

Frederik Bruhn
Chairman of the meeting

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance EUR 146.940 is the same as the English amount of EUR 146,940, and that 23,5 % is the same as the English 23.5 %.

Contents

Management's report

The board of directors and the managing director have today presented the annual report of Reputation Institute Holding A/S for the financial year 1 January to 31 December 2016.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2016, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København K, 22 June 2017

Managing Director

James Lee Bedard

Board of directors

Tyler Cranmer Newton

Andrew Prozes

John Archibald Mckinley JR

James Lee Bedard

Brian Alan Rich

Charles J Fombrun

Kasper Ulf Skaarup-Nielsen

Independent auditor's report

To the shareholders of Reputation Institute Holding A/S

Opinion

We have audited the consolidated annual accounts and the annual accounts of Reputation Institute Holding A/S for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2016 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section “Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts”. We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group’s and the company’s ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 group’s and the company’s internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group’s and 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 consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 22 June 2017

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Ulrik Nørskov	Michael Markussen
State Authorised Public Accountant	State Authorised Public Accountant

Company data

The company	Reputation Institute Holding A/S Borgergade 24, 3. 1300 København K	
	Company reg. no.	28 27 94 85
	Established:	19 November 2004
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Tyler Cranmer Newton Andrew Prozes John Archibald Mckinley JR James Lee Bedard Brian Alan Rich Charles J Fombrun Kasper Ulf Skaarup-Nielsen	
Managing Director	James Lee Bedard	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	

Consolidated financial highlights

EUR in thousands.	2016	2015	2014	2013	2012
Profit and loss account:					
Gross profit	9.800	8.711	7.437	8.767	10.033
Results from operating activities	1.435	905	-2.906	-1.133	723
Net financials	9	-8	326	-172	-143
Results for the year	1.038	650	-2.697	-1.517	64
Balance sheet:					
Balance sheet sum	12.646	10.046	9.379	6.675	6.493
Equity	3.439	2.461	2.080	985	1.291
Cash flow:					
Operating activities	1.497	-113	-1.975	-1.127	444
Investment activities	-299	-136	-316	-89	-125
Financing activities	-33	-157	3.757	1.319	-453
Cash flow in total	1.165	-406	1.466	103	-134
Employees:					
Average number of full time employees	96	95	120	122	118
Key figures in %:					
Solvency ratio	28,1	25,5	22,2	14,8	19,9
Return on equity	33,7	26,2	-176,0	-133,3	4,8

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark. As to definitions, please see the section on accounting policies used.

The key figures appearing from the survey have been calculated as follows:

Equity share $\dfrac{\text{Equity less minority interests, closing balance x 100}}{\text{Assets in total, closing balance}}$

Return on equity $\dfrac{\text{*Results x 100}}{\text{Average equity exclusive of minority interests}}$

***Results** Results for the year with deduction of minority interests' share of same

Management's review

The principal activities of the group

Reputation Institute Holding A/S is a Danish registered holding company, and together with its consolidated subsidiaries (the "RI Group") the world's leading research and advisory firm for reputation. The RI Group provides senior communications and marketing executives at global companies the single-best way to measure, communicate and manage reputation performance.

The RI Group has operations in Denmark, the United States, the Netherlands, Spain, Italy, United Kingdom, Panama and Brazil.

Unusual matters

No unusual activities occurred that affect the annual report for the financial year 2016.

Uncertainties as to recognition or measurement

It is estimated that no specific uncertainties are related to recognition and measurement of the financial items in the annual accounts.

Development in activities and financial matters

The results from ordinary activities after tax are DKK 1.027.873 against DKK 607.293 last year. The management consider the results satisfactory.

During the year continued investments have been made in expanding the group’s lines of business and sales capabilities which are expected to have a continued positive impact on cash flows, earning and revenues in the coming years.

Special risks

Exchange rate risks:

The RI Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the Danish Kroner, EURO and the US Dollar. Foreign exchange risk arises from the future commercial transactions, recognized assets and liabilities and net investments in foreign operations, when they are denominated in a currency that is not the respective subsidiary’s functional currency.

Credit risks:

Credit risk arises from cash and cash equivalents with banks and financial institutions, and accounts receivable from customers.

As of December 31, 2016 the RI Group had no significant concentration of credit risk regarding customers.

The expected development

The management expects a positive result for the Reputation Institute Group for the coming financial year.

Management forecasts that through December 31, 2017, its cash flows from capital contributions and operations will be more than sufficient to cover its operating and investment needs.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for Reputation Institute Holding A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual report is presented in euro (EUR).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Reputation Institute Holding A/S and those group enterprises of which Reputation Institute Holding A/S directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the pre-acquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

Goodwill and negative goodwill from acquirees may be adjusted until 12 months after the acquisition.

Gains or losses from the disposal or termination of group enterprises or associated enterprises are recognised as the difference between the sales price or the termination sum and the book value of the net assets at the sales date and expected costs of sale or termination.

In case of business combinations such as acquisition and sale of equity investments, mergers, demergers, addition of assets and exchange of shares etc. with participation of enterprises under the control of the parent company, the merger method is applied, in which case the merger is considered implemented on the first day of the financial year, and restatement of comparative figures is made.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, direct cost of services, other operating income, and external costs.

The net turnover comprises the value of services provided during the year, including outlay for customers less VAT and price reductions directly associated with the sale.

The turnover is recognised in the profit and loss account when the sale has been completed. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- There is a binding sales agreement
- The sales price has been determined
- The payment has been received, or it can with reasonable assurance be expected to be received.

Hereby, it is ensured that recognition does not take place until the total income and costs as well as the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the economic benefits, including payments, will be received by the enterprise.

Direct cost of services comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational costs.

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains and losses on disposal of intangible and tangible fixed assets.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation and writedown

Depreciation and writedown comprise depreciation on and writedown relating to tangible fixed assets.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent enterprise and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent enterprise acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Unbilled projects

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual contract.

When the sales value of a contract can not be determined reliably, the selling price is measured solely at the costs incurred, or at the net realisable value, if this is lower.

Contracts are recognised as trade debtors if the selling price of the work performed exceeds invoicing on account and expected losses. Contracts are recognised as liabilities if invoicing on account and expected losses exceed the selling price.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Reputation Institute Holding A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Reputation Institute Holding A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions are recognised when the company or the Group, due to an event occurring before or at the balance sheet date, has a legal or constructive obligation and it is probable that financial benefits must be waived to settle the obligation. Provisions are measured according to Management’s best estimate of the amount whereby the obligation is expected to be settled.

Provisions comprise group enterprises with negative equity and restructuring costs.

Provisions for restructuring costs is based on Management’s best estimate. Provision is only made for liabilities deriving from restructuring that has been decided at the balance sheet date in accordance with a specific plan and provided the parties involved have been informed about the overall plan.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Profit and loss account 1 January - 31 December

All amounts in EUR.

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Gross profit	**9.800.024**	**8.710.527**	**-62.869**	**-41.973**
1	Staff costs	-7.748.116	-7.494.561	0	0
	Depreciation and writedown relating to tangible fixed assets	-151.988	-169.846	0	0
	Other operating costs	-464.532	-141.348	0	0
	Operating profit	**1.435.388**	**904.772**	**-62.869**	**-41.973**
	Income from equity investments in group enterprises	0	0	1.100.513	644.262
2	Other financial income from group enterprises	0	0	19.999	12.594
	Other financial income	22.850	27.364	1.926	25
3	Other financial costs	-13.924	-35.558	-15.421	-19.413
	Results before tax	**1.444.314**	**896.578**	**1.044.148**	**595.495**
4	Tax on ordinary results	-405.956	-246.808	-16.275	11.798
5	**Results for the year**	**1.038.358**	**649.770**	**1.027.873**	**607.293**
	Koncernens resultat fordeler sig således:				
	Shareholders in Reputation Institute Holding A/S	1.027.873	607.293		
	The minority interests' share of the results of the subsidiaries	10.485	42.477		
		1.038.358	**649.770**		

Balance sheet 31 December

All amounts in EUR.

Assets

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Fixed assets				
6	Other plants, operating assets, and fixtures and furniture	454.851	388.661	0	0
	Tangible fixed assets in total	454.851	388.661	0	0
7	Equity investments in group enterprises	0	0	3.258.722	1.951.235
	Other debtors	0	4.923	0	0
	Deposits	387.634	289.507	0	0
	Financial fixed assets in total	387.634	294.430	3.258.722	1.951.235
	Fixed assets in total	**842.485**	**683.091**	**3.258.722**	**1.951.235**
	Current assets				
	Trade debtors	5.412.526	4.199.964	0	0
	Unbilled projects	1.994.717	1.851.041	0	0
	Amounts owed by group enterprises	0	0	715.605	832.371
	Deferred tax assets	273.063	255.243	0	16.214
	Receivable corporate tax	18.208	8.934	0	0
	Other debtors	66.038	21.800	19.862	41.805
8	Accrued income and deferred expenses	454.312	607.101	28.384	26.241
	Debtors in total	8.218.864	6.944.083	763.851	916.631
	Available funds	3.584.203	2.419.027	53.585	72.123
	Current assets in total	**11.803.067**	**9.363.110**	**817.436**	**988.754**
	Assets in total	**12.645.552**	**10.046.201**	**4.076.158**	**2.939.989**

Balance sheet 31 December

All amounts in EUR.

Equity and liabilities

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Equity				
9	Contributed capital	142.016	142.016	142.016	142.016
10	Reserves for net revaluation as per the equity method	0	0	1.634.774	479.226
11	Results brought forward	3.406.813	2.418.217	1.772.039	1.938.991
	Equity in total	**3.548.829**	**2.560.233**	**3.548.829**	**2.560.233**
12	**Minority interests**	**-109.453**	**-99.150**	**0**	**0**
	Provisions				
	Provisions for deferred tax	8.523	7.902	0	0
13	Other provisions	0	562.848	213.843	102.027
	Provisions in total	**8.523**	**570.750**	**213.843**	**102.027**
	Liabilities				
14	Bank debts	0	32.830	0	0
15	Accrued expenses and deferred income	74.822	66.805	0	0
	Long-term liabilities in total	74.822	99.635	0	0
	Trade creditors	1.345.554	1.455.363	41.052	20.852
	Debt to group enterprises	0	0	272.434	256.877
	Corporate tax	84.964	205.524	0	0
	Other debts	2.261.387	1.830.678	0	0
16	Accrued expenses and deferred income	5.430.926	3.423.168	0	0
	Short-term liabilities in total	9.122.831	6.914.733	313.486	277.729
	Liabilities in total	**9.197.653**	**7.014.368**	**313.486**	**277.729**
	Equity and liabilities in total	**12.645.552**	**10.046.201**	**4.076.158**	**2.939.989**

17 Mortgage and securities

18 Contingencies

Cash flow statement 1 January - 31 December

All amounts in EUR.

Note		Group 2016	2015
	Results for the year	1.038.358	607.293
19	Adjustments	476.914	434.899
20	Change in working capital	531.063	-891.320
	Cash flow from operating activities before net financials	2.046.335	150.872
	Interest received and similar amounts	22.850	27.364
	Interest paid and similar amounts	-13.924	-35.558
	Cash flow from ordinary activities	2.055.261	142.678
	Corporate tax paid	-557.896	-255.507
	Cash flow from operating activities	**1.497.365**	**-112.829**
	Purchase of tangible fixed assets	-201.232	-103.395
	Purchase of financial fixed assets	-98.127	0
	Change in financial fixed assets	0	-32.977
	Cash flow from investment activities	**-299.359**	**-136.372**
	Change in long-term debts	-32.830	-19.359
	Purchase of treasury shares	0	-137.823
	Cash flow from financing activities	**-32.830**	**-157.182**
	Changes in available funds	**1.165.176**	**-406.383**
	Available funds 1 January 2016	2.419.027	2.825.410
	Available funds 31 December 2016	**3.584.203**	**2.419.027**
	Available funds		
	Available funds	3.584.203	2.419.027
	Available funds 31 December 2016	**3.584.203**	**2.419.027**

Notes

All amounts in EUR.

		Group		Parent enterprise	
		2016	2015	2016	2015
1.	**Staff costs**				
	Salaries and wages	7.294.590	7.101.179	0	0
	Pension costs	93.555	133.496	0	0
	Other costs for social security	359.971	259.886	0	0
		7.748.116	**7.494.561**	**0**	**0**
	Average number of employees	96	95	0	0
2.	**Other financial income from group enterprises**				
	Interest, group enterprises	0	0	19.999	12.594
		0	**0**	**19.999**	**12.594**
3.	**Other financial costs**				
	Financial costs, group enterprises	0	0	15.412	6.880
	Other financial costs	13.924	35.558	9	12.533
		13.924	**35.558**	**15.421**	**19.413**
4.	**Tax on ordinary results**				
	Tax of the results for the year	428.062	452.273	0	0
	Adjustment for the year of deferred tax	-22.106	-205.465	16.275	-11.798
		405.956	**246.808**	**16.275**	**-11.798**
5.	**Proposed distribution of the results**				
	Reserves for net revaluation as per the equity method			1.155.548	479.226
	Allocated to results brought forward			0	128.067
	Allocated from results brought forward			-127.675	0
	Distribution in total			**1.027.873**	**607.293**

All amounts in EUR.

		Group	
		31/12 2016	31/12 2015
6.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2016	1.153.273	1.026.038
	Translation by use of the exchange rate valid on balance sheet date 31 December 2016	-93.592	51.707
	Additions during the year	201.232	103.395
	Disposals during the year	-4.453	-27.867
	Cost 31 December 2016	**1.256.460**	**1.153.273**
	Depreciation and writedown 1 January 2016	-764.612	-596.192
	Translation by use of the exchange rate valid on balance sheet date 31 December 2016	112.452	-26.441
	Depreciation for the year	-151.988	-169.846
	Reversal of depreciation, amortisation and writedown, assets disposed of	2.539	27.867
	Depreciation and writedown 31 December 2016	**-801.609**	**-764.612**
	Book value 31 December 2016	**454.851**	**388.661**

Notes

All amounts in EUR.

			Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
7. Equity investments in group enterprises				
Acquisition sum, opening balance 1 January 2016			792.988	792.988
Cost 31 December 2016			**792.988**	**792.988**
Revaluations, opening balance 1 January 2016			479.226	-234.132
Translation by use of the exchange rate valid on balance sheet date			-45.605	14.828
Results for the year before goodwill amortisation			1.100.513	644.262
Capital contribution			0	54.268
Revaluation 31 December 2016			**1.534.134**	**479.226**
Offsetting against debtors			717.757	576.994
Transferred to provisions			213.843	102.027
Set off against debtors and provisions for liabilities			**931.600**	**679.021**
Book value 31 December 2016			**3.258.722**	**1.951.235**

Group enterprises:

	Domicile	**Share of ownership**
Reputation Institute, Inc.	USA	100 %
Reputation (RI) UK Limited	United Kingdom	100 %
Reputation Institute Spain S.L.	Spain	100 %
R.I. Consultoria Em Reputacao Empresarial LTDA	Brazil	74 %
Reputation Institute ApS	Denmark	100 %
Reputation Institute The Netherlands B.V.	Netherlands	100 %
Reputation Institute Italy s.r.l	Italy	100 %

8. Accrued income and deferred expenses				
Prepayments	309.116	495.318	28.384	26.241
Deferred rent receivable	145.196	111.783	0	0
	454.312	**607.101**	**28.384**	**26.241**

All amounts in EUR.

	Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
9. Contributed capital				
Contributed capital 1 January 2016	142.016	142.016	142.016	142.016
	142.016	**142.016**	**142.016**	**142.016**
10. Reserves for net revaluation as per the equity method				
Reserves for net revaluation 1 January 2016	0	0	479.226	0
Share of results	0	0	1.155.548	479.226
	0	**0**	**1.634.774**	**479.226**
11. Results brought forward				
Results brought forward 1 January 2016	2.418.217	1.938.236	1.940.581	1.938.236
Profit or loss for the year brought forward	1.027.873	607.293	-127.675	128.067
Purchase of treasury shares	0	-137.823	0	-137.823
Exchange rate adjustments	-39.277	10.511	-40.867	10.511
	3.406.813	**2.418.217**	**1.772.039**	**1.938.991**
12. Minority interests				
Minority interests 1 January 2016	-99.150	-168.580	0	0
Share of the results for the year	10.485	42.477	0	0
Exchange rate adjustments	-20.788	26.953	0	0
	-109.453	**-99.150**	**0**	**0**
13. Other provisions				
Provisions for group enterprises	0	0	213.843	102.027
Restructuring costs	0	562.848	0	0
	0	**562.848**	**213.843**	**102.027**

All amounts in EUR.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
14.	**Bank debts**				
	Bank debts in total	0	32.830	0	0
	Share of amount due within 1 year	0	0	0	0
	Bank debts in total	**0**	**32.830**	**0**	**0**
15.	**Accrued expenses and deferred income**				
	Deferred rent	74.822	66.805	0	0
		74.822	**66.805**	**0**	**0**
16.	**Accrued expenses and deferred income**				
	Deferred rent	24.891	20.000	0	0
	Deferred income	5.406.035	3.403.168	0	0
		5.430.926	**3.423.168**	**0**	**0**

17. Mortgage and securities

The parent company

Reputation Institute Holding A/S will financial support its subsidiaries though the financial year 2017.

18. Contingencies

Contingent liabilities

The Group

Leasing commitments:

The RI Group leases office space under fixed term agreements. The leases have varying terms, escalation clauses and renewal rights. Commitments arising from fixed term operating leases for office space are as follows for the year ended:

All amounts in EUR.

. **Contingencies (continued)**

Contingent liabilities (continued)

2017	1.006.000
2018	720.000
2019	707.000
2020	720.000
2021	618.000
Thereafter	99.000
Total	3.870.000

Rental income:

In 2015, the Group sub-leased the office space at 55 Broad Street in New York City, New York under a seven year lease agreement which commenced in September 2015. Rent payments began three months after the sub-lease commencement date.

The sub-lease generated EUR 423,000 and EUR 116,000 in income during 2016 and 2015. The sub-lease expires in 2022 and is subject to escalations. The minimum future rental income in each of the years ending December 31, and thereafter is as follows:

2017	436.000
2018	449.000
2019	473.000
2020	507.000
2021	523.000
Thereafter	133.000
Total	2.521.000

In addition, in 2016 the Group sub-leased the office space at One Canal Street in Boston, Massachusetts under a one year sub-lease agreement which commenced on June 15th, 2016. The sub-lease generated EUR 82,000 in income during 2016. The sub-lease expires in May 2017. Future minimum rental payments due in 2017 are EUR 63,000.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

All amounts in EUR.

. Contingencies (continued)

Joint taxation (continued)

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

		Group	
		2016	2015
19.	**Adjustments**		
	Depreciation and amortisation	151.988	169.846
	Income from equity investments in group enterprises	0	0
	Other financial income	-22.850	-27.364
	Other financial costs	13.924	35.558
	Tax on ordinary results	405.956	246.808
	Exchange rate adjustments	-72.104	10.051
		476.914	**434.899**
20.	**Change in working capital**		
	Change in debtors	-1.242.764	-908.831
	Change in trade creditors and other liabilities	2.336.675	33.650
	Change in restructuring provisions	-562.848	-16.139
		531.063	**-891.320**