

## **Gan Integrity Solutions ApS**

Christian IX's Gade 5, 2.

1111 Copenhagen K

Central Business Registration No

28279779

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 22.06.2017

### **Chairman of the General Meeting**

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Name: Thomas John Hart Sehested

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## Entity details

### Entity

Gan Integrity Solutions ApS  
Christian IX's Gade 5, 2.  
1111 Copenhagen K

Central Business Registration No: 28299779  
Registered in: Copenhagen  
Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Thomas John Hart Sehested, chairman  
Jimmy Lee

### Executive Board

Thomas John Hart Sehested

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Gan Integrity Solutions ApS for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 22.06.2017

### Executive Board

Thomas John Hart Sehested

### Board of Directors

Thomas John Hart Sehested  
chairman

Jimmy Lee

# Independent auditor's report

## To the shareholders of Gan Integrity Solutions ApS

### Opinion

We have audited the financial statements of Gan Integrity Solutions ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 the 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 these financial statements.

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

## Independent auditor's report

- 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 Entity's internal control.
- 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 22.06.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jacob Simonsen

State Authorised Public Accountant

## Management commentary

### Primary activities

The company's main activities is to offer consulting services with specialization in international managements consulting and other managements consulting.

### Development in activities and finances

The loss of the year is DKK 19,692k. The total assets is DKK 10,383k and the equity is DKK (18,939)k

The company is monitoring its cash position and cash resources continuously. Group Company has secured financing of the expected cash burn for 2017.

Comparative figures have been adjusted due to material errors in last year's annual report. For further detail see description under accounting policies.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.



## Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
<b>Gross loss</b>		<b>(10.884.488)</b>	<b>(3.780)</b>
Staff costs	1	(8.331.691)	(5.367)
Depreciation, amortisation and impairment losses	2	<u>(1.505.871)</u>	<u>(762)</u>
<b>Operating profit/loss</b>		<b>(20.722.050)</b>	<b>(9.909)</b>
Other financial income	3	53.495	5
Other financial expenses	4	<u>(1.263.574)</u>	<u>(170)</u>
<b>Profit/loss before tax</b>		<b>(21.932.129)</b>	<b>(10.074)</b>
Tax on profit/loss for the year	5	<u>2.240.421</u>	<u>1.576</u>
<b>Profit/loss for the year</b>		<b><u>(19.691.708)</u></b>	<b><u>(8.498)</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>(19.691.708)</u>	<u>(8.498)</u>
		<b><u>(19.691.708)</u></b>	<b><u>(8.498)</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Completed development projects		3.588.931	2.404
Development projects in progress		1.124.629	2.776
<b>Intangible assets</b>	6	<b>4.713.560</b>	<b>5.180</b>
Other fixtures and fittings, tools and equipment		22.551	0
<b>Property, plant and equipment</b>	7	<b>22.551</b>	<b>0</b>
Investments in group enterprises		61.750	62
Deposits		94.213	94
<b>Fixed asset investments</b>	8	<b>155.963</b>	<b>156</b>
<b>Fixed assets</b>		<b>4.892.074</b>	<b>5.336</b>
Trade receivables		1.000.965	1.241
Contract work in progress	9	0	40
Receivables from group enterprises		2.097.851	0
Other receivables		267.212	177
Income tax receivable		2.042.239	1.596
Prepayments		16.666	0
<b>Receivables</b>		<b>5.424.933</b>	<b>3.054</b>
<b>Cash</b>		<b>66.137</b>	<b>399</b>
<b>Current assets</b>		<b>5.491.070</b>	<b>3.453</b>
<b>Assets</b>		<b>10.383.144</b>	<b>8.789</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK'000</u>
Contributed capital		788.083	788
Reserve for development expenditure		1.034.872	0
Retained earnings		(20.761.849)	(35)
<b>Equity</b>		<b>(18.938.894)</b>	<b>753</b>
Deferred tax		0	384
<b>Provisions</b>		<b>0</b>	<b>384</b>
Bank loans		2.988.204	4.059
Trade payables		468.199	1.036
Payables to group enterprises		22.111.826	295
Other payables		2.309.964	1.553
Deferred income		1.443.845	709
<b>Current liabilities other than provisions</b>		<b>29.322.038</b>	<b>7.652</b>
<b>Liabilities other than provisions</b>		<b>29.322.038</b>	<b>7.652</b>
<b>Equity and liabilities</b>		<b>10.383.144</b>	<b>8.789</b>

Contingent liabilities

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## Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	788.083	0	3.235.014	4.023.097
Corrections of errors	0	0	(3.270.283)	(3.270.283)
<b>Adjusted equity, beginning of year</b>	<b>788.083</b>	<b>0</b>	<b>(35.269)</b>	<b>752.814</b>
Transfer to reserves	0	1.034.872	(1.034.872)	0
Profit/loss for the year	0	0	(19.691.708)	(19.691.708)
<b>Equity end of year</b>	<b>788.083</b>	<b>1.034.872</b>	<b>(20.761.849)</b>	<b>(18.938.894)</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	7.743.013	4.898
Pension costs	142.048	138
Other social security costs	212.644	210
Other staff costs	233.986	121
	<b>8.331.691</b>	<b>5.367</b>
 Average number of employees	 <b>28</b>	 <b>20</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	1.210.056	762
Impairment losses on intangible assets	291.695	0
Depreciation of property, plant and equipment	4.120	0
	<b>1.505.871</b>	<b>762</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>3. Other financial income</b>		
Interest income	100	0
Exchange rate adjustments	53.395	5
	<b>53.495</b>	<b>5</b>
	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	1.109.276	0
Interest expenses	132.622	115
Exchange rate adjustments	5.305	18
Other financial expenses	16.371	37
	<b>1.263.574</b>	<b>170</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>5. Tax on profit/loss for the year</b>		
Tax on current year taxable income	(1.856.821)	(1.410)
Change in deferred tax for the year	(383.600)	(166)
	<b>(2.240.421)</b>	<b>(1.576)</b>
	<b>Completed develop- ment projects DKK</b>	<b>Develop- ment projects in progress DKK</b>
<b>6. Intangible assets</b>		
Cost beginning of year	4.081.495	2.856.141
Additions	2.394.226	1.034.872
Disposals	0	(2.394.226)
<b>Cost end of year</b>	<b>6.475.721</b>	<b>1.496.787</b>
Amortisation and impairment losses beginning of year	(1.676.734)	(80.463)
Impairment losses for the year	0	(291.695)
Amortisation for the year	(1.210.056)	0
<b>Amortisation and impairment losses end of year</b>	<b>(2.886.790)</b>	<b>(372.158)</b>
<b>Carrying amount end of year</b>	<b>3.588.931</b>	<b>1.124.629</b>

### Development projects in progress

The capitalization of developments projects is based on costs related directly to the development.

## Notes

	<b>Other fixtures and fittings, tools and equipment DKK</b>
<b>7. Property, plant and equipment</b>	
Cost beginning of year	26.207
Additions	<u>26.671</u>
<b>Cost end of year</b>	<b><u>52.878</u></b>
Depreciation and impairment losses beginning of the year	(26.207)
Depreciation for the year	<u>(4.120)</u>
<b>Depreciation and impairment losses end of the year</b>	<b><u>(30.327)</u></b>
<b>Carrying amount end of year</b>	<b><u>22.551</u></b>

	<b>Investments in group enterprises DKK</b>	<b>Deposits DKK</b>
<b>8. Fixed asset investments</b>		
Cost beginning of year	<u>61.750</u>	<u>94.213</u>
<b>Cost end of year</b>	<b><u>61.750</u></b>	<b><u>94.213</u></b>
<b>Carrying amount end of year</b>	<b><u>61.750</u></b>	<b><u>94.213</u></b>

	<b>Registered in</b>	<b>Equity inte- rest %</b>
Investments in group enterprises comprise:		
Gan Integrity Inc.	USA	100,0

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>9. Contract work in progress</b>		
Contract work in progress	0	39
Progress billings regarding contract work in progress	0	1
	<b>0</b>	<b>40</b>

### 10. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Gan Integrity Solutions Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.



## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies are as stated below.

### Material errors in previous years

When preparing the annual report 2016, we have found that the annual report for 2015 has been subject to material errors last year. The material errors related to transactions booked in group enterprises, which haven't been booked in the annual report 2015.

The errors results in an adjustment of other expenses, in the comparative figures, which have been increased with 3,270k and an adjustment of receivables from group enterprises, in the comparative figures, which have been decreased with 3,270k. The adjustment have a negative impact on equity, beginning of the year with 3,270k. The adjustments don't have a tax effect.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## Accounting policies

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, consumables and external expenses.

#### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises.

#### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

#### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprise.

#### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

## Accounting policies

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 2-5 years.

#### Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 years
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Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

#### Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

## Accounting policies

### Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

### Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Other financial liabilities

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

### Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.