

Gavdi Group A/S

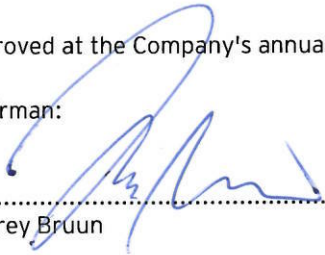
Lyngbyvej 2, 1., 2100 København Ø

CVR no. 29 79 96 44

Annual report 2017

Approved at the Company's annual general meeting on 19 April 2018

Chairman:


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Jeffrey Bruun





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Gavdi Group A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2017 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2017.

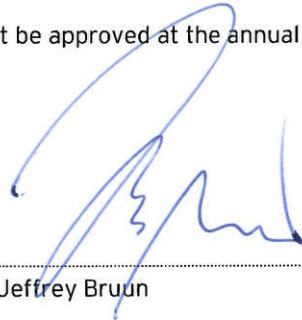
Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Copenhagen, 19 April 2018
Executive Board:



Søren Koppelhus



Jeffrey Bruun

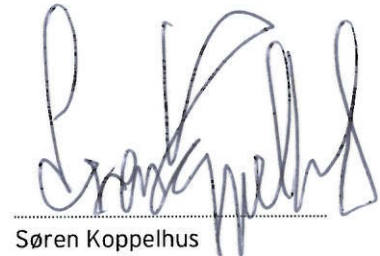
Board of Directors:



Lars Steffen Knudsen
Chairman



Lise Hedegaard Koppelhus



Søren Koppelhus

Independent auditor's report

To the shareholders of Gavdi Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Gavdi Group A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for 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 rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 the 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 Group's and the Parent Company'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 Group's and the Parent 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 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 Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 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 the work we have performed, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19 April 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Mogens Andreassen
State Authorised Public Accountant
MNE no.: mne28603


Peter Jensen
State Authorised Public Accountant
MNE no.: mne33246



Management's review

Company details

Name	Gavdi Group A/S
Address, Postal code, City	Lyngbyvej 2, 1., 2100 København Ø
CVR no.	29 79 96 44
Website	www.gavdi.com
E-mail	info@gavdi.com
Telephone	+45 33 91 29 29
Board of Directors	Lars Steffen Knudsen, Chairman Lise Hedegaard Koppelhus Søren Koppelhus
Executive Board	Søren Koppelhus Jeffrey Bruun
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmutshs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKKt	2017	2016	2015	2014	2013
Key figures					
Revenue	218,066	207,736	204,677	185,495	177,255
Gross margin	161,382	160,227	149,407	129,374	126,628
Operating profit/loss	9,059	5,790	2,367	7,009	-3,121
Net financials	1,041	1,169	564	601	941
Profit/loss for the year	6,020	4,394	1,908	5,154	-3,428
Total assets					
Investment in property, plant and equipment	-1,015	-236	-1,476	-2,994	1,202
Equity	62,164	58,457	41,190	40,739	37,575
Financial ratios					
Operating margin	4.2%	2.8%	1.2%	3.8%	-1.8%
Return on assets	6.1%	4.7%	2.2%	6.5%	-3.0%
Current ratio	160.4%	149.6%	167.4%	158.2%	156.8%
Solvency ratio	31.4%	27.8%	42.0%	35.6%	37.3%
Return on equity	8.2%	2.2%	4.7%	13.2%	-8.6%
Average number of employees					
	255	249	226	182	169

Management's review

Business review

Gavdi Group A/S is the holding company of Gavdi Group's Danish and foreign companies.

The Gavdi companies supply SAP and SuccessFactors consultancy services and solutions focusing on human capital.

Management and technology areas

Gavdi Group A/S has majority interests in more than fifteen companies, all operating under the Gavdi brand in EMEA, and is one of the largest players within its field of services in the region.

Financial review

Parent

Management finds the results of 2017 satisfying and our strategy to be more profitable, and the growth outside Denmark is on track. The income statement for 2017 shows a net result for 2017 of DKK 3.5 million and the balance sheet at 31 December 2017 shows total equity of DKK 45.5 million.

Group

In 2017, the Group's revenue came in at DKK 218.1 million against DKK 207.7 million last year.

The income statement for 2017 shows an operating profit of DKK 9.1 million against an operating profit of DKK 8.8 million last year. Net result for 2017 ends with DKK 6.0 million and balance sheet at 31 December 2017 shows total equity of DKK 62.2 million.

Operating review

Gavdi Group has witnessed one of the best years ever. Gavdi Group was able to grow revenue with 5% in a difficult market where the transition from On Premise to Cloud is still ongoing. Despite the market conditions, we managed to deliver a strong financial result. Within a few years, Gavdi has secured Cloud-related services to be the main driver of the business and in 2017 more than 50% of total revenue is related to Cloud.

Management is therefore satisfied with the financial performance; however, we still believe that improvements are possible based on a further development of our delivery model and even further alignment of different processes across the Group.

Knowledge resources

On an ongoing basis, Gavdi Group is investing in training and upskilling of resources. By the end of 2017, Gavdi has built the largest SuccessFactors practice in Europe with more than 150 certified SuccessFactors consultants and we plan to grow this number further during 2018.

Special risks

According to Management, the Group is not exposed to any risks other than those that are usual for the sector. The Group has a moderate currency exposure, but as this is mainly related to currencies that are pegged to the euro, Management does not find additional hedging required.

Impact on the external environment

The Group does not impact the external environment significantly.

Events after the balance sheet date

No events have occurred after the financial year-end which could significantly affect the Company's or the Group's financial position at 31 December 2017.



Management's review

Outlook

Gavdi is expecting the same range of growth compared to 2017 and related higher profitability with an even higher portion of Cloud-related revenue. During the first half of 2018, we will release the third version of our Rapid Deployment Solution for SuccessFactors. This version will include localised time-off for more than 50 countries and EC Payroll for the 10 countries including UK, Germany, Poland, UAE, KSA, Holland and Denmark. We believe that this version will keep us in the forefront of companies delivering services in relation to SAP cloud solutions.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK	Group		Parent company	
		2017	2016	2017	2016
	Revenue	218,066,274	207,736,320	0	0
	Other operating income	15,235	583,074	0	0
	Other external expenses	-56,699,033	-48,092,673	-20,828	-10,276
	Gross margin	161,382,476	160,226,721	-20,828	-10,276
2	Staff costs	-145,414,607	-147,529,106	0	0
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-6,909,123	-6,907,170	0	-103,272
	Profit/loss before net financials	9,058,746	5,790,445	-20,828	-113,548
	Income from investments in group entities	0	0	4,202,005	505,999
4	Financial income	3,442,891	3,260,651	702,401	1,451,424
5	Financial expenses	-2,402,037	-2,092,060	-1,469,736	-783,791
	Profit before tax	10,099,600	6,959,036	3,413,842	1,060,084
6	Tax for the year	-4,080,057	-2,565,054	173,396	-144,606
	Profit for the year	6,019,543	4,393,982	3,587,238	915,478
	Specification of the Group's results of operations:				
	Shareholders in Gavdi Group A/S	3,587,238	915,478		
	Non-controlling interests	2,432,305	3,478,504		
		6,019,543	4,393,982		

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK	Group		Parent company	
		2017	2016	2017	2016
		ASSETS			
		Fixed assets			
7	Intangible assets				
	Completed development projects	7,853,333	9,751,529	0	0
	Goodwill	8,077,442	8,929,723	0	0
		<u>15,930,775</u>	<u>18,681,252</u>	<u>0</u>	<u>0</u>
8	Property, plant and equipment				
	Other fixtures and fittings, tools and equipment	2,624,777	3,096,629	0	0
		<u>2,624,777</u>	<u>3,096,629</u>	<u>0</u>	<u>0</u>
9	Investments				
	Investments in group entities, net asset value	0	0	57,925,355	53,243,935
	Receivables from group entities	0	0	1,316,719	1,726,922
	Other receivables	1,078,930	1,075,344	0	0
		<u>1,078,930</u>	<u>1,075,344</u>	<u>59,242,074</u>	<u>54,970,857</u>
	Total fixed assets	<u>19,634,482</u>	<u>22,853,225</u>	<u>59,242,074</u>	<u>54,970,857</u>
	Non-fixed assets				
	Receivables				
	Trade receivables	54,560,144	54,443,262	0	0
	Work in progress for third parties	10,735,485	4,514,808	0	0
	Receivables from group entities	41,922,968	40,680,762	3,719,851	1,171,290
	Income taxes receivable	673,064	890,533	43,587	0
	Other receivables	1,487,896	2,272,457	0	0
10	Prepayments	2,763,235	2,583,595	0	0
		<u>112,142,792</u>	<u>105,385,417</u>	<u>3,763,438</u>	<u>1,171,290</u>
	Cash	<u>12,851,608</u>	<u>22,425,390</u>	<u>59,867</u>	<u>96,664</u>
	Total non-fixed assets	<u>124,994,400</u>	<u>127,810,807</u>	<u>3,823,305</u>	<u>1,267,954</u>
	TOTAL ASSETS	<u>144,628,882</u>	<u>150,664,032</u>	<u>63,065,379</u>	<u>56,238,811</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK	Group		Parent company	
		2017	2016	2017	2016
		EQUITY AND LIABILITIES			
		Equity			
11	Share capital	501,000	501,000	501,000	501,000
	Reserve for development costs	4,878,561	4,829,548	0	0
	Retained earnings	40,070,051	36,532,498	44,948,612	41,362,046
	Shareholder in Gavdi Group A/S' share of equity	45,449,612	41,863,046	45,449,612	41,863,046
	Non-controlling interests	16,714,404	16,594,101	0	0
	Total equity	62,164,016	58,457,147	45,449,612	41,863,046
	Provisions				
13	Deferred tax	1,434,501	722,630	0	0
14	Total provisions	1,434,501	722,630	0	0
	Liabilities other than provisions				
12	Non-current liabilities other than provisions				
	Other credit institutions	1,071,745	1,933,145	0	0
	Other payables	2,047,348	4,094,695	0	0
		3,119,093	6,027,840	0	0
	Current liabilities other than provisions				
12	Current portion of long-term liabilities	2,802,300	8,111,615	0	0
	Bank debt	6,831,514	11,126,029	0	0
	Trade payables	15,445,170	9,878,126	58,611	53,595
	Payables to group entities	991,397	2,402,956	17,182,156	14,192,361
	Income taxes payable	1,931,197	2,900,095	0	129,809
	Payables to shareholders and management	2,375,000	0	375,000	0
	Other payables	33,046,765	29,840,883	0	0
15	Deferred income	14,487,929	21,196,711	0	0
		77,911,272	85,456,415	17,615,767	14,375,765
	Total liabilities other than provisions	81,030,365	91,484,255	17,615,767	14,375,765
	TOTAL EQUITY AND LIABILITIES	144,628,882	150,664,032	63,065,379	56,238,811

- 1 Accounting policies
16 Contractual obligations and contingencies, etc.
17 Collateral
18 Related parties

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK	Group	
		2017	2016
	Profit for the year	6,019,543	4,393,982
20	Adjustments	9,904,910	8,191,001
	Cash generated from operations (operating activities)	15,924,453	12,584,983
21	Changes in working capital	-5,924,300	5,023,983
	Cash generated from operations (operating activities)	10,000,153	17,608,966
	Interest received, etc.	1,221,891	1,039,651
	Interest paid, etc.	-2,375,037	-2,065,060
	Income taxes paid	-4,299,011	-2,461,487
	Cash flows from operating activities	4,547,996	14,122,070
	Additions of intangible assets	-1,190,821	-1,350,651
	Additions of property, plant and equipment	-1,014,682	-235,538
	Disposals of property, plant and equipment	292,932	112,632
	Purchase of financial assets	-508,490	-459,079
	Sale of financial assets	504,904	0
	Acquisition of minorities	-1,216,028	0
	Disposals of minorities	375,000	0
	Repayments received, loans	41,853	0
	Cash flows to investing activities	-2,715,332	-1,932,636
	Dividends paid	-841,584	-418,368
	Proceeds of other debt	2,000,000	0
	Repayments, other debt	-8,066,315	0
	Repayments, debt to credit institutions	-147,247	0
	Other changes in long-term debt	0	-372,114
	Cash flows from financing activities	-7,055,146	-790,482
	Net cash flow	-5,222,482	11,398,952
	Cash and cash equivalents at 1 January	11,299,361	-99,591
	Foreign exchange adjustments	-56,785	0
22	Cash and cash equivalents at 31 December	6,020,094	11,299,361

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Gavdi Group A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The Company has restated the Group comparatives for 2016 as regards Non-current "Other payables" and Current "Other payables", as items of Non-current "Other payables" were presented as Current "Other payables". Further the group comparatives for 2016 has been restated as regards "Staff costs" and "Other external expenses", as items of "Staff costs" were presented as "Other external expenses". The restatements have not affected results or equity.

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Non-controlling interests

Accounting items attributable to subsidiaries are recognised in full in the consolidated financial statements. Minority interests' share of subsidiaries' profit or loss for the year and equity is recognised as separate items in the income statement and the balance sheet.

In the former scenario, goodwill relating to the non-controlling interests' share of the acquiree is thus recognised, whereas, in the latter scenario, goodwill relating to the non-controlling interests' share is not recognised. The measurement scenario is decided transaction by transaction.

Differences between remuneration and the carrying amount in connection with the acquisition of further minority interests are recognised as goodwill.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the year, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Income from the supply of services is recognised as revenue with reference to the stage of completion.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time limited software licences is accrued and recognised on a straight line basis over the term of the licence according to the terms of the licence agreement.

Sale of indefinite software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

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

Other operating income

Other operating income comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of non-current assets.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

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

The cost net of the expected residual value of completed development projects is amortised over the expected useful life.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5-9 years
Goodwill	5-10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment are depreciated on a straight-line bases over the expected useful life of each individual asset. The depreciation basis is the cost plus revaluations and less expected residual value.

Other fixtures and fittings, tools and equipment	2-5 years
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Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Shares of profit/loss after tax in associates are recognised in the consolidated income statement after elimination of a proportionate share of unrealised intra-group gains/losses.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on securities and foreign currency transactions and allowances under the advance-payment-of-tax scheme, etc.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other subsidiaries. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 5 and 10 years. The amortisation period is based on the expected economic life, measured by reference to an assessment of, among other factors, nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and cannot exceed 9 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment comprise other fixtures and fittings, tools and equipment and are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated costs of disposal. Gains or losses are recognised in the income statement as financial income or financial expenses.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable 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 calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends 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.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate 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. On subsequent recognition, 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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity excl. non-controlling interests, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

	Group		Parent company	
	2017	2016	2017	2016
DKK				
2 Staff costs				
Wages/salaries	127,617,565	129,257,935	0	0
Pensions	6,495,234	6,701,062	0	0
Other social security costs	9,942,816	9,983,970	0	0
Other staff costs	1,358,992	1,586,139	0	0
	<u>145,414,607</u>	<u>147,529,106</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>255</u>	<u>249</u>	<u>0</u>	<u>0</u>

Remuneration to members of management:

Group

Total remuneration to Group Management: DKK 4,719,859 (2016: DKK 7,416,309).

Parent company

The Parent Company has no employees.

	Group		Parent company	
	2017	2016	2017	2016
DKK				
3 Amortisation/depreciation of intangible assets and property, plant and equipment				
Amortisation of intangible assets	5,505,156	5,766,752	0	103,272
Depreciation of property, plant and equipment	1,403,967	1,140,418	0	0
	<u>6,909,123</u>	<u>6,907,170</u>	<u>0</u>	<u>103,272</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

	Group		Parent company	
	2017	2016	2017	2016
DKK				
4 Financial income				
Interest receivable, group entities	2,221,000	2,570,729	702,042	1,450,858
Other financial income	1,221,891	689,922	359	566
	<u>3,442,891</u>	<u>3,260,651</u>	<u>702,401</u>	<u>1,451,424</u>
5 Financial expenses				
Interest expenses, group entities	27,000	729,514	1,340,437	782,000
Other financial expenses	2,375,037	1,362,546	129,299	1,791
	<u>2,402,037</u>	<u>2,092,060</u>	<u>1,469,736</u>	<u>783,791</u>

	Group		Parent company	
	2017	2016	2017	2016
DKK				
6 Tax for the year				
Estimated tax charge for the year	3,368,186	144,606	-173,396	144,606
Deferred tax adjustments in the year	711,871	2,420,448	0	0
	<u>4,080,057</u>	<u>2,565,054</u>	<u>-173,396</u>	<u>144,606</u>

7 Intangible assets

	Group		
	Completed development projects	Goodwill	Total
DKK			
Cost at 1 January 2017	36,284,936	15,551,172	51,836,108
Additions in the year	1,190,821	1,740,455	2,931,276
Disposals in the year	-900,000	-176,597	-1,076,597
Cost at 31 December 2017	<u>36,575,757</u>	<u>17,115,030</u>	<u>53,690,787</u>
Impairment losses and amortisation at 1 January 2017	26,533,407	6,621,449	33,154,856
Amortisation in the year	3,089,017	2,416,139	5,505,156
Reversal of amortisation/depreciation and impairment of disposals	-900,000	0	-900,000
Impairment losses and amortisation at 31 December 2017	<u>28,722,424</u>	<u>9,037,588</u>	<u>37,760,012</u>
Carrying amount at 31 December 2017	<u>7,853,333</u>	<u>8,077,442</u>	<u>15,930,775</u>
			Parent company
DKK			Goodwill
Cost at 1 January 2017			554,760
Cost at 31 December 2017			554,760
Impairment losses and amortisation at 1 January 2017			554,760
Impairment losses and amortisation at 31 December 2017			554,760
Carrying amount at 31 December 2017			<u>0</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

	Group
	Other fixtures and fittings, tools and equipment
DKK	
Cost at 1 January 2017	11,841,542
Exchange adjustment	126,059
Additions in the year	1,014,682
Disposals in the year	-704,471
Cost at 31 December 2017	12,277,812
Impairment losses and depreciation at 1 January 2017	8,744,913
Depreciation in the year	1,403,967
Reversal of depreciation and impairment of disposals	-495,845
Impairment losses and depreciation at 31 December 2017	9,653,035
Carrying amount at 31 December 2017	2,624,777

9 Investments

	Group
	Other receivables
DKK	
Cost at 1 January 2017	1,075,344
Additions on merger / corporate acquisition	508,490
Additions in the year	-504,904
Cost at 31 December 2017	1,078,930
Carrying amount at 31 December 2017	1,078,930

	Parent company		
	Investments in group entities, net asset value	Receivables from group entities	Total
DKK			
Cost at 1 January 2017	35,794,317	8,717,794	44,512,111
Additions in the year	1,224,218	0	1,224,218
Disposals in the year	-375,000	-518,827	-893,827
Cost at 31 December 2017	36,643,535	8,198,967	44,842,502
Value adjustments at 1 January 2017	17,449,618	-6,990,872	10,458,746
Exchange adjustment	-672	0	-672
Dividend distributed	-897,416	0	-897,416
Share of the profit/loss for the year	4,202,005	0	4,202,005
Other adjustments, investments	528,285	0	528,285
Reversal of prior year impairment losses	0	108,624	108,624
Value adjustments at 31 December 2017	21,281,820	-6,882,248	14,399,572
Carrying amount at 31 December 2017	57,925,355	1,316,719	59,242,074

The carrying amount of investments in group entities comprise a share of the entities' net asset value, DKK 52,290 thousand, and goodwill at a carrying amount of DKK 5,635 thousand.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

9 Investments (continued)

Of the total carrying amount, negative net assets in group entities DKK 15,137 thousand have been set off against receivables as current assets and DKK 6,882 thousand have been set off against receivables as non-current assets.

Parent company

Name	Domicile	Interest
Subsidiaries		
Gavdi A/S	København, DK	89.35%
Gavdi Solutions A/S	København, DK	100.00%
Gavdi Norge AS	Oslo, NO	100.00%
Gavdi Sverige AB	Kista, SE	74.00%
Gavdi Polska S.A	Warszawa, PL	52.00%
Gavdi Finland Oy	Espoo, FI	100.00%
Gavdi UK Ltd.	London, UK	100.00%
Gavdi Deutschland GmbH	Walldorf, DE	100.00%
Gavdi MEA FZ-LLC	Dubai, UAE	100.00%
Gavdi France SAS	Paris, FR	50.04%
Nubbem Consulting SAS	Paris, FR	50.04%
Gavdi Belgie BVBA	Herentals, BE	100.00%
Gavdi Ireland Ltd.	Dublin, IE	100.00%
Init Incentive ApS	København, DK	64.50%
Gavdi Portugal Unipessoal LDA	Lisboa, PT	100.00%
Gavdi BV	Amsterdam, NL	100.00%
Gavdi Labs A/S	København, DK	25.00%

10 Prepayments

Group

Prepayments include accrual of expenses relating to subsequent financial years, including insurance, lease payments, etc.

DKK	Parent company	
	2017	2016

11 Share capital

Analysis of the share capital:

30,000,000 A shares of DKK 0.01 nominal value each	300,000	300,000
20,100,000 B shares of DKK 0.01 nominal value each	201,000	201,000
	<u>501,000</u>	<u>501,000</u>

Analysis of changes in the share capital over the past 5 years:

DKK	2017	2016	2015	2014	2013
Opening balance	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>
	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

12 Non-current liabilities other than provisions

	Group			
	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
DKK				
Other credit institutions	1,826,698	754,953	1,071,745	0
Other payables	4,094,695	2,047,347	2,047,348	0
	<u>5,921,393</u>	<u>2,802,300</u>	<u>3,119,093</u>	<u>0</u>

13 Deferred tax

Deferred tax relates to:

	Group		Parent company	
	2017	2016	2017	2016
DKK				
Intangible assets	1,676,567	1,692,339	0	0
Property, plant and equipment	-610,157	-1,348,508	0	0
Other non-taxable temporary differences	368,091	378,799	0	0
	<u>1,434,501</u>	<u>722,630</u>	<u>0</u>	<u>0</u>

14 Provisions

Group

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment as well as tax allocations in Gavdi Sverige AB.

Parent company

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

15 Deferred income

Group

Deferred income comprises advance billings to customers.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

16 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

	Group		Parent company	
	2017	2016	2017	2016
DKK				
Rent and lease liabilities	9,172,531	8,699,760	0	0

Parent company

The Company is jointly taxed with the other Danish group entities. As a group entity, the Company is jointly and severally liable with other Danish group companies for the corporation tax and withholding taxes on dividends, interest and royalties in the joint taxation. The jointly taxed companies' total known net liability to the Danish tax authorities is presented in the financial statements of the management company, Famkop Holding ApS. Any subsequent corrections of joint taxation of income and withholding tax, etc. could cause the Company's liability to represent a greater amount.

17 Collateral

Group

As security for bank debt, DKK 6,981,320, the Company has granted a charge on assets representing a nominal value of DKK 12,000,000. The charge comprises trade receivables at a carrying amount of DKK 17,267,787.

The Parent Company has issued a guarantee as security for the bank debt in Gavdi A/S. For that purpose, shares in subsidiaries and associates in the following companies are charged:

- Gavdi A/S
- Gavdi Solutions A/S
- Init Incentive ApS

The Parent Company has signed a letter of comfort for Gavdi Solutions A/S and will support and secure the Company unconditionally until 31 December 2018.

18 Related parties

Group

Related party transactions

DKK	2017	2016
Group		
Revenue for Parent Company	270,000	1,080,000
Management fee paid to Parent Company	968,750	3,950,000

In addition, receivables and payables to other group entities and Management is presented in the balance sheet and the related interest is presented in note 4 and 5.

Information on the remuneration to management

Information on the remuneration to Management appears from note 2, "Staff costs".

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

Parent company

Parties exercising control

Related party	Domicile	Basis for control
Gavdi Holding A/S	København	Participating interest

Information about consolidated financial statements

Parent	Domicile
Famkop Holding ApS	Frederiksberg

Transactions with related parties

The parent has receivables and payables to other group entities and Management, which is presented in the balance sheet and the related interest is presented in note 4 and 5.

	Parent company	
DKK	2017	2016
19 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	3,587,238	915,478
	<u>3,587,238</u>	<u>915,478</u>
	Group	
DKK	2017	2016
20 Adjustments		
Amortisation/depreciation and impairment losses	6,909,123	6,907,170
Gain/loss on the sale of non-current assets	-43,416	-112,632
Financial income	-3,442,891	-3,260,651
Financial expenses	2,402,037	2,092,060
Tax for the year	4,080,057	2,565,054
	<u>9,904,910</u>	<u>8,191,001</u>
21 Changes in working capital		
Change in work in progress and deferred income	-12,929,459	13,392,278
Change in receivables	500,633	-15,919,089
Change in trade and other payables	5,883,432	784,106
Other changes in working capital	621,094	6,766,688
	<u>-5,924,300</u>	<u>5,023,983</u>
22 Cash and cash equivalents at year-end		
Cash according to the balance sheet	12,851,608	22,425,390
Short-term debt to banks	-6,831,514	-11,126,029
	<u>6,020,094</u>	<u>11,299,361</u>