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BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
DK-1561 Copenhagen V
CVR no. 20 22 26 70

# GAVDI GROUP A/S

**GYNGEMOSE PARKVEJ 50, 9., 2860 SØBORG**

**ANNUAL REPORT**

**1 JANUARY - 31 DECEMBER 2016**

**The Annual Report has been presented and adopted at the Company's Annual General Meeting on 20 June 2017**

**Jeffrey Bruun**

*The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.*

**CVR NO. 29 79 96 44**

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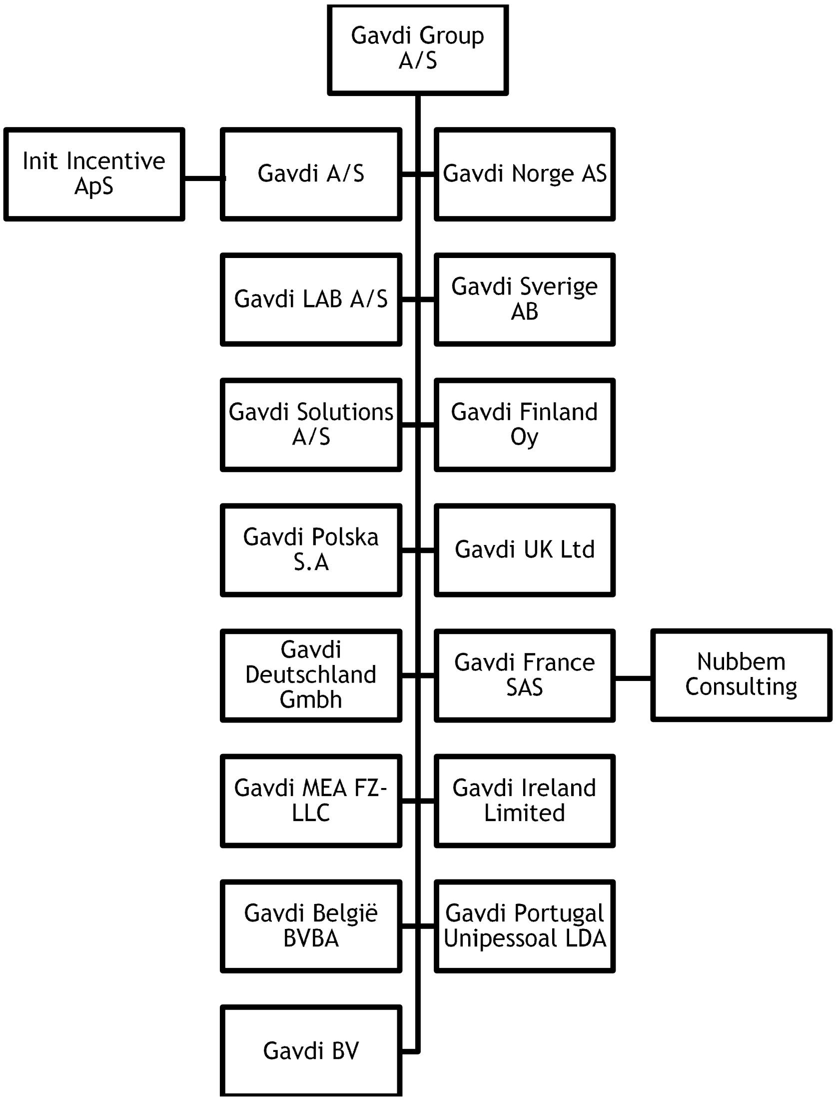
BDO Statsautoriseret revisionsaktieselskab, *a Danish limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.*

## COMPANY DETAILS

| | |
|---|---|
| **Company** | Gavdi Group A/S<br>Gyngemose Parkvej 50, 9.<br>2860 Søborg<br><br>CVR no.: 29 79 96 44<br>Registered Office: Gladsaxe<br>Financial Year: 1 January - 31 December |
| **Board of Directors** | Michael Koppelhus, Chairman<br>Lars Steffen Knudsen<br>Søren Koppelhus |
| **Board of Executives** | Søren Koppelhus<br>Jeffrey Bruun |
| **Auditor** | BDO Statsautoriseret revisionsaktieselskab<br>Havneholmen 29<br>1561 Copenhagen V |
| **General Meeting** | The Annual General Meeting is held on 20 June 2017, at the company's address. |

GROUP STRUCTURE



## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Gavdi Group A/S for the year 1 January - 31 December 2016.

The Annual Report is presented 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 Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Søborg, 20 June 2017

Board of Executives

| | |
|---|---|
| Søren Koppelhus | Jeffrey Bruun |

Board of Directors

| | | |
|---|---|---|
| Michael Koppelhus<br>Chairman | Lars Steffen Knudsen | 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 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. 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 assets, liabilities and financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group and the Parent Company operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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" section of our report. 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and the 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 Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

**Auditor’s Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements.

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company 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.

## INDEPENDENT AUDITOR'S REPORT

**Statement on Management's Review**
Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Management's Review.

Copenhagen, 20 June 2017

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Per Frost Jensen
State Authorised Public Accountant

## FINANCIAL HIGHLIGHTS OF THE GROUP

| | 2016<br>DKK '000 | 2015<br>DKK '000 | 2014<br>DKK '000 | 2013<br>DKK '000 | 2012<br>DKK '000 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Net revenue | 207.736 | 204.677 | 185.495 | 177.255 | 188.324 |
| Operating profit/loss | 5.790 | 2.367 | 7.009 | -3.121 | -200 |
| Financial income and expenses, net | 1.169 | 564 | 601 | 941 | 794 |
| Profit/loss for the year before tax | 6.959 | 2.918 | 7.580 | -2.208 | 558 |
| Profit/loss for the year | 4.394 | 1.908 | 5.154 | -3.428 | -753 |
| **Balance sheet** | | | | | |
| Balance sheet total | 150.669 | 113.915 | 114.548 | 100.675 | 104.100 |
| Equity | 41.863 | 41.190 | 40.739 | 37.575 | 42.038 |
| Equity incl. minority interests | 58.457 | 53.024 | 50.962 | 46.995 | 51.561 |
| Investment in tangible fixed assets | -236 | -1.643 | -2.994 | -1.202 | -1.857 |
| **Ratios** | | | | | |
| Profit margin | 2,8 | 1,2 | 3,8 | -1,8 | -0,1 |
| Solvency ratio | 27,8 | 36,2 | 35,6 | 37,3 | 40,4 |
| Return on equity | 7,9 | 4,7 | 13,2 | Neg. | Neg. |
| Current ratio | 139,7 | 166,3 | 158,2 | 156,8 | 161,8 |
| Return on assets | 4,4 | 2,1 | 6,5 | -3,0 | -0,2 |

## FINANCIAL HIGHLIGHTS OF THE GROUP

The ratios stated in the list of key figures and ratios have been calculated as follows:

| | |
|---|---|
| Profit margin: | $\dfrac{\text{Operating profit/loss x 100}}{\text{Net revenue}}$ |
| Solvency ratio: | $\dfrac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$ |
| Return on equity: | $\dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$ |
| Return on assets | $\dfrac{\text{Operating profit/loss}}{\text{Average assets x 100}}$ |
| Current ratio | $\dfrac{\text{Current assets x 100}}{\text{Current liabilities}}$ |

The ratios follow in all material respects the recommendations of the Danish Finance Society.

## MANAGEMENT'S REVIEW

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

The Gavdi companies supply SAP and SuccessFactors consultancy services and solutions focusing on the Human Capital.

*Management and Technology areas.*
Gavdi Group A/S has majority interests in more than ten companies all operating under the Gavdi brand in EMEA and during 2016 two additional companies were added to the group: Gavdi Portugal who will act as a center of excellence providing the companies access to skilled resources at competitive rates. and Gavdi Netherlands, operative from 1st of January 2017, who will secure Gavdi a stronger footprint in the Dutch market.

**Development in activities and financial position**
*Parent*
Management finds the results of 2016 positive and clearly demonstrates that our strategy to grow Gavdi outside of Denmark has been a success.

*Group*
In 2016, the group's revenue came in at MDKK 207,7 against MDKK 204,7 last year.
The income statement for 2016 shows an operating profit of MDKK 5,8 against an operating profit of MDKK 2,4 last year. Net result for 2016 ends with MDKK 4,4 and balance sheet at 31 December 2016 shows total equity of MDKK 58,5

**Profit/loss for the year compared to future expectations**
Gavdi Group financial performance was improved in 2016. Revenue and profit margin was increasing in a limited way. This is partially due to the performance of Gavdi France, Poland and Dubai but we also start witnessing a payback of the investment done in our transformation to cloud during the previous years.

Management is not satisfied with the financial performance and we still believe that improvements are possible and an even stronger cooperation between the countries is the key for future success and further development of the group.

**Significant events after the end of the financial year**
No events have occurred after the end of the financial year of material importance for the company's financial position.

**Impact on the external environment**
The group does not impact the external environment significantly.

**Knowledge resources**
Gavdi Group has invested heavily in training and upskilling of resources. By end of 2016 Gavdi have built the largest SuccessFactors practice in Europe with more than 100 certified SuccessFactors consultants. Gavdi will continue this during 2017 and expect to have more than 150 certified SuccessFactors consultants.

**Future expectations**
Gavdi will during 2017 release the second version of their Rapid Deployment Solution for SuccessFactors. Version 1 was released May 2016 and its release allowed us to accelerate growth in multiple countries due to the reduced implementation time and implementation costs and optimal use of our near-shore delivery capacity in Portugal and Dubai securing higher profitability. We believe that version 2.0 of our RDS solution will keep us in the forefront of companies delivering services in relation to SAP cloud solutions.

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.

## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

| | Note | Group 2016 DKK | Group 2015 DKK | Parent company 2016 DKK | Parent company 2015 DKK |
|---|---|---|---|---|---|
| **NET REVENUE** | | **207.736.320** | **204.677.393** | **0** | **0** |
| Other operating income | | 583.074 | 72.838 | 0 | 0 |
| Other external expenses | | -62.398.256 | -55.342.757 | -10.276 | -7.818 |
| **GROSS PROFIT** | | **145.921.138** | **149.407.474** | **-10.276** | **-7.818** |
| Staff costs | 1 | -133.223.523 | -140.679.575 | 0 | 0 |
| Depreciation, amortisation and impairment | | -6.907.170 | -6.361.356 | -103.272 | -137.531 |
| **OPERATING PROFIT** | | **5.790.445** | **2.366.543** | **-113.548** | **-145.349** |
| Result of equity investments in group and associates | | 0 | -12.690 | 505.999 | 466.939 |
| Other financial income | 2 | 3.260.651 | 2.156.425 | 1.451.424 | 709.621 |
| Other financial expenses | 3 | -2.092.060 | -1.592.153 | -783.791 | -764.770 |
| **PROFIT BEFORE TAX** | | **6.959.036** | **2.918.125** | **1.060.084** | **266.441** |
| Tax on profit for the year | 4 | -2.565.054 | -1.009.713 | -144.606 | 14.798 |
| **PROFIT FOR THE YEAR** | 5 | **4.393.982** | **1.908.412** | **915.478** | **281.239** |

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## BALANCE SHEET AT 31 DECEMBER

| ASSETS | Note | Group 2016 DKK | Group 2015 DKK | Parent company 2016 DKK | Parent company 2015 DKK |
|---|---|---|---|---|---|
| Development projects completed.. | | 9.751.529 | 7.971.594 | 0 | 0 |
| Goodwill................................ | | 8.929.723 | 3.145.920 | 0 | 103.272 |
| **Intangible fixed assets..............** | 6 | **18.681.252** | **11.117.514** | **0** | **103.272** |
| Other plant, machinery, tools and equipment............................. | | 3.096.631 | 4.001.511 | 0 | 0 |
| **Tangible fixed assets................** | 7 | **3.096.631** | **4.001.511** | **0** | **0** |
| Equity investments in subsidiaries. | | 0 | 0 | 53.243.934 | 44.714.193 |
| Equity investments in associated enterprises............................ | | 0 | 143.948 | 0 | 4.887.640 |
| Receivables from group enterprises............................ | | 0 | 0 | 1.726.922 | 2.253.772 |
| Rent deposit and other receivables............................ | | 1.075.344 | 616.265 | 0 | 0 |
| **Fixed asset investments............** | 8 | **1.075.344** | **760.213** | **54.970.856** | **51.855.605** |
| **FIXED ASSETS.........................** | | **22.853.227** | **15.879.238** | **54.970.856** | **51.958.877** |
| Trade receivables.................... | | 54.443.262 | 42.784.415 | 0 | 0 |
| Contract work in progress........... | | 4.514.808 | 4.905.868 | 0 | 0 |
| Receivables from group enterprises............................ | | 40.680.762 | 37.402.882 | 1.171.290 | 12.998.654 |
| Provision for deferred tax........... | 9 | 4.547 | 0 | 0 | 0 |
| Other receivables.................... | | 2.272.457 | 2.423.691 | 0 | 0 |
| Joint tax contribution receivable.. | | 890.533 | 0 | 0 | 14.798 |
| Prepayments and accrued income. | 10 | 2.583.595 | 1.058.939 | 0 | 0 |
| **Receivables...........................** | | **105.389.964** | **88.575.795** | **1.171.290** | **13.013.452** |
| **Cash and cash equivalents.........** | | **22.425.390** | **9.460.101** | **96.664** | **351.346** |
| **CURRENT ASSETS.....................** | | **127.815.354** | **98.035.896** | **1.267.954** | **13.364.798** |
| **ASSETS................................** | | **150.668.581** | **113.915.134** | **56.238.810** | **65.323.675** |

BALANCE SHEET AT 31 DECEMBER

| EQUITY AND LIABILITIES | Note | Group 2016 DKK | Group 2015 DKK | Parent company 2016 DKK | Parent company 2015 DKK |
|---|---|---|---|---|---|
| Share capital | 11 | 501.000 | 501.000 | 501.000 | 501.000 |
| Reserve for development costs | | 4.829.548 | 0 | 0 | 0 |
| Retained profit | | 36.532.498 | 40.688.899 | 41.362.046 | 40.688.900 |
| Minority shareholders | | 16.594.101 | 11.834.193 | 0 | 0 |
| **EQUITY** | | **58.457.147** | **53.024.092** | **41.863.046** | **41.189.900** |
| Provision for deferred tax | 9 | 727.177 | 1.954.020 | 0 | 0 |
| **PROVISION FOR LIABILITIES** | | **727.177** | **1.954.020** | **0** | **0** |
| Other bank debt | | 101.947 | 357.361 | 0 | 0 |
| **Long-term liabilities** | 12 | **101.947** | **357.361** | **0** | **0** |
| Short-term portion of long-term liabilities | 12 | 45.300 | 162.000 | 0 | 0 |
| Bank debt | | 12.957.227 | 9.559.692 | 0 | 0 |
| Trade payables | | 9.878.128 | 7.041.762 | 53.593 | 40.668 |
| Payables to group enterprises | | 2.402.956 | 0 | 14.192.362 | 24.093.107 |
| Payables to associated enterprises | | 0 | 1.122.606 | 0 | 0 |
| Corporation tax | | 2.770.286 | 674.605 | 0 | 0 |
| Joint tax contribution payable | | 129.809 | 0 | 129.809 | 0 |
| Other liabilities | | 42.001.893 | 31.823.503 | 0 | 0 |
| Accruals and deferred income | 13 | 21.196.711 | 8.195.493 | 0 | 0 |
| **Current liabilities** | | **91.382.310** | **58.579.661** | **14.375.764** | **24.133.775** |
| **LIABILITIES** | | **91.484.257** | **58.937.022** | **14.375.764** | **24.133.775** |
| **EQUITY AND LIABILITIES** | | **150.668.581** | **113.915.134** | **56.238.810** | **65.323.675** |

**Contingencies etc.** 14

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**Related parties** 16

## EQUITY

| | Group | | | | |
|---|---|---|---|---|---|
| | Share capital | Reserve for development costs | Retained profit | Minority shareholders | Total |
| Equity at 1 January 2016 | 501.000 | 0 | 40.688.899 | 11.834.193 | 53.024.092 |
| Dividend paid | | | | -418.368 | -418.368 |
| Foreign exchange adjustments | | | -242.333 | 564.337 | 322.004 |
| Value adjustments of equity | | | | 1.135.437 | 1.135.437 |
| Proposed distribution of profit | | | 915.480 | 3.478.502 | 4.393.982 |
| Transfer to/from other items | | 4.829.548 | -4.829.548 | | |
| **Equity at 31 December 2016** | **501.000** | **4.829.548** | **36.532.498** | **16.594.101** | **58.457.147** |

| | Parent company | | |
|---|---|---|---|
| | Share capital | Retained profit | Total |
| Equity at 1 January 2016 | 501.000 | 40.688.899 | 41.189.899 |
| Foreign exchange adjustments | | -242.331 | -242.331 |
| Proposed distribution of profit | | 915.478 | 915.478 |
| **Equity at 31 December 2016** | **501.000** | **41.362.046** | **41.863.046** |

## CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | DKK | DKK |
| Profit/loss for the year | 4.393.982 | 1.908.412 |
| Reversed depreciation of the year | 6.907.170 | 6.361.356 |
| Reversed realization gains | -112.632 | 0 |
| Profit/loss from associates | 0 | 12.690 |
| Reversed tax on profit/loss for the year | 2.565.054 | 1.009.713 |
| Other adjustments | -566.294 | 497.981 |
| Corporation tax paid | 0 | -1.495.674 |
| Change in receivables | -15.919.089 | -4.816.227 |
| Change in current liabilities (ex bank and tax) | 27.296.323 | -176.696 |
| **CASH FLOWS FROM OPERATING ACTIVITY** | **24.564.514** | **3.301.555** |
| Purchase of intangible fixed assets | -13.511.661 | -2.478.404 |
| Purchase of tangible fixed assets | -235.538 | -1.642.974 |
| Sale of tangible fixed assets | 0 | 167.000 |
| Purchase of financial assets | -459.079 | -203.541 |
| Sale of financial assets | 0 | 234.942 |
| **CASH FLOWS FROM INVESTING ACTIVITY** | **-14.206.278** | **-3.922.977** |
| Proceeds from long-term borrowing | 0 | 79.580 |
| Changes in bank debt | 3.397.535 | -2.136.460 |
| Other changes in long-term debt | -372.114 | 0 |
| Dividend paid in the financial year | -418.368 | -443.544 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | **2.607.053** | **-2.500.424** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **12.965.289** | **-3.121.846** |
| Cash and cash equivalents at 1. januar | 9.460.101 | 12.581.947 |
| **CASH AND CASH EQUIVALENTS AT 31. DECEMBER** | **22.425.390** | **9.460.101** |

NOTES

| | Group | | Parent company | | |
|---|---|---|---|---|---|
| | 2016 DKK | 2015 DKK | 2016 DKK | 2015 DKK | Note |
| **Staff costs** | | | | | 1 |
| Average number of employees | | | | | |
| Group: 249 (2015: 226) | | | | | |
| Parent company: 2 (2015: 2) | | | | | |
| Wages and salaries | 114.952.352 | 124.738.781 | 0 | 0 | |
| Pensions | 6.701.062 | 6.993.240 | 0 | 0 | |
| Social security costs | 9.983.970 | 7.669.854 | 0 | 0 | |
| Other staff costs | 1.586.139 | 1.277.700 | 0 | 0 | |
| | **133.223.523** | **140.679.575** | **0** | **0** | |
| **Other financial income** | | | | | 2 |
| Group enterprises | 2.570.729 | 1.933.000 | 1.450.858 | 709.621 | |
| Other interest income | 689.922 | 223.425 | 566 | 0 | |
| | **3.260.651** | **2.156.425** | **1.451.424** | **709.621** | |
| **Other financial expenses** | | | | | 3 |
| Group enterprises | 729.514 | 28.000 | 782.000 | 764.000 | |
| Other interest expenses | 1.362.546 | 1.564.153 | 1.791 | 770 | |
| | **2.092.060** | **1.592.153** | **783.791** | **764.770** | |
| **Tax on profit for the year** | | | | | 4 |
| Calculated tax on taxable income of the year | 3.292.045 | 1.424.555 | 144.606 | -14.798 | |
| Adjustment of deferred tax | -726.991 | -414.842 | 0 | 0 | |
| | **2.565.054** | **1.009.713** | **144.606** | **-14.798** | |
| **Proposed distribution of profit** | | | | | 5 |
| Accumulated profit | 915.480 | 281.238 | 915.478 | 281.239 | |
| Minority shareholders | 3.478.502 | 1.627.174 | 0 | 0 | |
| | **4.393.982** | **1.908.412** | **915.478** | **281.239** | |

NOTES

Note

## Intangible fixed assets 6

| | Group | |
|---|---|---|
| | Development projects completed | Goodwill |
| Cost at 1 January 2016 | 31.413.893 | 6.929.401 |
| Additions | 4.984.410 | 8.621.771 |
| Disposals | -113.370 | 0 |
| **Cost at 31 December 2016** | **36.284.933** | **15.551.172** |
| Amortisation at 1 January 2016 | 23.442.299 | 3.783.481 |
| Reversal of amortisation of assets disposed of | -18.850 | 0 |
| Depreciation for the year | 3.109.955 | 2.837.968 |
| **Depreciation at 31 December 2016** | **26.533.404** | **6.621.449** |
| **Carrying amount at 31 December 2016** | **9.751.529** | **8.929.723** |

The Company's development projects relate to the development of new specialised IT-solutions. The development progresses according to plan and is expected to be completed within 2017. Market research shows a demand for the new type of specialised solutions, and there are very few competitors in the market for this type.

| | Parent company |
|---|---|
| | Goodwill |
| Cost at 1 January 2016 | 554.760 |
| **Cost at 31 December 2016** | **554.760** |
| Amortisation at 1 January 2016 | 451.488 |
| Depreciation for the year | 103.272 |
| **Depreciation at 31 December 2016** | **554.760** |
| **Carrying amount at 31 December 2016** | **0** |

## Tangible fixed assets 7

| | Group |
|---|---|
| | Other plant, machinery, tools and equipment |
| Cost at 1 January 2016 | 12.779.415 |
| Additions | 1.620.468 |
| Disposals | -2.558.339 |
| **Cost at 31 December 2016** | **11.841.544** |
| Depreciation and impairment losses at 1 January 2016 | 8.777.902 |
| Reversal of depreciation of assets disposed of | -1.173.407 |
| Depreciation for the year | 1.140.418 |
| **Depreciation and impairment losses at 31 December 2016** | **8.744.913** |
| **Carrying amount at 31 December 2016** | **3.096.631** |

NOTES

Note

## Fixed asset investments 8

| | Group | |
|---|---|---|
| | Equity investments in associated enterprises | Rent deposit and other receivables |
| Cost at 1 January 2016 | 341.993 | 616.265 |
| Transferred | -341.993 | 0 |
| Additions | 0 | 459.079 |
| **Cost at 31 December 2016** | **0** | **1.075.344** |
| Revaluation at 1 January 2016 | -198.045 | |
| Transferred | 198.045 | |
| **Revaluation at 31 December 2016** | **0** | |
| **Carrying amount at 31 December 2016** | **0** | **1.075.344** |

NOTES

Note

## Fixed asset investments (continued) 8

| | Parent company | | |
|---|---|---|---|
| | Equity investments in subsidiaries | Equity investments in associated enterprises | Receivables from group enterprises |
| Cost at 1 January 2016 | 30.233.084 | 3.165.608 | 8.717.794 |
| Transferred | 3.165.608 | -3.165.608 | 0 |
| Additions | 2.395.553 | 0 | 0 |
| **Cost at 31 December 2016** | **35.794.245** | **0** | **8.717.794** |
| Revaluation at 1 January 2016 | 14.481.109 | 1.722.032 | -6.464.022 |
| Exchange adjustment | -242.331 | 0 | 0 |
| Transferred | 1.722.032 | -1.722.032 | 0 |
| Dividend | -453.232 | 0 | 0 |
| Profit/loss for the year | 505.999 | 0 | 0 |
| Revaluation and impairment losses for the year | 0 | 0 | -526.850 |
| Other adjustments | 1.436.112 | 0 | 0 |
| **Revaluation at 31 December 2016** | **17.449.689** | **0** | **-6.990.872** |
| **Carrying amount at 31 December 2016** | **53.243.934** | **0** | **1.726.922** |

**Goodwill**
Cost price for the new investment is tDKK 2.396. Goodwill in relation to the addition is tDKK 0.

## Investments in subsidiaries (DKK)

| Name and registered office | Ownership |
|---|---|
| Gavdi A/S, Gladsaxe | 86,50 % |
| Gavdi LAB A/S, Gladsaxe | 100,00 % |
| Gavdi Solutions A/S, Gladsaxe | 100,00 % |
| Gavdi Polska S.A., Warszawa | 52,00 % |
| Gavdi Deutchland GmbH, Walldorf | 91,00 % |
| Gavdi MEA FZ-LLC, Dubai | 100,00 % |
| Gavdi België BVBA, Herentals | 100,00 % |
| Gavdi BV, Amsterdam | 100,00 % |
| Gavdi Norge AS, Oslo | 100,00 % |
| Gavdi Sverige AB, Kista | 72,00 % |
| Gavdi Finland OY, Espoo | 100,00 % |
| Gavdi UK Ltd, London | 100,00 % |
| Gavdi France SAS, Paris | 50,04 % |
| Nubbem Consulting SAS, Paris | 50,04 % |
| Gavdi Ireland Limited, Dublin | 100,00 % |
| Gavdi Portugal Unipessoal LDA, Lisboa | 100,00 % |

NOTES

Note

**Provision for deferred tax** 9

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2016** DKK | **2015** DKK | **2016** DKK | **2015** DKK |
| Adjustments of deferred tax assets.. | 4.547 | 0 | 0 | 0 |
| Provision for deferred tax 1 January 2016.................................... | 1.954.020 | 2.344.036 | 0 | 0 |
| Adjustment of deferred tax.......... | -1.226.843 | -390.016 | 0 | 0 |
| **Provision for deferred tax 31 December 2016**....................... | **731.724** | **1.954.020** | **0** | **0** |

**Prepayments and accrued income** 10

Prepayments and accrued income comprise prepaid costs, primarily insurances, membership fees, rent, lease payments, relating to the next financial year.

| | **2016** DKK | **2015** DKK |
|---|---|---|
| **Share capital** 11 | | |
| Specification of the share capital: | | |
| A-shares, 30.000.000 in the denomination of 0,01 DKK........... | 300.000 | 300.000 |
| B-shares, 20.100.000 in the denomination of 0,01 DKK........... | 201.000 | 201.000 |
| | **501.000** | **501.000** |

**Long-term liabilities** 12

| | Group | | | |
|---|---|---|---|---|
| | 1/1 2016 total liabilities | 31/12 2016 total liabilities | Repayment next year | Debt outstanding after 5 years |
| Other bank debt........................ | 519.361 | 147.247 | 45.300 | 0 |
| | **519.361** | **147.247** | **45.300** | **0** |

**Accruals and deferred income** 13

Accruals and deferred income comprises payments to sales that are not recognised as income until in the subsequent financial year when the recognition criteria are satisfied.

NOTES

Note

**Contingencies etc.** 14

**Contingent liabilities**

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2016** DKK | **2015** DKK | **2016** DKK | **2015** DKK |
| Lease liabilities (operating leases): | | | | |
| Rent and lease liabilities.............. | 8.699.760 | 4.675.850 | 0 | 41.250 |

**Joint liabilities**
The company is jointly and severally liable together with the parent company and the other Danish group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax.

Tax payable of the group's jointly taxed income is stated in the annual report of Famkop Holding ApS which serves as management company for the joint taxation.

**Charges and securities** 15

| | Group | | Parent company | |
|---|---|---|---|---|
| | Carrying amount of assets **DKK** | Nominal value of mortgage or outstanding debt **DKK** | Carrying amount of assets **DKK** | Nominal value of mortgage or outstanding debt **DKK** |
| The following assets have been provided as security for debt | | | | |
| Chattel mortgage on trade receivables.............................. | 13.458.106 | 12.246.512 | 0 | 0 |

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

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

The parent company has signed a letter of comfort for the subsidiaries as follows and will support and secure the subsidiaries operation unconditionally:

- Gavdi A/S
- Gavdi Solutions A/S

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Note

**Related parties** 16

**The Controlling interest**

Gavdi Holding A/S, Lyngbyvej 2, 1, 2100 København Ø, is the principal shareholder.

**Other related parties having performed transactions with the company**

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

**Transactions with related parties**

The company did not carry out any substantial transactions that were not concluded on market conditions.

## ACCOUNTING POLICIES

The annual report of Gavdi Group A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles used last year.

**Consolidated financial statements**
The consolidated financial statements include the parent company Gavdi Group A/S and its subsidiaries in which Gavdi Group A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the group structure.

The consolidated financial statements consolidate the financial statements of the parent company and the subsidiaries by combining uniform accounts items. Intercompany income and expenses, shareholdings, internal balances and dividend, and realised and unrealised gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

New acquired or established enterprises are recognised in the consolidated financial statements from the time of acquisition. Sold or wound up enterprises are recognised in the consolidated income statement up to the time of disposal. Comparative figures are not adjusted for new acquired, sold or wound up enterprises.

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor’s opinion, built on an overall assessment of the production equipment.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries’ market value of net assets and liabilities at the acquisition date.

Positive differences between acquisition value and market value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the Income Statement under an individual assessment of the useful life. Negative differences are recognised in the Income Statement upon acquisition. Differences from acquired enterprises amounts to DKK (‘000).

Investments in associates are measured in the balance sheet at the proportional share of the value of the enterprises, calculated under the accounting policies of the parent company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the income statement after elimination of the proportional share of internal gains and losses.

**Minority interests**
The accounting items of the subsidiaries are recognised in full in the consolidated financial statements. The minority interests’ proportional share of the results and equity of the subsidiaries is stated as separate items in the allocation of profit/loss and in individual main items under equity.

## ACCOUNTING POLICIES

## INCOME STATEMENT

**Net revenue**
Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

**Other operating income**
Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

**Other external expenses**
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

**Staff costs**
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company’s employees. Repayments from public authorities are deducted from staff costs.

**Investments in subsidiaries**
The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

**Financial income and expenses in general**
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

**Tax on profit for the year**
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

## BALANCE SHEET

**Intangible fixed assets**
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company’s position in the market and earnings profile, and the industry-specific conditions.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company’s development activities and which fulfil the criteria for recognition.

ACCOUNTING POLICIES

**Tangible fixed assets**
ther plants, machinery, tools and equipment are measured at cost less accumulated depreciation and impairment losses.
The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

| | Useful life | Residual value |
|---|---|---|
| Other plants, fixtures and equipment............................................ | 2-5 years | 0-30 % |

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

**Fixed asset investments**
Investments in subsidiaries are measured in the company's balance sheet under the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Consolidated goodwill is amortised over the expected useful life determined on the basis of management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the period of amortisation which is estimated to 5 years. The period of amortisation is determined based on an assessment of the acquired company's position in the market and earnings profile, and the industry-specific condition.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the  subsidiary's deficit.

**Impairment of fixed assets**
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

**Receivables**
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

**Contract work in progress**
Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

**Accruals, assets**
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

**Tax payable and deferred tax**
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

**Liabilities**
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

## ACCOUNTING POLICIES

**Accruals, liabilities**
Accruals recognised as liabilities include payments received regarding income in subsequent years.

**Foreign currency translation**
Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

## CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:
Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:
Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:
Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:
Cash and cash equivalents include bank overdraft and cash in hand.