

# Gavdi Group A/S

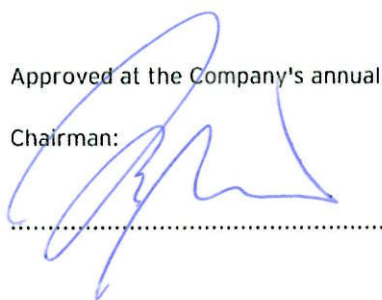
Lyngbyvej 2, 1., 2100 København Ø

CVR no. 29 79 96 44

## Annual report 2018

Approved at the Company's annual general meeting on 29/5 2019

Chairman:



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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 2018.

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 2018 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 2018.

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, 29 May 2019  
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 2018, 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 2018, 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 2018 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.



### Independent auditor's report

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, 29 May 2019  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

  
Mogens Andreasen  
State Authorised Public Accountant  
mne28603

  
Peter Jensen  
State Authorised Public Accountant  
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	<a href="http://www.gavdi.com">www.gavdi.com</a>
E-mail	<a href="mailto:info@gavdi.com">info@gavdi.com</a>
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 Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark



## Management's review

### Financial highlights for the Group

DKKt	2018	2017	2016	2015	2014
<b>Key figures</b>					
Revenue	218,949	218,066	207,736	204,677	185,495
Gross margin	159,414	161,382	160,227	149,407	129,374
Operating profit/loss	6,856	9,044	5,790	2,367	7,009
Net financials	1,608	1,041	1,169	564	601
Profit/loss for the year	5,747	6,020	4,394	1,908	5,154
<b>Balance sheet</b>					
Total assets	142,966	144,628	150,664	98,036	114,548
Investment in property, plant and equipment	-1,846	-1,015	-236	-1,476	-2,994
Equity	65,236	62,164	58,457	41,190	40,739
<b>Financial ratios</b>					
Operating margin	3.1%	4.2%	2.8%	1.2 %	3.8 %
Return on assets	4.8%	6.1%	4.7%	2.2%	6.5%
Current ratio	161.6%	160.4%	149.6%	167.4%	158.2%
Equity ratio	33.3%	31.4%	27.8%	42.0%	35.6%
Return on equity	5.1%	8.2%	2.2%	4.7%	13.2%
<b>Other</b>					
Average number of employees	260	255	249	226	182

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

## Management's review

### Business review

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 including the SAP Concur travel management solution, which has been included in our product and service portfolio during 2018.

### 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 is not satisfied with the result for 2018 and this is especially connected with the performance of the subsidiaries Gavdi UK Ltd and Gavdi MEA FZ-LCC, this is effecting income from investment in Group entities that has dropped from MDKK 4,2 mill in 2017 to MDKK 2.4 in 2018.

The income statement for 2018 shows a net result for 2018 of MDKK 2.4 and balance sheet at 31 December 2018 shows total equity of MDKK 47.6.

#### *Group*

Group's revenue is in same level as previous year and came in at MDKK 218.9 against MDKK 218.1 last year.

The income statement for 2018 shows an operating profit of MDKK 6.8 against an operating profit of MDKK 9.1 last year. Net result for 2018 ends with MDKK 5.7 and balance sheet at 31 December 2018 shows total equity of MDKK 65.2.

### Operating review

2018 has been an exciting year for Gavdi Group. First half of 2018 was truly difficult but a clear focus on sales, control of spending, and using available capacity cross borders allowed us to catch-up during second half of 2018 resulting in increased activity and improved profitability in majority of the entities including Gavdi A/S, Gavdi Finland Oy, Gavdi Polska S.A and Gavdi France SAS. However, the difficulties experienced in UK and MEA effected the overall performance of Gavdi Group negatively.

Management is therefore not satisfied with the overall financial performance and are working in improving performance in named markets so Gavdi Group will continue its journey for increased revenue and profitability.

Treasury shares comprise of 12 A-shares representing nominally DKK 12 thousand of the share capital in the parent company as well as 14 B-shares representing DKK 14 thousand of the share capital in the parent company.

The purchase price for treasury shares amounts to DKK. 3,768 thousand in total and comprise of DKK 1,739 thousand for A-shares and DKK 2,029 thousand for B-shares.

The treasury shares were acquired to make the company able to plan incentive programs for key employees in the group.

### Knowledge resources

Gavdi Group are on an ongoing basis investing in training and upskilling of resources. Gavdi have built the largest SuccessFactors practice in Europe with close to 150 certified SuccessFactors consultants and we plan to grow this number further during 2019.



## **Management's review**

### **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 2018.

### **Outlook**

Management see higher activity in some of its markets and others are more stable so expectations for 2019 is growth in the range of 5-8% and related higher profitability.





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

Income statement

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
	Revenue	218,949,487	218,066,274	0	0
	Other operating income	0	15,235	0	0
	Other external expenses	-59,535,744	-56,699,032	-64,500	-20,828
	<b>Gross margin</b>	<b>159,413,743</b>	<b>161,382,477</b>	<b>-64,500</b>	<b>-20,828</b>
2	Staff costs	-146,485,368	-145,414,607	0	0
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-6,071,899	-6,909,124	0	0
	Other operating expenses	-10,800	0	0	0
	<b>Profit/loss before net financials</b>	<b>6,845,676</b>	<b>9,058,746</b>	<b>-64,500</b>	<b>-20,828</b>
	Income from investments in group entities	0	0	2,432,752	4,202,005
4	Financial income	3,139,299	3,442,891	593,744	702,401
5	Financial expenses	-1,530,962	-2,402,037	-618,521	-1,469,736
	<b>Profit before tax</b>	<b>8,454,013</b>	<b>10,099,600</b>	<b>2,343,475</b>	<b>3,413,842</b>
6	Tax for the year	-2,707,008	-4,080,057	35,657	173,396
	<b>Profit for the year</b>	<b>5,747,005</b>	<b>6,019,543</b>	<b>2,379,132</b>	<b>3,587,238</b>
Specification of the Group's results of operations:					
	Shareholders in Gavdi Group A/S	2,379,132	3,587,238		
	Non-controlling interests	3,367,873	2,432,305		
		<b>5,747,005</b>	<b>6,019,543</b>		



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

Balance sheet

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
		<b>ASSETS</b>			
		<b>Fixed assets</b>			
7	Intangible assets				
	Completed development projects	5,765,425	7,853,333	0	0
	Goodwill	5,528,182	8,077,442	0	0
		<u>11,293,607</u>	<u>15,930,775</u>	<u>0</u>	<u>0</u>
8	Property, plant and equipment				
	Other fixtures and fittings, tools and equipment	3,106,581	2,624,777	0	0
		<u>3,106,581</u>	<u>2,624,777</u>	<u>0</u>	<u>0</u>
9	Investments				
	Investments in group entities, net asset value	0	0	58,111,156	57,925,358
	Receivables from group entities	0	0	2,295,784	1,316,719
	Other securities and investments	3,768,115	0	3,768,115	0
	Other receivables	1,414,545	1,078,930	0	0
		<u>5,182,660</u>	<u>1,078,930</u>	<u>64,175,055</u>	<u>59,242,077</u>
	<b>Total fixed assets</b>	<u>19,582,848</u>	<u>19,634,482</u>	<u>64,175,055</u>	<u>59,242,077</u>
	<b>Non-fixed assets</b>				
	<b>Receivables</b>				
	Trade receivables	55,787,562	54,560,144	0	0
	Work in progress for third parties	7,111,696	10,735,485	0	0
	Receivables from group entities	41,149,208	41,922,968	0	3,719,851
	Income taxes receivable	0	673,064	19,641	43,587
	Other receivables	2,837,255	1,487,896	0	0
10	Prepayments	3,748,507	2,763,235	0	0
		<u>110,634,228</u>	<u>112,142,792</u>	<u>19,641</u>	<u>3,763,438</u>
	Cash	12,749,168	12,851,608	84,480	59,867
	<b>Total non-fixed assets</b>	<u>123,383,396</u>	<u>124,994,400</u>	<u>104,121</u>	<u>3,823,305</u>
	<b>TOTAL ASSETS</b>	<u>142,966,244</u>	<u>144,628,882</u>	<u>64,279,176</u>	<u>63,065,382</u>





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

Statement of changes in equity

Note	DKK	Group						
		Share capital	Reserve for development costs	Reserve for treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
		501,000	4,878,561	0	40,070,051	45,449,612	16,714,404	62,164,016
		0	0	0	-212,276	-212,276	-273,890	-486,166
		0	0	0	0	0	-120,242	-120,242
		0	-1,675,316	0	4,054,448	2,379,132	3,367,873	5,747,005
		0	0	3,768,115	-3,768,115	0	0	0
		0	0	0	0	0	-2,068,854	-2,068,854
		501,000	3,203,245	3,768,115	40,144,108	47,616,468	17,619,291	65,235,759
		Parent company						
		Share capital	Reserve for treasury shares	Retained earnings	Total			
		501,000	0	44,948,612	45,449,612			
		0	0	-212,276	-212,276			
20		0	0	2,379,132	2,379,132			
		0	3,768,115	-3,768,115	0			
		501,000	3,768,115	43,347,353	47,616,468			



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

Cash flow statement

Note	DKK	Group	
		2018	2017
	Profit for the year	5,747,005	6,019,543
21	Adjustments	7,181,370	9,904,910
	Cash generated from operations (operating activities)	12,928,375	15,924,453
22	Changes in working capital	1,764,896	-5,924,300
	Cash generated from operations (operating activities)	14,693,271	10,000,153
	Interest received, etc.	1,155,461	1,221,891
	Interest paid, etc.	-1,530,962	-2,375,037
	Income taxes paid	-4,224,417	-4,299,011
	<b>Cash flows from operating activities</b>	<b>10,093,353</b>	<b>4,547,996</b>
	Additions of intangible assets	-452,777	-1,190,821
	Additions of property, plant and equipment	-1,846,260	-1,014,682
	Disposals of property, plant and equipment	295,844	292,932
	Purchase of financial assets	-4,103,730	-508,490
	Sale of financial assets	0	504,904
	Acquisition of minorities	-120,242	-1,216,028
	Disposals of minorities	0	375,000
	Repayments received, loans	3,290,749	41,853
	<b>Cash flows to investing activities</b>	<b>-2,936,416</b>	<b>-2,715,332</b>
	Dividends paid	-2,823,001	-841,584
	Proceeds of other debt	0	2,000,000
	Repayments, other debt	-3,031,775	-8,066,315
	Repayments, debt to credit institutions	0	-147,247
	Change in short-term bank debt	-1,350,463	-4,294,515
	<b>Cash flows from financing activities</b>	<b>-7,205,239</b>	<b>-11,349,661</b>
	<b>Net cash flow</b>	<b>-48,302</b>	<b>-9,516,997</b>
	Cash and cash equivalents at 1 January	12,851,608	22,425,390
	Foreign exchange adjustments	-54,138	-56,785
23	<b>Cash and cash equivalents at 31 December</b>	<b>12,749,168</b>	<b>12,851,608</b>

## 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 2018 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.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### 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.

Goodwill relating to the non-controlling interests' share of the acquiree is thus recognised.

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

The Company has chosen IAS 17 as interpretation for classification and recognition of 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

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 and operating expenses

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

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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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 depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Profit 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.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

##### 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 Company and its Danish group entities are jointly taxed. 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.

##### Other securities and investments

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.



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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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

###### *Treasury shares*

Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

Reserve for treasury shares comprise of the purchase price for shares in the parent company. The reserve will be reduced as the sale of treasury shares occur by a transfer directly to the distributable reserves under equity.

###### *Reserve for net revaluation according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

###### *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".

##### 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.



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

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### Financial ratios

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

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
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	$\frac{\text{Profit/loss for the year excl. non-controlling interests} \times 100}{\text{Average equity excl. non-controlling interests}}$

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

Notes to the financial statements

DKK	Group		Parent company	
	2018	2017	2018	2017
<b>2 Staff costs</b>				
Wages/salaries	126,687,848	127,617,565	0	0
Pensions	7,352,696	6,495,234	0	0
Other social security costs	11,121,134	9,942,816	0	0
Other staff costs	1,323,690	1,358,992	0	0
	<u>146,485,368</u>	<u>145,414,607</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>260</u>	<u>255</u>	<u>0</u>	<u>0</u>

Group

Total remuneration to Group Management: DKK 5,220,885 (2017: DKK 4,719,859).

The Board of Directors has not received any remuneration.

Parent company

The Parent Company has no employees.

DKK	Group		Parent company	
	2018	2017	2018	2017
<b>3 Amortisation/depreciation of intangible assets and property, plant and equipment</b>				
Amortisation of intangible assets	5,066,472	5,505,157	0	0
Depreciation of property, plant and equipment	1,005,427	1,403,967	0	0
	<u>6,071,899</u>	<u>6,909,124</u>	<u>0</u>	<u>0</u>
<b>4 Financial income</b>				
Interest receivable, group entities	2,111,000	2,221,000	519,912	702,042
Other financial income	1,028,299	1,221,891	73,832	359
	<u>3,139,299</u>	<u>3,442,891</u>	<u>593,744</u>	<u>702,401</u>
<b>5 Financial expenses</b>				
Interest expenses, group entities	12,000	27,000	498,229	1,340,437
Other financial expenses	1,518,962	2,375,037	120,292	129,299
	<u>1,530,962</u>	<u>2,402,037</u>	<u>618,521</u>	<u>1,469,736</u>



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

### Notes to the financial statements

DKK	Group		Parent company	
	2018	2017	2018	2017
<b>6 Tax for the year</b>				
Estimated tax charge for the year	3,978,468	3,368,186	-19,641	-173,396
Deferred tax adjustments in the year	-1,255,444	711,871	0	0
Tax adjustments, prior years	-16,016	0	-16,016	0
	<u>2,707,008</u>	<u>4,080,057</u>	<u>-35,657</u>	<u>-173,396</u>

### 7 Intangible assets

DKK	Group		
	Completed development projects	Goodwill	Total
Cost at 1 January 2018	36,575,757	17,115,030	53,690,787
Additions in the year	452,777	0	452,777
Disposals in the year	-228,293	-886,996	-1,115,289
Cost at 31 December 2018	<u>36,800,241</u>	<u>16,228,034</u>	<u>53,028,275</u>
Impairment losses and amortisation at 1 January 2018	28,722,424	9,037,588	37,760,012
Amortisation in the year	2,517,212	2,549,260	5,066,472
Reversal of amortisation/depreciation and impairment of disposals	-204,820	-886,996	-1,091,816
Impairment losses and amortisation at 31 December 2018	<u>31,034,816</u>	<u>10,699,852</u>	<u>41,734,668</u>
Carrying amount at 31 December 2018	<u>5,765,425</u>	<u>5,528,182</u>	<u>11,293,607</u>

DKK	Parent company
	Goodwill
Cost at 1 January 2018	554,760
Cost at 31 December 2018	554,760
Impairment losses and amortisation at 1 January 2018	554,760
Impairment losses and amortisation at 31 December 2018	554,760
Carrying amount at 31 December 2018	<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 2018	12,277,812
Exchange adjustment	-63,185
Additions in the year	1,846,260
Disposals in the year	-1,450,844
Cost at 31 December 2018	12,610,043
Impairment losses and depreciation at 1 January 2018	9,653,035
Depreciation in the year	1,005,427
Reversal of depreciation and impairment of disposals	-1,155,000
Impairment losses and depreciation at 31 December 2018	9,503,462
Carrying amount at 31 December 2018	3,106,581

#### 9 Investments

	Group		
	Other securities and investments	Other receivables	Total
DKK			
Cost at 1 January 2018	0	1,078,930	1,078,930
Additions in the year	3,768,115	335,615	4,103,730
Cost at 31 December 2018	3,768,115	1,414,545	5,182,660
Carrying amount at 31 December 2018	3,768,115	1,414,545	5,182,660

	Parent company			
	Investments in group entities, net asset value	Receivables from group entities	Other securities and investments	Total
DKK				
Cost at 1 January 2018	36,643,535	8,198,967	0	44,842,502
Additions in the year	120,242	0	3,768,115	3,888,357
Cost at 31 December 2018	36,763,777	8,198,967	3,768,115	48,730,859
Value adjustments at 1 January 2018	21,281,823	-6,882,248	0	14,399,575
Exchange adjustment	-212,274	0	0	-212,274
Dividend distributed	-2,823,000	0	0	-2,823,000
Share of the profit/loss for the year	3,341,226	0	0	3,341,226
Other adjustments, investments	668,079	0	0	668,079
Depreciation of goodwill	-908,475	0	0	-908,475
Reversal of prior year impairment losses	0	979,065	0	979,065
Value adjustments at 31 December 2018	21,347,379	-5,903,183	0	15,444,196
Carrying amount at 31 December 2018	58,111,156	2,295,784	3,768,115	64,175,055

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

### Notes to the financial statements

#### 9 Investments (continued)

The carrying amount of investments in group entities comprise a share of the entities' net asset value, DKK 55,829 thousand, and goodwill at a carrying amount of DKK 2,282 thousand.

Of the total carrying amount, negative net assets in group entities amounts to DKK 22,688 thousand. From this amount DKK 10,559 thousand have been set off against receivables as current assets and DKK 5,903 thousand have been set off against receivables as non-current assets. A provision of DKK 6,226 thousand has been recorded for negative net assets in group entities which exceeds the receivables.

#### Parent company

Name	Domicile	Interest
<b>Subsidiaries</b>		
Gavdi A/S	København, DK	89.65%
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	65.50%
Gavdi Portugal Unipessoal LDA	Lisboa, PT	100.00%
Gavdi BV	Amsterdam, NL	100.00%
Gavdi Labs A/S*	København, DK	25.00%

\*Gavdi A/S exercises control of the company, Gavdi Labs A/S, by owner agreement.

\*\*Gavdi France SAS exercises control of the company, Nubbem Consulting SAS, by ownership of shares.

#### 10 Prepayments

##### Group

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

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

### Notes to the financial statements

DKK	Parent company	
	2018	2017
<b>11 Share capital</b>		
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	2018	2017	2016	2015	2014
Opening balance	501,000	501,000	501,000	501,000	501,000
	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>	<u>501,000</u>

### 12 Treasury shares

#### Parent company

In the financial year, the subsidiary acquired treasury shares in the parent company for nominally DKK 3,768 thousand. The subsidiary has thus acquired a 4.42 % ownership of the parent company.

Treasury shares comprise of 12 A-shares representing nominally DKK 12 thousand of the share capital in the parent company as well as 14 B-shares representing DKK 14 thousand of the share capital in the parent company.

The purchase price for treasury shares amounts to DKK. 3,768 thousand in total and comprise of DKK 1,739 thousand for A-shares and DKK 2,029 thousand for B-shares.

The treasury shares were acquired to make the company able to plan incentive programs for key employees in the group.

### 13 Deferred tax

Deferred tax relates to:

DKK	Group		Parent company	
	2018	2017	2018	2017
Intangible assets	954,094	1,676,567	0	0
Property, plant and equipment	-770,600	-610,157	0	0
Other non-taxable temporary differences	-4,437	368,091	0	0
	<u>179,057</u>	<u>1,434,501</u>	<u>0</u>	<u>0</u>



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

Notes to the financial statements

14 Non-current liabilities other than provisions

DKK	Group			
	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other credit institutions	1,770,618	590,372	1,180,246	0
Other payables	1,119,000	1,119,000	0	0
	<u>2,889,618</u>	<u>1,709,372</u>	<u>1,180,246</u>	<u>0</u>

15 Provisions

Group

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

16 Deferred income

Group

Deferred income comprises advance billings to customers.

17 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	Group		Parent company	
	2018	2017	2018	2017
Rent and lease liabilities	<u>10,760,681</u>	<u>9,172,531</u>	<u>0</u>	<u>0</u>

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.

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

### Notes to the financial statements

#### 18 Collateral

##### Group

As security for bank debt, DKK 5,481,051, 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 20,573,399.

##### Parent company

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 as well as for Gavdi UK Ltd. and will financially support and secure the Companies unconditionally until 31 December 2019.

#### 19 Related parties

##### Group

##### Related party transactions

DKK	2018	2017
<b>Group</b>		
Revenue for Parent Company	0	270,000
Management fee paid	2,110,000	968,750
Shares purchased from Parent Company	3,768,115	0

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

##### Information on the remuneration to management

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

##### 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

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

**Notes to the financial statements**

**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 interests are presented in note 4 and 5.

		Parent company	
DKK		2018	2017
20	Appropriation of profit		
	Recommended appropriation of profit		
	Retained earnings	2,379,132	3,587,238
		<u>2,379,132</u>	<u>3,587,238</u>
		Group	
DKK		2018	2017
21	Adjustments		
	Amortisation/depreciation and impairment losses	6,071,899	6,909,123
	Gain/loss on the sale of non-current assets	10,800	-43,416
	Financial income	-3,139,299	-3,442,891
	Financial expenses	1,530,962	2,402,037
	Tax for the year	2,707,008	4,080,057
		<u>7,181,370</u>	<u>9,904,910</u>
22	Changes in working capital		
	Change in work in progress and deferred income	2,777,681	-12,929,459
	Change in receivables	-3,562,049	500,633
	Change in trade and other payables	2,163,448	5,883,432
	Other changes in working capital	385,816	621,094
		<u>1,764,896</u>	<u>-5,924,300</u>
23	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	12,749,168	12,851,608
		<u>12,749,168</u>	<u>12,851,608</u>