Dangroup ApS

Skodsborg Strandvej 182, 2942 Skodsborg

CVR no. 29 93 07 59

Annual report 2017

Approved at the Company's annual general meeting on 30 May 2018

Chairman:

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Dangroup ApS for the financial year 1 January - 31 December 2017.

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

It is my opinion that 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 2017 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2017.

Further, in my 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.

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

Svendborg, 30 May 2018
Executive Board:

Per-Erik Edvard Svehag CEO	Søren Pedersen CFO

Independent auditor's report

To the shareholders of Dangroup ApS

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 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 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.

Independent auditor's report

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

- 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.

Odense, 30 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Morten Schougaard Sørensen
State Authorised
Public Accountant
MNE no.: mne32129

Management's review

Company details

Name	Dangroup ApS (secondary name: Dangroup Invest)
Address, zip code, city	Skodsborg Strandvej 182, DK-2942 Skodsborg
CVR no.	29 93 07 59
Established	30 September 2006
Registered office	Skodsborg
Financial year	1 January - 31 December (11^{th} financial year)
Website	www.dangroup-holding.com/www.dangroupinvest.com
E-mail	info@dangroupinvest.com
Telephone	+45 20 90 30 67
Executive Board	Per-Erik Edvard Svehag, CEO Søren Pedersen, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, DK-5000 Odense C

Management's review

Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	531,524	510,903	703,477	451,165	518,244
Gross profit	68,558	84,177	93,294	53,097	72,373
Ordinary operating profit	249,521	29,283	38,345	-1,468	30,046
Profit/loss from financial income and expense	-9,562	2,111	4,342	4,952	-3,067
Profit for the year	**245,360**	**24,237**	**30,824**	**2,985**	**18,349**
The Group's share of profit for the year	**246,022**	**24,992**	**32,516**	**5,702**	**18,838**
Total assets	360,911	229,437	234,277	206,268	198,177
Portion relating to investment in property, plant and equipment	460	2,168	4,010	6,726	677
Equity	**296,084**	**66,011**	**61,905**	**52,093**	**64,490**
Equity incl. non-controlling interests	**296,080**	**66,669**	**62,802**	**52,661**	**68,372**
Cash flows from operating activities	78,197	12,119	17,020	2,583	25,938
Net cash flows from investing activities	119,683	-12,795	-7,427	-5,641	-1,953
Cash flows from financing activities	-17,184	-25,533	-26,702	-15,083	-13,379
Total cash flows	**180,696**	**-26,209**	**-17,109**	**-18,141**	**10,606**
Financial ratios					
Return on invested capital	260.9 %	29.0 %	50.2 %	-2.3 %	50.5 %
Return on invested capital Ex. cost related to restructuring	260.9 %	30.6 %	52.3 %	1.1 %	50.5 %
Equity ratio	82.0 %	28.8 %	26.7 %	25.5 %	34.5 %
Return on equity	135.9 %	39.1 %	56.8 %	4.9 %	27.0 %
Average number of full-time employees	**100**	**92**	**86**	**89**	**70**

The financial ratios have been prepared in accordance with the Finansforeningens' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Group

The Group's principal activities comprise the sale of IT equipment, and other high-technology equipment for emergency aid and development projects and B2B in the third world.

Development in activities and financial matters

The Group reported a profit of DKK 246,022 thousand (2016: DKK 24,992 thousand), which Management finds satisfactory and well above expectations, and is significantly higher than last year.

The reasons for the increase in profitability are mainly related to the fact that the largest part of the subsidiaries, the Danoffice IT sub-group was sold, which created a one-off net book value gain of DKK 237,420 thousand.

The net losses in the subsidiary within the field of unmanned aircraft systems amounted for DKK 11,004 thousand (2016 net loss: DKK 9,154 thousand), which mainly came from increased sales activity, as the market for unmanned aircraft systems is becoming more mature, but the organization grew even faster, in order to match the increased activities within research and development of products to fit the sophisticated technology.

The Group had positive cash flows from its operating activities of DKK 78,197 thousand (2016: DKK 12,119 thousand). The main reason for the increase in cash flow compared with last year is the higher cash generated from operations, as the net working capital decreased significantly, due to the sold subsidiaries, combined with an increase in net interests paid, but compensated by a lower income tax paid from the lower tax profit level in 2017 and roll over from 2016.

The group continued in 2017 to invest in both current and non-current assets, and especially in the field of unmanned aircraft systems, the company continued to develop in new technology and products, with a total of DKK 9,533 thousand. Subsidiaries were sold, creating a net cash injection of DKK 237,420 thousand, whereas DKK 114,625 thousand was reinvested in associated companies.

Cash and cash equivalents end of the year hereafter amounted to DKK 152,670 thousand, as the company paid DKK 15,000 thousand in dividends to the shareholders and repaid on the long-term debts. In 2018 interim dividends of DKK 79,000 thousand has been paid out. The company has sufficient short-term credit lines in place with its main banks to continue activity through-out 2018.

The group comprises two Danish subsidiaries and one subsidiary in Uganda. For further information on equity and results in the individual companies, reference is made to note 10.

The group holds a stake of 100% in DanXX ApS and 93.98 % in Sky-Watch A/S, and the companies are therefore part of the consolidated accounts.

The group has significant development activities within the field of unmanned aircraft systems.

Outlook

The Group expects to continue a positive development in 2018, but a net profit significantly below the 2017 level, as the activity in the IT equipment subsidiary was sold in 2017.

It is expected, that the subsidiary with-in the field of unmanned aircraft systems, will have a significantly increase in the sales level and research- & development activities, as the market in 2017 proved to be more mature as previously, but despite this, the unmanned aircraft system business is not expected to be at a break-even level in 2018.

Management's review

Operating review

Risks

Currency risks

Due to activities abroad, profit, cash flows and equity are affected by the development in exchange rates and interest rates for a number of currencies. It is group policy to hedge commercial currency risks. Speculative currency transactions are not made.

Trade receivables

The company's credit period is generally long, as the company trades with emergency aid organisations. The payment pattern is typical of the industry. The required provision for bad debts has been made, and it is our assessment that trade receivables are not subject to any special risks.

Corporate Social Responsibility

The Group has a decentralised structure with two divisions, and the CSR work is anchored in the individual divisions and not in Dangroup ApS. Hence, there are no CSR policies in Dangroup ApS, including policies for human rights, environment and climate. Danoffice IT (By far the largest division with 97% of the total sales in 2017) has been sold in 2017. The company's CSR policy relies on UN's Global Compact and reference is made to the reporting from Danoffice IT on the company home page.

Sky-Watch A/S is in a product development phase and the CSR policy will be developed as the activities of the company increase. The policy will rely on UN's Global Compact.

DanXX ApS is currently a dormant company, and consequently there is no CSR policy available.

Goals and policies regarding gender quotation

The Group has no Board of Directors and the Executive Board consists of only two members. Therefore, no goals and policies regarding gender quotation have been set up.

The company has only three employees and therefore no goals have been set up related to gender quotation on other executive levels as well.

In the subsidiaries, it is a long-term goal, that the underrepresented gender should represent 50% of each of the division's total members of the Executive Board and day-to-day Management. To balance the gender, the subdivisions strives at having minimum one of each gender represented among the last three candidates in the hiring process.

Events after the balance sheet date

No events have occurred after the balance sheet date affecting considerably the 2017 annual report.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

		Consolidated		Parent company	
Note	DKK'000	2017	2016	2017	2016
2	Revenue	531,524	510,903	7,295	6,531
	Cost of sales	-447,198	-411,241	0	0
3	Other external costs	-15,768	-15,485	-3,466	-2,499
	Gross profit	68,558	84,177	3,829	4,032
4	Staff costs	-47,628	-47,855	-8,398	-2,204
	Cost related to restructuring	0	-1,742	0	0
	Gain on sales of shares in subsidiaries	237,420	0	0	0
	Depreciation	-8,829	-5,297	-480	-319
	Operating profit	249,521	29,283	-5,049	1,509
	Share of profit in subsidiaries after tax	0	0	5,040	24,034
	Gain on sales of shares in subsidiaries	0	0	237,420	0
5	Financial income	961	3,904	961	718
6	Financial expenses	-10,523	-1,793	-343	-1,068
	Profit before tax	239,959	31,394	238,029	25,193
7	Tax on profit for the year	5,401	-7,157	7,993	-201
	Profit for the year	245,360	24,237	246,022	24,992
	Non-controlling interests' share of the results of subsidiaries	662	755	0	0
		246,022	24,992	246,022	24,992

Proposed profit appropriation				
Interim dividends			7,000	12,500
Proposed dividends			0	8,000
Reserve for net revaluation under the equity method			-27,881	-1,864
Retained earnings			266,903	6,356
			246,022	24,992

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Development projects	20,320	13,707	0	0
	Goodwill	0	5,079	0	0
	Software	0	4,582	0	0
		20,320	23,368	0	0
9	**Property, plant and equipment**				
	Land and buildings	14,987	15,443	14,987	15,443
	Fixtures and fittings, tools and equipment	889	2,597	54	73
		15,876	18,040	15,041	15,516
	Investments				
10	Investments in subsidiaries	0	0	322	89,553
11	Investments in other securities and investments	115,182	0	115,182	0
		0	0	115,504	89,553
	Total non-current assets	151,378	41,408	130,545	105,069
	Current assets				
	Inventories				
	Finished goods and goods for resale	2,825	15,009	0	0
	Goods in transit	0	41,655	0	0
		2,825	56,664	0	0
	Receivables				
	Trade receivables	4,996	115,523	2,742	776
	Prepayments	0	779	0	0
	Amounts owed by associated companies	0	0	5,646	302
15	Deferred tax asset	0	556	0	15
	Corporation tax	2,470	0	2,463	0
13	Other receivables	22,502	13,044	15,080	244
12	Prepayments	180	143	21	56
		30,148	130,045	25,952	1,393
	Cash at bank and in hand	176,560	1,320	176,461	116
	Total current assets	209,533	188,029	202,413	1,509
	TOTAL ASSETS	360,911	229,437	332,958	106,578

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	125	125	125	125
	Reserve for net revaluation under the equity method	0	0	0	28,830
	Retained earnings	295,959	57,886	295,959	29,056
	Proposed dividends	0	8,000	0	8,000
	Total equity	296,084	66,011	296,084	66,011
	Non-controlling interests	-4	658	0	0
	Provisions				
15	Deferred tax	1,445	1,557	733	7,628
	Total provisions	1,445	1,557	733	7,628
	Liabilities other than provisions				
	Non-current liabilities other than provisions				
16	Mortgage credit institutions	21,865	24,049	21,358	23,128
		21,865	24,049	21,358	23,128
	Current liabilities other than provisions				
16	Current portion of non-current liabilities other than provisions	4,753	4,905	4,323	4,301
	Bank loans and overdrafts	19,137	24,441	25	8
	Prepayments received from customers	0	1,326	0	0
	Trade payables	1,137	93,471	287	685
	Amounts owed to subsidiaries	0	0	4,172	3,753
	Corporation tax	0	0	0	0
	Other payables	16,494	12,627	5,976	672
	Deferred income	0	392	0	392
		41,521	137,162	14,783	9,811
	Total liabilities other than provisions	63,386	161,211	36,141	32,939
	TOTAL EQUITY AND LIABILITIES	360,911	229,437	332,958	106,578

1 Accounting policies
17 Contingencies, etc.
18 Charges and collateral
19 Related parties

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2016	125	53,780	8,000	61,905
Correction of fundamental misstatements	0	0	0	0
Interim dividends	0	0	12,500	12,500
Dividends Distributed	0	0	-20,500	-20,500
Foreign exchange adjustment of opening equity in subsidiaries	0	216	0	216
Transferred from profit for the year	0	3,890	8,000	12,516
Equity at 1 January 2017	125	57,886	8,000	66,011
Dividends	0	0	0	0
Interim dividends	0	0	7,000	7,000
Dividends distributed	0	0	-15,000	-15,000
Foreign exchange adjustment of opening equity in subsidiaries	0	-949	0	-949
Transferred from profit for the year	0	239,022	0	239,022
Equity at 31 December 2017	125	295,959	0	296,084

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Parent company				
DKK'000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2016	125	31,080	22,700	8,000	61,905
Correction of fundamental misstatements	0	0	0	0	0
Dividends	0	0	0	12,500	12,500
Dividends distributed	0	0	0	-20,500	-20,500
Foreign exchange adjustment of opening equity	0	0	0	0	0
Foreign exchange adjustments	0	216	0	0	216
Transferred, see profit appropriation	0	-2,466	6,356	8,000	11,890
Equity at 1 January 2017	125	28,830	29,056	8,000	66,011
Interim dividends	0	0	0	7,000	7,000
Dividends distributed	0	0	0	-15,000	-15,000
Foreign exchange adjustments	0	-949	0	0	-949
Transferred, see profit appropriation	0	-27,881	266,903	0	239,022
Equity at 31 December 2016	125	0	295,959	0	296,084

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	Consolidated 2017	Consolidated 2016
	Operating profit	12,101	29,283
	Depreciation and amortisation	8,829	5,297
	Cash generated from operations (operating activities) before changes in working capital	20,930	34,580
19	Changes in working capital	69,966	-18,130
	Cash generated from operations (operating activities)	90,896	16,450
	Interest received	961	3,904
	Interest paid	-10,523	-1,793
	Cash generated from operations (ordinary activities)	81,334	18,561
	Corporation tax paid	-3,137	-6,442
	Cash flows from operating activities	78,197	12,119
	Acquisition of property, plant and equipment	-460	-2,168
	Disposal of property, plant and equipment	1,839	1,97
	Acquisitions of other securities and investments	-114,625	0
	Disposal of subsidiaries	237,420	0
	Acquisitions of intangible assets	-9,073	-10,824
	Disposal of intangible assets	4,582	0
	Cash flows from investing activities	119,683	-12,795
	External financing:		
	Repayment of long-term debt	-2,184	-4,375
	Proceeds from mortgage loans	0	0
	Shareholders:		
	Dividends paid	-15,000	-20,500
	Purchase of non-controlling interests	0	-658
	Cash flows from financing activities	-17,184	-25,533
	Net cash flows from operating, investing and financing activities	180,696	-26,209
	Cash and cash equivalents at 1 January	-28,026	-1,817
	Cash and cash equivalents at 31 December	152,670	-28,026

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Dangroup ApS for 2017 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act.

The accounting policies are consistent in Danish kroner (DKK).

Consolidated financial statements

The consolidated financial statements comprise the parent company, Danoffice IT ApS, and subsidiaries in which Danoffice IT ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account. -+Consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity. Consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts

previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

Income from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

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

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses. Consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, and wages and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	2-10 years

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Danoffice IT ApS are not recognised in the reserve for net revaluation.

Other securities and investments

Other securities and investments, recognised under "Non-current assets", comprise unlisted securities measured at fair value.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises 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 different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 obligation on finance leases.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Financial ratios

Financial ratios are calculated in accordance with the Finansforeningens' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on invested capital $$\frac{\text{Operating profit x 100}}{\text{Average invested capital}}$$

Equity ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$$

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

2 **Segment information**

The group has only one segment.

3 **Fees paid to auditors appointed at the annual general meeting**

Other external costs comprise fees paid to the auditor appointed at the general meeting. Fee regarding statutory audit of DKK 160 thousand (2016: DKK 213 thousand), tax assistance of DKK 19 thousand (2016: DKK 30 thousand), assurance engagements of DKK 129 thousand (2016: DKK 59 thousand), and non-audit fees of DKK 4,602 thousand (2016: DKK 163 thousand), total fees amounts to DKK 4,909 thousand (2016: DKK 465 thousand).

		Consolidated		Parent company	
	DKK'000	2017	2016	2017	2016
4	**Staff costs and incentive programmes**				
	Wages and salaries	50,830	48,320	8,040	1,983
	Pensions	3,251	2,892	144	143
	Other social security costs	184	812	-16	11
	Other staff costs	1,720	1,600	230	67
	Thereof capitalised under development projects and inventories	-8,357	-5,769	0	0
		47,628	47,855	8,398	2,204
	Average number of full-time employees	100	92	3	2

Remuneration to Management of the Company is according to §98B in the Danish Financial Statements Act refrained reported.

5	**Financial income**				
	Interest income from associated companies	0	0	329	200
	Foreign exchange gains	96	3,424	76	44
	Interest income, SKAT	0	2	0	0
	Gain from sale of shares in subsidiaries	0	0	0	0
	Other interest income	865	478	556	478
		961	3,904	961	722
6	**Financial expenses**				
	Interest expense to associated companies	0	0	4	32
	Foreign exchange losses	9,659	270	4	0
	Other interest expense	864	1,523	335	1,036
		10,523	1,793	343	1,068

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

7 **Tax on profit for the year**

Current tax for the year	-684	3,618	1,098	-1,414
Correction prior year	6,529	-42	0	-66
Adjustment of deferred tax	-444	3,588	6,895	1,681
Foreign exchange adjustments	0	-7	0	0
	5,401	7,157	7,993	201

8 **Intangible assets**

	Consolidated			
DKK'000	Development project	Goodwill	Software	Total
Cost at 1 January 2017	22,201	7,763	4,582	34,546
Additions	9,073	0	0	9,073
Disposals	0	0	-4,582	-4,582
Cost at 31 December 2017	31,274	7,763	0	39,037
Impairment losses and depreciation at 1 January 2017	8,494	2,684	0	11,178
Impairment losses in the year	0	4,064	0	4,064
Depreciation	2,460	1,015	0	3,475
Impairment losses and depreciation at 31 December 2017	10,954	7,763	0	18,717
Carrying amount at 31 December 2017	20,320	0	0	20,320
Depreciated over	5 years	7-10 years		

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Property, plant and equipment

	Consolidated		
DKK'000	Land and buildings	Fixture and fittings, other plant and equipm.	Total
Cost at 1 January 2017	19,004	8,688	27,692
Foreign currency translation adjustments, foreign entities	0	0	0
Additions	0	460	460
Disposals	0	-6,454	-6,454
Cost at 31 December 2017	19,004	2,694	21,698
Impairment losses and depreciation at 1 January 2017	3,561	6,091	9,652
Foreign currency translation adjustment, foreign entities	0	0	0
Depreciation	456	329	785
Disposals	0	-4,615	-4,615
Impairment losses and depreciation at 31 December 2017	4,017	1,805	5,822
Carrying amount at 31 December 2017	14,987	889	15,876
Depreciated over	25 years	2-10 years	

	Parent company		
DKK'000	Land and buildings	Fixture and fittings, other plant and equipm.	Total
Cost at 1 January 2017	19,004	1,419	20,423
Additions	0	16	16
Disposals	0	-467	-467
Cost at 31 December 2017	19,004	968	19,972
Impairment losses and depreciation at 1 January 2017	3,561	1,346	4,907
Depreciation	456	24	480
Disposals	0	-456	-456
Impairment losses and depreciation at 31 December 2017	4,017	914	4,931
Carrying amount at 31 December 2017	14,987	54	15,041
Depreciated over	25 years	2-10 years	

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

DKK'000	Parent company 2017	Parent company 2016
10 Investments in subsidiaries		
Cost at 1 January	60,723	51,325
Additions during the year	0	9,398
Additions at takeover	0	0
Disposals during the year	-250	0
Cost at 31 December	60,473	60,723
Value adjustments at 1 January	28,830	31,080
Foreign exchange adjustments	0	216
Value adjustments in connection with capital increase	0	0
Disposals during the year	-94,087	0
Dividends	0	-26,500
Profit for the year	5,040	24,034
Off-set Receivable Sky-Watch A/S	65	0
Value adjustments at 31 December	-60,151	28,830
Carrying amount at 31 December	322	89,553

Key figures for subsidiaries at 31 December 2017:

Name and registered office	Stake	Share capital	Profit for the year	Carrying amount
Danxx ApS, Rebild	100 %	130	342	322
Sky-Watch A/S, Rebild	93.98 %	15,562	-10,342	-65
Off-set Receivable Sky-Watch A/S				65
				322

Moreover, the group comprises the following subsidiaries, which are wholly-owned by the above subsidiaries.

Name and registered office	Stake	Share capital	Profit for the year	Carrying amount
DanVehicle XX Limited, Kampala, Uganda	100 %	125	-85	-3,461
Anthea Technologies ApS, Rebild	100 %	100	11	1,124
				-2,337

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	Consolidated 2017	Consolidated 2016
11 Investments in other securities and investments		
Cost at 1 January	0	0
Additions during the year	114,625	0
Additions at takeover	0	0
Disposals during the year	0	0
Cost at 31 December	114,625	0
Value adjustments at 1 January	0	0
Foreign exchange adjustments	0	0
Value adjustments in connection with capital increase	0	0
Disposals during the year	0	0
Dividends	0	0
Profit for the year	557	0
Value adjustments at 31 December	557	0
Carrying amount at 31 December	115,182	0

DKK'000	Parent company 2017	Parent company 2016
11 Investments in other securities and investments		
Cost at 1 January	0	0
Additions during the year	114,625	0
Additions at takeover	0	0
Disposals during the year	0	0
Cost at 31 December	114,625	0
Value adjustments at 1 January	0	0
Foreign exchange adjustments	0	0
Value adjustments in connection with capital increase	0	0
Disposals during the year	0	0
Dividends	0	0
Profit for the year	557	0
Value adjustments at 31 December	557	0
Carrying amount at 31 December	115,182	0

DKK'000	Consolidated 2017	Consolidated 2016	Parent company 2017	Parent company 2016
12 Prepayments				
Insurance premiums	0	0	0	0
Leases	0	0	0	0
Other prepaid costs	180	143	21	56
	143	143	56	56

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

13 Other receivables

Other receivables fall due for payment within one year.

14 Share capital

The share capital comprises 250 A-shares at a nominal value of DKK 500 and 50 B-shares at a nominal value of DKK 500. B-shares carry no voting rights. The share capital has remained unchanged during the last five years.

	Consolidated		Parent company	
DKK'000	2017	2016	2017	2016
15 Deferred tax				
Deferred tax relates to:				
Non-current assets	3,953	3,113	0	602
Current assets	15	638	733	-86
Tax loss carryforward	-2,523	-3,068	0	0
Recapture balance	0	318	0	7,112
	1,445	1,001	733	7,628
Deferred tax asset	0	556	0	0
Deferred tax liabilities	1,445	1,557	733	7,628
	1,445	1,001	733	7,628

16 Nun-current liabilities

	Consolidated	
	2017	2016
DKK'000	Mortgage credit institutions	Mortgage credit institutions
0-1 year	4,753	4,905
1-5 years	12,064	16,282
> 5 years	9,801	7,767
	26,618	28,954

	Parent company	
	2017	2016
DKK'000	Mortgage credit institutions	Mortgage credit institutions
0-1 year	4,323	4,301
1-5 years	11,557	15,361
> 5 years	9,801	7,767
	25,681	27,429

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

17 **Contractual obligations and contingencies, etc.**

Contingent liabilities

As part of the company's ordinary business procedures, bank guarantees have been provided to third parties.

The parent company is jointly taxed with the Danish subsidiary. As the administrative company, together with the subsidiary, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is not liable to others.

Rent obligations

The Group's companies have entered into rent obligation totalling DKK 613 thousand.

Operating lease obligations

The Group's companies have entered into operating leases totalling DKK 1,031 thousand falling due within 5 years. (1 year: DKK 450 thousand, 2-5 years DKK 581 thousand and after 5 years DKK 0 thousand).

18 **Charges and collateral**

As collateral for its balance with Danske Bank, the company has issued an owners' mortgage of DKK 3,400 thousand secured on land register 6k, 6 bs, Tved By, Tved.

Moreover, the property with a book value of DKK 14,987 thousand, has been provided as collateral for mortgage loans totalling DKK 9,792 thousand.

The company has provided guarantee for Sky Watch A/S's commitments with Nordea of up to DKK 19,000 thousand and a commitment to provide a loan facility of up to DKK 25,000 thousand to Sky Watch A/S.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

19 **Related party disclosures**

Dangroup ApS' related parties comprise the following:

Related party transactions

DKK'000	2017	2016
Group		
Dividend payments	15,000	32,500
Parent		
Sale of goods to related parties	-	-
Administration to related parties	6,618	6,480
Dividends/Interim dividends	15,000	32,500
Interest income from related parties	330	200
Interest expenses to related parties	5	32
Receivables from subsidiaries	5,646	302
Payables to related parties	4,172	3,757

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Svehag ApS, Skodsborg Strandvej 182, 2942 Skodsborg.

Danoffice Holding ApS, Grønnevej 2014 A, Thuroe, 5700 Svendborg.

	Consolidated	
DKK'000	2017	2016
20 **Changes in working capital**		
Change in inventories	-53,839	-939
Change in receivables	101,811	3,371
Change in trade and other payables	-90,185	-19,890
Foreign exchange adjustments	4,501	208
	69,966	-17,250