Dangroup ApS

Englandsvej 14, 5700 Svendborg

CVR no. 29 93 07 59

Annual report 2016

Approved at the Company's annual general meeting on 22 May 2017

Chairman:

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Building a better working world

Contents

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 2016.

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 2016 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 2016.

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, 22 May 2017
Executive Board:

Søren Pedersen

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 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. 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 2016 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 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Odense, 22 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Brian Skovhus Jakobsen State Authorised Public Accountant	Morten Schougaard Sørensen State Authorised Public Accountant

Management's review

Company details

Name	Dangroup ApS
Address, zip code, city	Englandsvej 14, DK-5700 Svendborg
CVR no.	29 93 07 59
Established	30 September 2006
Registered office	Svendborg
Financial year	1 January - 31 December (10^{th} financial year)
Website	www.dangroup-holding.com
E-mail	contact@dangroup-holding.com
Telephone	+45 62 21 17 66
Telefax	+45 62 21 17 65
Executive Board	Søren Pedersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, DK-5000 Odense C

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	510,903	703,477	451,165	518,244	489,555
Gross profit	84,177	93,294	53,097	72,373	67,196
Ordinary operating profit	29,283	38,345	-1,468	30,046	30,134
Profit/loss from financial income and expense	2,111	4,342	4,952	-3,067	764
Profit for the year	**24,237**	**30,824**	**2,985**	**18,349**	**22,668**
The Group's share of profit for the year	**24,992**	**32,516**	**5,702**	**18,838**	**22,668**
Total assets	229,437	234,277	206,268	198,177	176,449
Portion relating to investment in property, plant and equipment	4,691	4,010	6,726	677	2,416
Equity	**66,011**	**61,905**	**52,093**	**64,490**	**67,608**
Equity incl. non-controlling interests	**66,669**	**62,802**	**52,661**	**68,372**	**67,608**
Cash flows from operating activities	12,119	17,020	2,583	25,938	10,417
Net cash flows from investing activities	-12,795	-7,427	-5,641	-1,953	-2,108
Cash flows from financing activities	-25,533	-26,702	-15,083	-13,379	-20,295
Total cash flows	**-26,209**	**-17,109**	**-18,141**	**10,606**	**-11,986**
Financial ratios					
Return on invested capital	29.0 %	50.2 %	-2.3 %	50.5 %	60.8 %
Return on invested capital Ex. cost related to restructuring	30.6 %	52.3 %	1.1 %	50.5 %	60.8 %
Equity ratio	28.8 %	26.7 %	25,5 %	34.5 %	38.3 %
Return on equity	39.1 %	56.8 %	4.9 %	27.0 %	34.2 %
Average number of full-time employees	**92**	**86**	**89**	**70**	**71**

The financial ratios have been prepared in accordance with the Finansforeningens' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". 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 24,992 thousand (2015: DKK 32,516 thousand), which Management finds satisfactory and almost in line with expectations, though significantly lower than last year.

The reasons for the decrease in profitability are mainly related to the fact that the profitability in the IT equipment subsidiary was lower than last year, due to a decrease in the sales level, which could not completely be compensated by increased margins and lower operational expenses, because of the merger between the two IT equipment subsidiaries in the 1st Quarter of 2016.

The net losses in the subsidiary within the field of unmanned aircraft systems amounted for DKK 9,154 thousand (2015 net loss: DKK 10,288 thousand), which mainly came from increased sales activity, as the market for unmanned aircraft systems is becoming more mature, whereas the organization continued to grow, to match the increased activities within research and development of products.

The Group had positive cash flows from its operating activities of DKK 12,119 thousand (2015: DKK 17,020 thousand). The main reason for the decrease in cash flow compared with last year is the lower cash generated from operations, combined with a decrease in interests received, but compensated by a slightly lower income tax paid from the lower profit level in 2016.

The group continued in 2016 to invest in both current and non-current assets in all subsidiaries and within all activities, with a total of DKK 12,213 thousand. In the field of unmanned aircraft systems, the company acquired the technology, production machinery and engineering staff of the company Little Smart Things ApS, which filed for Chapter 11 in the beginning of 2016.

Cash and cash equivalents end of the year amounted to DKK -28,026 thousand, as the company paid DKK 20,500 thousand in dividends to the shareholders and repaid on the long-term debts. The company has sufficient short-term credit lines in place with its main banks to continue activity on the level experienced in 2016, and the company even negotiated more favourable banking conditions and terms of long-term bank debts at the end of 2016.

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

The group acquired additional 2.87 % of the shares in Sky-Watch A/S, Rebil during the year 2016. After the acquisition, the group holds a stake of 93.98 % and the company is therefore part of the consolidated accounts as in 2015.

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

Outlook

The Group expects to continue a positive development in 2017, and a net profit above the 2016 level, as the activity in the IT equipment subsidiary expects to grow, and the merger of the two IT equipment subsidiaries in 2016 will have a full year positive effect on margins, operational expenses and consequently efficiency and net earnings in 2017.

It is further 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 2016 proved to be mature, and the unmanned aircraft system business is consequently expected to be nearly at break-even level in 2017.

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 three divisions, and the CSR work is anchored in the individual divisions and not in Dangroup ApS.

Generally, the Group's CSR policy relies on UN's Global Compact.

As to Danoffice IT ApS, reference is made to Communication on Progress, which is available at www.danofficeit.com http://www.danofficeit.com/corporate-information/corporate-responsibility.aspx

Sky-Watch A/S and Anthea Technologies ApS are in a product development phase and the CSR policy will be developed as the activities of the companies 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 one member. Therefore, no goals and policies regarding gender quotation have been set up.

The company has only two 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 2016 annual report.

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

Income statement

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
2	Revenue	510,903	703,477	6,531	6,054
	Cost of sales	-411,241	-595,272	0	0
3	Other external costs	-15,485	-14,911	-2,499	-2,310
	Gross profit	84,177	93,294	4,032	3,744
4	Staff costs	-47,855	-48,160	-2,204	-2,218
	Cost related to restructuring	-1,742	-1,652	0	0
	Depreciation	-5,297	-5,137	-1,390	-1.377
	Operating profit	29,283	38,345	438	149
	Share of profit in subsidiaries after tax	0	0	25,105	33,124
5	Financial income	3,904	6,277	718	654
6	Financial expenses	-1,793	-1,935	-1,068	-1,148
	Profit before tax	31,394	42,687	25,193	32,779
7	Tax on profit for the year	-7,157	-11,863	-201	-263
	Profit for the year	24,237	30,824	24,992	32,516
	Non-controlling interests' share of the results of subsidiaries	755	1,692	0	0
		24,992	32,516	24,992	32.516

	Parent company 2016	Parent company 2015
Proposed profit appropriation		
Interim dividends	12,500	8,000
Proposed dividends	8,000	20,000
Reserve for net revaluation under the equity method	-1,864	6,310
Retained earnings	6,356	-1,794
	24,992	32,516

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

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Development projects	13,707	7,699	0	0
	Goodwill	5,079	6,095	0	0
	Software	4,582	2,059	0	0
		23,368	15,853	0	0
9	**Property, plant and equipment**				
	Land and buildings	15,443	14,728	15,443	14,728
	Fixtures and fittings, tools and equipment	2,597	3,683	73	148
		18,040	18,411	15,516	14,873
	Investments				
10	Investments in subsidiaries	0	0	89,553	82,405
		0	0	89,553	82,405
	Total non-current assets	41,408	34,264	105,069	97,278
	Current assets				
	Inventories				
	Finished goods and goods for resale	15,009	12,639	0	0
	Goods in transit	41,655	43,086	0	0
		56,664	55,725	0	0
	Receivables				
	Trade receivables	115,523	110,826	776	661
	Prepayments	779	1,023	0	0
	Amounts owed by associated companies	0	0	302	4,200
14	Deferred tax asset	556	2,587	15	0
12	Other receivables	13,044	20,867	244	0
11	Prepayments	143	348	56	67
		130,045	135,651	1,393	4,928
	Cash at bank and in hand	1,320	8,587	116	5,054
	Total current assets	188,029	199,963	1,509	9,982
	TOTAL ASSETS	229,437	234,227	106,578	107,260

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

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2016	2015	2016	2015
	EQUITY AND LIABILITIES				
	Equity				
13	Share capital	125	125	125	125
	Reserve for net revaluation under the equity method	0	0	28,830	31,080
	Retained earnings	57,886	53,780	29,056	22,700
	Proposed dividends	8,000	8,000	8,000	8,000
	Total equity	66,011	61,905	66,011	61,905
	Non-controlling interests	658	897	0	0
	Provisions				
14	Deferred tax	1,557	0	7,628	5,947
	Total provisions	1,557	0	7,628	5,947
	Liabilities other than provisions				
	Non-current liabilities other than provisions				
15	Mortgage credit institutions	24,049	28,940	23,128	27,440
		24,049	28,940	23,128	27,440
	Current liabilities other than provisions				
15	Current portion of non-current liabilities other than provisions	4,905	4,389	4,301	3,775
	Bank loans and overdrafts	24,441	6,015	8	5
	Prepayments received from customers	1,326	1,944	0	0
	Trade payables	93,471	117,840	685	505
	Amounts owed to subsidiaries	0	0	3,753	3,189
	Corporation tax	0	2,892	0	2,893
	Other payables	12,627	8,539	672	734
	Deferred income	392	866	392	866
		137,162	142,485	9,811	11,968
	Total liabilities other than provisions	161,211	171,425	32,939	39,408
	TOTAL EQUITY AND LIABILITIES	229,437	234.227	106,578	107,260

1 Accounting policies
16 Contingencies, etc.
17 Charges and collateral
18 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 2015	125	51,968	0	52,093
Correction of fundamental misstatements	0	-5,433	0	-5,433
Dividends	0	0	20,000	20,000
	0	0	-20,000	-20,000
Foreign exchange adjustment of opening equity in subsidiaries	0	2,729	0	2,729
Transferred from profit for the year	0	4,516	8,000	12,516
Equity at 1 January 2016	125	53,780	8,000	61,905
Dividends	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	11,890
Equity at 31 December 2016	125	57,886	8,000	66,011

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 2015	125	24,770	21,765	0	52,093
Correction of fundamental misstatements	0	-5.433	0	0	-5,433
Dividends	0	0	0	20,000	20,000
Foreign exchange adjustment of opening equity	0	0	0	-20,000	-20,000
Foreign exchange adjustments	0	0	2,729	0	2,729
Transferred, see profit appropriation	0	6,310	-1,794	8,000	12,516
Equity at 1 January 2016	125	31,080	22,700	8,000	61,905
Interim dividends	0	0	0	12,500	12,500
Dividends distributed	0	0	0	-20,500	-20,500
Foreign exchange adjustments	0	216	0	0	216
Transferred, see profit appropriation	0	-2,466	6,356	8,000	11,890
Equity at 31 December 2016	125	28,830	29,056	8,000	66,011

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

Cash flow statement

Note	DKK'000	Consolidated 2016	Consolidated 2015
	Operating profit	29,283	38,344
	Depreciation and amortisation	5,297	5,137
	Cash generated from operations (operating activities) before changes in working capital	34,580	43,481
19	Changes in working capital	-18.130	-22,882
	Cash generated from operations (operating activities)	16.450	20,599
	Interest receivedr	3,904	6,277
	Interest paid	-1,793	-1,935
	Cash generated from operations (ordinary activities)	18.561	24,941
	Corporation tax paid	-6,442	-7,921
	Cash flows from operating activities	12,119	17,020
	Acquisition of property, plant and equipment	-2,168	-4,010
	Disposal of property, plant and equipment	1,97	0
	Acquisitions of intangible assets	-10,824	-3,417
	Cash flows from investing activities	-12,795	-7,427
	External financing:		
	Repayment of long-term debt	-4,375	-5,465
	Proceeds from mortgage loans	0	0
	Shareholders:		
	Dividends paid	-20,500	-20,000
	Purchase of non-controlling interests	-658	-1,237
	Cash flows from financing activities	-25,533	-26,702
	Net cash flows from operating, investing and financing activities	-26,209	-17,109
	Cash and cash equivalents at 1 January	-1,817	15,292
	Cash and cash equivalents at 31 December	-28,026	-1,817

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 2016 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment

The change had no impact on profit for the year or equity.

Material misstatement

Revenue from the Group's sale of goods for resale is recognised in revenue provided when delivery and transfer of risk to the buyer has taken place before the year-end and that provided that the income can be reliably measured and is expected to be received.

So far, revenue has been recognised when the goods are sent to the customer. It was established in 2016 that, according to the specific terms of delivery, the risk is not transferred until the goods are delivered to the customer. Consequently, revenue from these customers were recognised too early compared to the Company's accounting policy for revenue recognition.

The correction implies a DKK 5,433 thousand reduction of equity at 31 December 2015 and a DKK 852 thousand reduction of the profit for 2015.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

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.

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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 2015".

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 213 thousand (2015: DKK 155 thousand), tax assistance of DKK 30 thousand, assurance engagements of DKK 59 thousand and non-audit fees of DKK 163 thousand, total amounts to DKK 465 thousand.

		Consolidated		Parent company	
	DKK'000	2016	2015	2016	2015
4	**Staff costs and incentive programmes**				
	Wages and salaries	48,320	44,533	1,983	1,964
	Pensions	2,892	2,554	143	136
	Other social security costs	812	1,051	11	11
	Other staff costs	1,600	1,612	67	108
	Thereof capitalised under development projects and inventories	-5,769	-1,590	0	0
		47,855	48,160	2,204	2,219
	Average number of full-time employees	92	86	2	2

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

		Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
5	**Financial income**				
	Interest income from associated companies	0	0	200	212
	Foreign exchange gains	3,424	5,755	44	0
	Interest income, SKAT	2	8	0	0
	Other interest income	478	514	478	442
		3,904	6,277	722	654
6	**Financial expenses**				
	Interest expense to associated companies	0	0	32	35
	Foreign exchange losses	270	363	0	35
	Other interest expense	1,523	1,572	1,036	1,078
		1,793	1,935	1,068	1,148
7	**Tax on profit for the year**				
	Current tax for the year	3,618	10,202	-1,414	-917
	Correction prior year	-42	0	-66	0
	Adjustment of deferred tax	3,588	1,552	1,681	1,180
	Foreign exchange adjustments	-7	109	0	0
		7,157	11,863	201	263

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

Notes to the financial statements

8 Intangible assets

DKK'000	Consolidated			
	Development project	Goodwill	Software	Total
Cost at 1 January 2016	13,900	7,763	2,059	23,722
Additions	8,301	0	2,523	10,824
Disposals	0	0	0	0
Additions at takeover	0	0	0	0
Cost at 31 December 2016	22,201	7,763	4,582	34,546
Impairment losses and depreciation at 1 January 2016	6,201	1,668	0	7,869
Impairment losses in the year	0	0	0	0
Depreciation	2,293	1,016	0	3,309
Impairment losses and depreciation at 31 December 2016	8,494	2,684	0	11,178
Carrying amount at 31 December 2016	13,707	5,079	4,582	23,368
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 2016	17,887	8,411	26,298
Foreign currency translation adjustments, foreign entities	0	5	5
Additions	1,117	1,051	2.168
Disposals	0	-779	-779
Cost at 31 December 2016	19,004	8,688	27.692
Impairment losses and depreciation at 1 January 2016	3,159	4,742	7,901
Foreign currency translation adjustment, foreign entities	0	8	8
Depreciation	402	1,852	2,254
Disposals	0	-511	-511
Impairment losses and depreciation at 31 December 2016	3,561	6,091	9,652
Carrying amount at 31 December 2016	15,443	2,597	18,040
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 2016	17,887	1,419	19,306
Additions	1,117	0	1,117
Disposals	0	0	0
Cost at 31 December 2016	19,004	1,419	20,423
Impairment losses and depreciation at 1 January 2016	3,159	1,275	4,434
Depreciation	402	71	473
Disposals	0	0	0
Impairment losses and depreciation at 31 December 2016	3,561	1,346	4,907
Carrying amount at 31 December 2016	15,443	73	15,516
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 2016	Parent company 2015
10 Investments in subsidiaries		
Cost at 1 January	51,325	34,906
Additions during the year	9,398	0
Additions at takeover	0	16.499
Disposals during the year	0	-80
Cost at 31 December	60,723	51,325
Value adjustments at 1 January	31,080	24,769
Foreign exchange adjustments	216	-1,044
Value adjustments in connection with capital increase	0	347
Disposals during the year	0	4,565
Dividends	-26,500	-28,000
Profit for the year	25,105	31,439
Depreciation goodwill	-1,071	-996
Value adjustments at 31 December	28.830	31,080
Carrying amount at 31 December	89,553	82,405

Investments in subsidiaries comprise goodwill of DKK 5,079 thousand that is depreciated over 10 years.

Key figures for subsidiaries at 31 December 2016:

Name and registered office	Stake	Share capital	Profit for the year	Carrying amount
Danoffice IT ApS, Svendborg	100 %	125	32,274	67,859
Danxx ApS, Svendborg	100 %	130	-1	364
Sky-Watch A/S, Rebild	93.98 %	15,562	-9,154	10,277
Goodwill and other group changes				11,053
				89,553

The Group acquired additional 2.87 % of the shares in Sky-Watch A/S, Rebild in 2016. After the acquisition the group holds a stake of 93.98 %.

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
Danoffice Inc., Silver Spring, Maryland, USA	100 %	1	45	2,917
Danoffice IT SA., Rolle, Switzerland	100 %	692	-5,591	-33,582
Danoffice Ltd., Kampala, Uganda	100 %	125	-99	-3,872
Advizing Inc., Sterling, Virginia, USA	100 %	1	-1,639	-2,205
Advizing IT SA., Geneve, Switzerland	100 %	20	-132	-111
Anthea Technologies ApS, Svendborg	100 %	100	13	1,112
				-35,741

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

Notes to the financial statements

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
11 Prepayments				
Insurance premiums	0	92	0	0
Leases	0	127	0	0
Other prepaid costs	143	129	56	67
	143	348	56	67

12 Other receivables

Other receivables fall due for payment within one year.

13 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.

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
14 Deferred tax				
Deferred tax relates to:				
Non-current assets	3,113	-814	602	584
Current assets	638	-1,773	-86	-191
Tax loss carryforward	-3,068	-5.946	0	0
Recapture balance	318	5.946	7,112	5,554
	1,001	-2,587	7,628	5,947

15 Nun-current liabilities

	Consolidated	
	2016	2015
DKK'000	Mortgage credit institutions	Mortgage credit institutions
0-1 year	4,905	4,389
1-5 years	16,282	18,249
> 5 years	7,767	10,691
	28,954	33,329

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

Notes to the financial statements

15 Nun-current liabilities (continued)

	Parent company	
	2016	2015
DKK'000	Mortgage credit institutions	Mortgage credit institutions
0-1 year	4,301	3,775
1-5 years	15,361	16,749
> 5 years	7,767	10,691
	27,429	31,215

To hedge future interest payments of non-current liabilities, the Company has concluded an interest swap totalling EUR 1,109 thousand at a fixed rate for a 10-year period. Value adjustments of the interest swap are recognised as financial income and financial expenses and are thus not treated as hedge accounting.

16 Contractual obligations and contingencies, etc.

Contingent liabilities

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

At 31 December 2016 bank guarantees amounted to DKK 31.397 thousand.

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.

Operating lease obligations

The Group's companies have entered into operating leases totaling DKK 518 thousand falling due within 5 years. (1 year: DKK 323 thousand, 2-5 years DKK 195 thousand and after 5 years DKK 0 thousand).

17 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 lang register 6k, 6 bs, Tved By, Tved.

The company has provided a joint and several guarantee for Danoffice IT ApS', Anthea Technologies ApS' and Danxx ApS' commitments with Danske Bank up to DKK 10,000 thousand.

The company has provided guarantee for Danoffice IT ApS' and Danoffice Inc.' and Sky Watch A/S's commitments with Nordea of up to DKK 92.175 thousand.

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

Notes to the financial statements

18 Related party disclosures

Dangroup ApS' related parties comprise the following:

Related party transactions

DKK'000	2016	2015
Group		
Sale of goods to related parties	-	-
Payables to related parties	3,757	3,189
Parent		
Sale of goods to related parties	-	-
Administration to related parties	6,408	6,050
Dividends/Interim dividends	32,500	28,000
Interest income from related parties	200	212
Interest expenses to related parties	32	35
Receivables from subsidiaries	302	4,200
Payables to related parties	3,757	3,189

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, Englandsvej 14,5700 Svendborg.

Danoffice Holding ApS, Englandsvej 14, 5700 Svendborg.

DKK'000	Consolidated	
	2016	2015
19 Changes in working capital		
Change in inventories	-939	-2,917
Change in receivables	3,371	-40,190
Change in trade and other payables	-19.890	20,092
Foreign exchange adjustments	208	133
	-17,250	-22,882