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TwentyThree ApS
Sortedam Dossering 5D
2200 København N
Central Business Registration No
30070860

Annual report 2016

The Annual General Meeting adopted the annual report on 22.05.2017

Chairman of the General Meeting

____
Name: Amjad Khan

Contents

Entity details

Entity

TwentyThree ApS
Sortedam Dossering 5D
2200 København N

Central Business Registration No: 30070860
Registered in: København
Financial year: 01.01.2016 - 31.12.2016

Executive Board

Thomas Madsen-Mygdal
Steffen Fagerström Christensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
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0900 København C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of TwentyThree ApS for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 22.05.2017

Executive Board

Thomas Madsen-Mygdal Steffen Fagerström Christensen

Independent auditor's report

To the shareholders of TwentyThree ApS

Opinion

We have audited the financial statements of TwentyThree ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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 financial statements section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’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 Entity’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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary 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 commentary 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 commentary.

Copenhagen, 22.05.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jacob Simonsen
State Authorised Public Accountant

Management commentary

Primary activities
The primary actitivies of TwentyThree ApS is to develop and supply tools for visual communication.

Development in activities and finances
Loss for the year amounts to DKK 455.438, which was expected by management and is considered satisfactory.

The Company continues to invest significantly in internationalization, technological development and organizational development.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Treasury shares
The Company have purchased nominally 3.125 treasury shares during 2016, which corresponds to 2,5 % of the total share capital at 31 December 2016. The shares were purchased for a total amount of 398.578 DKK. The shares were purchased as a part of the Company's ongoing growth strategy.

Income statement for 2016

	Notes	2016 DKK	2015 DKK'000
Gross profit	1	**11.937.620**	**10.761**
Staff costs	2	(10.388.764)	(10.115)
Depreciation, amortisation and impairment losses	3	(2.293.859)	(1.871)
Operating profit/loss		**(745.003)**	**(1.225)**
Income from investments in group enterprises		173.846	0
Other financial expenses	4	(182.355)	(97)
Profit/loss before tax		**(753.512)**	**(1.322)**
Tax on profit/loss for the year	5	298.074	152
Profit/loss for the year		**(455.438)**	**(1.170)**
Proposed distribution of profit/loss			
Retained earnings		(455.438)	(1.170)
		(455.438)	**(1.170)**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Completed development projects		6.173.821	4.530
Intangible assets	6	**6.173.821**	**4.530**
Other fixtures and fittings, tools and equipment		1.644.846	1.435
Leasehold improvements		159.790	194
Property, plant and equipment	7	**1.804.636**	**1.629**
Investments in group enterprises		0	100
Deposits		50.626	0
Fixed asset investments	8	**50.626**	**100**
Fixed assets		**8.029.083**	**6.259**
Trade receivables		3.413.954	5.511
Dividends receivable from group enterprises		486.563	291
Deferred tax	9	409.990	266
Other receivables		323.380	28
Receivables		**4.633.887**	**6.096**
Cash		**294.863**	**10**
Current assets		**4.928.750**	**6.106**
Assets		**12.957.833**	**12.365**

Balance sheet at 31.12.2016

	Notes	2016 DKK	2015 DKK'000
Contributed capital		125.000	125
Reserve for development expenditure		2.264.396	0
Retained earnings		(549.271)	(2.981)
Equity		**1.840.125**	**(2.856)**
Subordinate loan capital	10	0	5.550
Finance lease liabilities		163.919	159
Non-current liabilities other than provisions		**163.919**	**5.709**
Current portion of long-term liabilities other than provisions		184.386	200
Bank loans		1.000.328	853
Trade payables		1.209.860	1.416
Payables to group enterprises		0	514
Income tax payable		12	0
Other payables		2.202.787	1.735
Deferred income		6.356.416	4.794
Current liabilities other than provisions		**10.953.789**	**9.512**
Liabilities other than provisions		**11.117.708**	**15.221**
Equity and liabilities		**12.957.833**	**12.365**
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Mortgages and securities	13		

Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	0	758.282	883.282
Corrections of errors	0	0	(3.739.141)	(3.739.141)
Adjusted equity, beginning of year	**125.000**	**0**	**(2.980.859)**	**(2.855.859)**
Purchase of treasury shares	0	0	(398.578)	(398.578)
Group contributions etc	0	0	5.550.000	5.550.000
Profit/loss for the year	0	2.264.396	(2.719.834)	(455.438)
Equity end of year	**125.000**	**2.264.396**	**(549.271)**	**1.840.125**

Notes

1. Gross profit

Gross profit can be further broken down as follows:

	2016 DKK	2015 DKK '000
Gross profit before other external expenses	18.021.729	14.912
Other external expenses	(6.084.109)	(4.151)
Gross profit	**11.937.620**	**10.761**

	2016 DKK	2015 DKK'000
2. Staff costs		
Wages and salaries	9.863.999	9.501
Other social security costs	218.534	466
Other staff costs	306.231	148
	10.388.764	**10.115**
Average number of employees	**27**	**26**

	2016 DKK	2015 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.582.312	1.149
Depreciation of property, plant and equipment	711.547	722
	2.293.859	**1.871**

	2016 DKK	2015 DKK'000
4. Other financial expenses		
Interest expenses	182.355	97
	182.355	**97**

	2016 DKK	2015 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax for the year	(143.860)	(152)
Adjustment concerning previous years	(154.214)	0
	(298.074)	**(152)**

Notes

	Completed development projects DKK
6. Intangible assets	
Cost beginning of year	7.518.064
Additions	3.225.636
Cost end of year	**10.743.700**
Amortisation and impairment losses beginning of year	(2.987.567)
Impairment losses for the year	(1.582.312)
Amortisation and impairment losses end of year	**(4.569.879)**
Carrying amount end of year	**6.173.821**

The Company's development projects relate to the Company's product, and as such is an integral part of the business strategy and management's future expectations.

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
7. Property, plant and equipment		
Cost beginning of year	3.571.965	322.312
Additions	854.274	32.161
Cost end of year	**4.426.239**	**354.473**
Depreciation and impairment losses beginning of the year	(2.136.963)	(127.567)
Impairment losses for the year	(644.430)	(67.116)
Depreciation and impairment losses end of the year	**(2.781.393)**	**(194.683)**
Carrying amount end of year	**1.644.846**	**159.790**
Recognised assets not owned by entity	**482.234**	**-**

Notes

	Investments in group enterprises DKK	Deposits DKK
8. Fixed asset investments		
Cost beginning of year	100.300	0
Additions	0	50.626
Disposals	(100.300)	0
Cost end of year	**0**	**50.626**
Carrying amount end of year	**0**	**50.626**

9. Deferred tax

Deferred tax asset is expected to be used in future tax profits or by other companies in the joint taxation.

10. Subordinate loan capital

The subordinate loan capital have been taken over by the parent company TwentyThree Holding ApS as a tax free group contribution.

	2016 DKK	2015 DKK'000
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**3.225.500**	**1.853**

12. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Bootstrapping ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company’s financial statements.

13. Mortgages and securities

The Company’s bank has posted a payment guarantee on the amount of DKK 1.229.291 which relates to deposit for the Company’s premises.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Material errors in previous years
Management have identified a material error in previous years relating to the recognition of revenue. Previously revenue from subscription based services have been recognized completely at the time of invoicing, whereas revenue should have been recognized over the subscription period in accordance with the Danish Financial Statements Act.

The compiled effect of the material error on the annual report is as follows:

	2016 DKK	2015 DKK
Income statement		
Net revenue	(1.562.645)	(2.027.135)
Tax on profit/loss for the year	343.782	446.037
Correction of profit/loss	**(1.218.863)**	**(1.581.098)**
Balance sheet		
Deferred revenue	(6.356.416)	(4.793.771)
Deferred tax asset	1.398.412	1.054.630
Correction of assets/liabilities	**(4.958.004)**	**(3.739.141)**
Equity		
Correction equity beginning of year	(3.739.141)	(2.158.043)
Profit/loss for the year	(1.218.863)	(1.581.098)
Correction of equity	**(4.958.004)**	**(3.739.141)**

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Accounting policies

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue
Revenue from the sale of services is recognized linearly over the contract period. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables
Costs of raw materials and consumables comprise costs directly related to revenue.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Accounting policies

Income from investments in group enterprises
Income from investments in group enterprises comprises received dividens from investments and profit/loss from the sale of investments in group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used are 5 years.

Property, plant and equipment
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Leasehold improvements	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Cash
Cash comprises cash in hand and bank deposits.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

Accounting policies

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.