Chora A/S

Mindet 2, 3., 8000 Aarhus C

CVR no. 30 72 64 72

Annual report 2016

Approved at the annual general meeting of shareholders on 6 April 2017

Chairman:

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Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Chora A/S for the financial year 1 January - 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Aarhus, 6 April 2017
Executive Board:

Jacob Jakobsen
CEO

Board of Directors:

Søren Bruun Rasmussen
Chairman

Mark Fitzhugh

Jacob Jakobsen

Thomas Fabricius

Independent auditors' report

To the shareholders of Chora A/S

Opinion

We have audited the financial statements of Chora A/S 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. 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 financial position of the Company at 31 December 2016, and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. 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 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 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 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditors' report

- 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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 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.

Based on our procedures, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 6 April 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mads Meldgaard
State Authorised Public Accountant

Management's review

Company details

Name	Chora A/S
Address, Postal code, City	Mindet 2, 3., 8000 Aarhus C
CVR no.	30 72 64 72
Registered office	Aarhus
Financial year	1 January - 31 December
Board of Directors	Søren Bruun Rasmussen, Chairman Mark Fitzhugh Jacob Jakobsen Thomas Fabricius
Executive Board	Jacob Jakobsen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Management commentary

Business review

The Company is primarily engaged in design, development, production and trade of IT systems as well as related activities.

The Company provides sales services and also acts as subsupplier of services to group entities.

Financial review

The income statement for 2016 shows a profit of DKK 7,158,791 against a DKK 386,590 last year, and the balance sheet at 31 December 2016 shows equity of DKK 15,353,242.

In the financial year, the Company merged with the affiliated companies, Chora Crypto Systems A/S and ITAS A/S, with Chora Software Design A/S as the continuing company. The merger plan was approved on 2 December 2016 with merger date 1 January 2016.

In connection with the merger, the shareholders in Chora Crypto Systsems A/S and ITAS A/S received shares in Chora Software Design A/S.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Company's results fluctates from year to year because the Company's revenue consists of a few large orders. in 2016, the Company received a large order which positively influences 2016 and 2017, and a profit is expected in 2017.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Gross margin	17,469,730	7,324,099
2	Staff costs	-4,754,441	-3,973,659
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-3,419,466	-2,770,135
	Profit before net financials	9,295,823	580,305
3	Financial income	4,238	294,868
4	Financial expenses	-89,431	-372,711
	Profit before tax	9,210,630	502,462
5	Tax for the year	-2,051,839	-115,872
	Profit for the year	7,158,791	386,590

Proposed profit appropriation		
Proposed dividend recognised under equity	5,000,000	0
Reserve for development costs	3,189,245	0
Retained earnings/accumulated loss	-1,030,454	386,590
	7,158,791	386,590

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Completed development projects	9,591,793	7,438,909
		9,591,793	7,438,909
7	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	498,059	159,048
	Leasehold improvements	234,444	0
		732,503	159,048
	Total fixed assets	10,324,296	7,597,957
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	1,060,727	1,443,807
		1,060,727	1,443,807
	Receivables		
	Trade receivables	9,623,017	1,116,625
	Work in progress for third parties	0	1,251,976
	Receivables from group entities	633,323	973,857
	Other receivables	969,269	550,617
	Prepayments	98,074	86,385
		11,323,683	3,979,460
	Securities and investments		
	Other securities and investments	6,624	4,240
		6,624	4,240
	Cash at bank and in hand	5,108,373	817,840
	Total non-fixed assets	17,499,407	6,245,347
	TOTAL ASSETS	27,823,703	13,843,304

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	1,800,000	500,000
	Reserve for development costs	3,189,245	0
	Retained earnings	5,363,997	7,694,451
	Dividend proposed for the year	5,000,000	0
	Total equity	15,353,242	8,194,451
	Provisions		
	Deferred tax	2,115,962	1,894,612
	Total provisions	2,115,962	1,894,612
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	4,000,000	0
	Trade payables	1,772,223	220,375
	Payables to group entities	43,427	2,722,429
	Income taxes payable	1,787,061	0
	Other payables	2,751,788	811,437
		10,354,499	3,754,241
	Total liabilities other than provisions	10,354,499	3,754,241
	TOTAL EQUITY AND LIABILITIES	27,823,703	13,843,304

1 Accounting policies
9 Contractual obligations and contingencies, etc.
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Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Reserve for development costs	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2016	500,000	0	7,694,451	0	8,194,451
Capital increase	1,300,000	0	-1,300,000	0	0
Profit/loss for the year	0	3,189,245	-1,030,454	5,000,000	7,158,791
Equity at 31 December 2016	1,800,000	3,189,245	5,363,997	5,000,000	15,353,242

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

Chora Software Design A/S' annual report for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

Chora A/S merged with Chora Crypto Software Design A/S and ITAS A/S on 1 January 2016, with Chora A/S as the continuing company. The comparative figures were restated accordingly.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes in accounting policies

As a consequence of the amendments made to the Danish Financial Statements Act, the Company's accounting policies have been changed in the following respects compared to last year:

1. In future, an amount corresponding to development costs recognised will be tied up in a special reserve under equity, "Reserve for development costs". The amount will be tied up in a special reserve which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a direct transfer to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.
2. In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is in accordance with section 4 of the Executive Order on transitional provisions, with future effect only as a change in accounting estimates with no impact on equity.

The change does not affect the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above-mentioned changes, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Consultancy fees and the sale of software are recognised at the date of invoicing. Work in progress is recognised at the sales value based on the degree of completion.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	4 years
Other fixtures and fittings, tools and equipment	3-7 years

Property, plant and equipment as well as the depreciation method and period chosen should be reassessed regularly.

The obligation to reassess the residual value does not imply that allowance can be made for expected future price developments regarding the asset. Allowance must be made only for identified price increases when the residual value is reassessed.

In practice, there is rarely any residual value in respect of property, plant and equipment, as such assets are often time-limited rights.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income).

Jointly-taxed companies entitled to a tax refund will, as a minimum, be reimbursed by the management company according to the applicable rates for interest allowances, and jointly-taxed companies which have paid too little tax will, as a maximum, pay a surcharge to the management company according to the applicable rates for interest surcharges.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining term of the patent, and licences are amortised over the term of the licence.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The basis of depreciation is cost less any expected residual value after the end of the useful life.

Cost comprises purchase price and costs directly or indirectly related to the acquisition until the date when the asset is ready for use.

Impairment of non-current assets

Intangible assets, property, plant and equipment are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there are indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for groups of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Securities and investments

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability at the date when the dividend is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2016	2015
2	**Staff costs**		
	Wages/salaries	4,193,799	3,547,579
	Pensions	336,409	275,953
	Other social security costs	56,748	41,720
	Other staff costs	167,485	108,407
		4,754,441	3,973,659
	Average number of full-time employees	9	6
3	**Financial income**		
	Interest receivable, group entities	0	135,407
	Other financial income	4,238	159,461
		4,238	294,868
4	**Financial expenses**		
	Interest expenses, group entities	0	121,664
	Other financial expenses	89,431	251,047
		89,431	372,711
5	**Tax for the year**		
	Estimated tax charge for the year	1,830,488	-633,323
	Deferred tax adjustments in the year	221,351	749,195
		2,051,839	115,872

6 **Intangible assets**

DKK	Completed development projects
Cost at 1 January 2016	12,733,345
Additions in the year	5,451,700
Cost at 31 December 2016	18,185,045
Impairment losses and amortisation at 1 January 2016	5,294,436
Amortisation/depreciation in the year	3,298,816
Impairment losses and amortisation at 31 December 2016	8,593,252
Carrying amount at 31 December 2016	9,591,793
Amortised over	4 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	1,113,634	0	1,113,634
Additions in the year	435,326	258,771	694,097
Cost at 31 December 2016	1,548,960	258,771	1,807,731
Impairment losses and depreciation at 1 January 2016	954,586	0	954,586
Amortisation/depreciation in the year	96,315	24,327	120,642
Impairment losses and depreciation at 31 December 2016	1,050,901	24,327	1,075,228
Carrying amount at 31 December 2016	498,059	234,444	732,503
Amortised over	3-7 years		

8 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK	2016	2015	2014	2013	2012
Opening balance	500,000	500,000	500,000	500,000	500,000
Capital increase	1,300,000	0	0	0	0
	1,800,000	500,000	500,000	500,000	500,000

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent company, Jacob Jakobsen Gruppen ApS, which acts as management company and is jointly and severally liable together with other jointly-taxed group entities for the payment of corporation taxes for income year 2013 and onwards as well as for withholding taxes on interest, royalties and dividends which fall due for payment on or after 1 July 2012.

Other financial obligations

A rent obligation of DKK 3,309 thousand, hereof DKK 779 thousand within one year (2015: DKK 140 thousand) is incumbent on the Company.

10 Collateral

The Company has provided a company charge of DKK 2,000 thousand as security for bank debt.
Bank debt at 31 December 2016 is DKK 0.
The value of the assets included in the company charge is DKK 15,499 thousand.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

11 **Related parties**

Chora A/S' related parties comprise the following:

Ownership

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

Name	Domicile
Chora Gruppen A/S	Aarhus