

GRAVITY4 EUROPE A/S  
Nørregade 40  
1165, København K  
Annual report for 2016

Adopted at the annual general meeting on  
27 June 2017

  
chairman

CVR-nr. 31087295

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## STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The supervisory and executive boards have today discussed and approved the annual report of Gravity4 Europe A/S for the financial year 1 January - 31 December 2016.

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

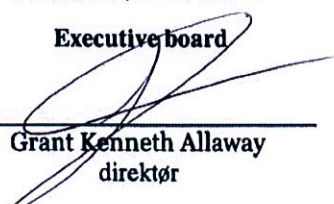
In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January - 31 December 2016.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

København, 27 June 2017


**Executive board**

  
\_\_\_\_\_  
Grant Kenneth Allaway  
direktør

**Supervisory board**

  
\_\_\_\_\_  
Gurbaksh Chahal

  
\_\_\_\_\_  
Farai Alfred Mativi

  
\_\_\_\_\_  
Grant Kenneth Allaway

# INDEPENDENT AUDITOR'S REPORT

To the shareholder of Gravity4 Europe A/S

## **Auditors' Report on the Financial Statements**

### **Adverse Opinion**

We have audited the financial statements of Gravity4 Europe A/S for the financial year 1 January - 31 December 2016, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, due to the significance of the matter described in the "Basis for Adverse Opinion" paragraph, the financial statements do not give a true and fair view of the Company's financial position at 31 december 2016 or of the results of the company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### **Basis for Adverse Opinion**

Significant uncertainty regarding going concern

In 2017 the Company have had their overdraft facility with the Company's bank decreased and have not been able to achieve an alternative funding. These circumstances indicate significant uncertainty regarding the Company's opportunity for going concern, why the Company might not be able to realise its assets and meet its obligations as part of the normal operation. The Annual Report includes no information regarding this matter.

In connection with our audit we were unable to obtain sufficient appropriate audit evidence on assessment of intercompany receivables recognised at DKK 15,721 thousand, why we qualify our opinion as to the recognition and measurement of this amount.

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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse 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**



## INDEPENDENT AUDITOR'S REPORT

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 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.
- 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 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 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 management's review.

## INDEPENDENT AUDITOR'S REPORT

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

### Report on other legal and regulatory requirements

#### Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with Danish tax legislation.

The company has in some months declared a delayed VAT filling, and Management could become liable in this respect.

#### Non-compliance with the Bookkeeping Act

The Company has not complied with the Bookkeeping Act and the Board of Directors can be held responsible for this.

København, 27 June 2017

#### MAZARS

Statsautoriseret Revisionspartnerselskab

CVR no. 31 06 17 41

  
Christian Hjørtshøj  
statsautoriseret revisor

## COMPANY DETAILS

The company	Gravity4 Europe A/S Nørregade 40 1165, København K
	CVR no.: 31 08 72 95
	Reporting period: 1 January - 31 December
	Domicile: København
Supervisory board	Gurbaksh Chahal Farai Alfred Mativi Grant Kenneth Allaway
Executive board	Grant Kenneth Allaway, direktør
Auditors	Mazars Statsautoriseret Revisionspartnerselskab Østerfælled Torv 10, 2. sal 2100 København Ø



## MANAGEMENT'S REVIEW

### **Business activities**

The Company is an international digital marketing company that offers marketing solutions to optimize customers' marketing investments. The Group has activities in Denmark, Sweden, Norway, Finland and Spain in the whole financial year.

The company is owned by Gravity4 Inc, a US-owned company which has acquired a number of enterprises worldwide in recent years, e.g. in Asia, Australia, Latin America and Europe. Gravity4 Inc.'s vision is to be global leader in the sales of digital marketing solutions / Marketing Cloud solutions.

### **Financial review**

The ability of the Company and the Group to continue as a going concern depends on whether group entities will provide the necessary financing and liquidity in the coming months. According to Management's revised budgets, there is a need for financing in order to realise the budgets and to continue the Company's and the group's growth plans.

Management is aware that Gravity4 Europe A/S has lost more than 50% of the share capital at 31. December 2016. This issue will be addressed and discussed at the Company's ordinary general meeting. The board of Directors and Management expect that the share capital can be restored through ordinary activities within the coming 3 financial years.

### **Significant events occurring after end of reporting period**

No events have occurred after the balance sheet date which could significantly affect the company's financial position.



## ACCOUNTING POLICIES

The annual report of Gravity4 Europe A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning reporting class B entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2016 is presented in DKK

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

### **Income statement**

#### **Gross profit**

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

#### **Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

#### **Other external expenses**

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### **Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

## ACCOUNTING POLICIES

### **Profit/loss 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 company after full elimination of intra-group profits/losses.

### **Tax on profit/loss for the year**

The company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

### **Balance sheet**

#### **Intangible assets**

##### ***Development projects, patents and licences***

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

#### **Tangible assets**

Items of Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. 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, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Fixtures and fittings, other plant and equipment	3-5	years
Leasehold improvements	3-5	years

Assets costing less than DKK 12.900 are expensed in the year of acquisition.

## ACCOUNTING POLICIES

### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, less or plus unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill made up according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries and associates are taken to the net revaluation reserve according to the equity method to the extent that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Gravity4 Europe A/S is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method, cf. the description of the statement of goodwill above.

### **Impairment of fixed assets**

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

### **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 is impaired, an impairment loss for that individual asset is recognised.

Receivables for which there is no objective indication of individual impairment are reviewed for impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's credit risk management policy. The objective indicators used for portfolios are 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, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.



## ACCOUNTING POLICIES

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

### **Equity**

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

The reserve for net revaluation according to the equity method comprises net revaluation of investments in subsidiaries and associates relative to the cost.

### **Income tax and deferred tax**

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

### **Liabilities**

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade receivables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.



## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2016 DKK	2015 TDKK
<b>GROSS PROFIT</b>		11.880.214	20.378
Staff costs	1	-21.432.173	-20.178
Depreciation		-771.220	-824
<b>PROFIT/LOSS BEFORE FINANCIAL INCOME AND EXPENSES</b>		-10.323.179	-624
Income from investments in subsidiaries		2.745.578	-1.673
Financial income	2	14	408
Financial costs	3	-697.429	-439
<b>PROFIT/LOSS BEFORE TAX</b>		-8.275.016	-2.328
Tax on profit/loss for the year	4	0	189
<b>Net profit/loss for the year</b>		-8.275.016	-2.139
 <b>Proposed distribution of profit</b>			
Retained earnings		-8.275.016	-2.139
		-8.275.016	-2.139

## BALANCE SHEET 31 DECEMBER

	Note	2016 DKK	2015 TDKK
<b>ASSETS</b>			
Completed development projects		295.244	520
Acquired patents		0	99
<b>Intangible assets</b>	5	295.244	619
Other fixtures and fittings, tools and equipment		253.293	656
Leasehold improvements		199.380	230
<b>Tangible assets</b>	6	452.673	886
Investments in subsidiaries	7	8.932.143	6.102
<b>Fixed asset investments</b>		8.932.143	6.102
<b>FIXED ASSETS TOTAL</b>		9.680.060	7.607
Trade receivables		271.900	1.108
Receivables from subsidiaries		15.720.535	909
Other receivables		713.807	337
Deferred tax asset		0	47
Corporation tax		189.743	0
Prepayments		0	70
<b>Receivables</b>		16.895.985	2.471
<b>Cash at bank and in hand</b>		163.500	510
<b>CURRENT ASSETS TOTAL</b>		17.059.485	2.981
<b>ASSETS TOTAL</b>		26.739.545	10.588

## BALANCE SHEET 31 DECEMBER

	Note	2016 DKK	2015 TDKK
<b>LIABILITIES AND EQUITY</b>			
Share capital		645.161	645
Share premium account		535.483	535
Retained earnings		-10.161.712	-1.884
<b>Equity</b>	8	<b>-8.981.068</b>	<b>-704</b>
Provision for deferred tax		174.716	50
Provisions relating to investments in associates		0	73
<b>Provisions total</b>		<b>174.716</b>	<b>123</b>
<b>Banks</b>		7.972.722	2.094
Trade payables		1.602.155	2.204
Payables to subsidiaries		23.873.506	3.757
Other payables		2.097.514	3.114
<b>Short-term debt</b>		<b>35.545.897</b>	<b>11.169</b>
<b>DEBT TOTAL</b>		<b>35.545.897</b>	<b>11.169</b>
<b>LIABILITIES AND EQUITY TOTAL</b>		<b>26.739.545</b>	<b>10.588</b>
Uncertainty about the continued operation (going concern)	9		
Contingent assets, liabilities and other financial obligations	10		
Charges and securities	11		
Related parties and ownership	12		

## NOTES

	2016 DKK	2015 TDKK
<b>1 STAFF COSTS</b>		
Wages and salaries	19.007.895	18.481
Pensions	1.124.246	115
Other social security costs	257.270	212
Other staff costs	1.042.762	1.370
	21.432.173	20.178
 Average number of employees	36	36
 <b>2 FINANCIAL INCOME</b>		
Interest received from subsidiaries	0	255
Other financial income	14	153
	14	408
 <b>3 FINANCIAL COSTS</b>		
Financial expenses, group entities	0	180
Other financial costs	697.429	259
	697.429	439
 <b>4 TAX ON PROFIT/LOSS FOR THE YEAR</b>		
Current tax for the year	0	-47
Deferred tax for the year	0	-142
	0	-189



## NOTES

### 5 INTANGIBLE ASSETS

	Completed development projects
Cost at 1 January 2016	1.533.252
Cost at 31 December 2016	1.533.252
Impairment losses and amortisation at 1 January 2016	1.209.703
Amortisation for the year	28.305
Impairment losses and amortisation at 31 December 2016	1.238.008
<b>Carrying amount at 31 December 2016</b>	<b>295.244</b>

### 6 TANGIBLE ASSETS

	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2016	2.881.368	306.738
Additions for the year	27.198	0
Cost at 31 December 2016	2.908.566	306.738
Impairment losses and depreciation at 1 January 2016	2.612.417	104.802
Depreciation for the year	42.856	2.556
Impairment losses and depreciation at 31 December 2016	2.655.273	107.358
<b>Carrying amount at 31 December 2016</b>	<b>253.293</b>	<b>199.380</b>

## NOTES

	2016 DKK	2015 TDKK
<b>7 INVESTMENTS IN SUBSIDIARIES</b>		
Cost at 1 January 2016	2.916.676	2.916
Cost at 31 December 2016	2.916.676	2.916
Revaluations at 1 January 2016	3.186.411	2.797
Exchange adjustment	-1.453	9
Net profit/loss for the year	2.745.578	-1.673
Value adjustments for the year	84.931	2.053
Revaluations at 31 December 2016	6.015.467	3.186
<b>Carrying amount at 31 December 2016</b>	<b>8.932.143</b>	<b>6.102</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Gravity4 Denmark A/S	Copenhagen	100%
Gravity4 International ApS	Copenhagen	100%
EuroAds Sweden AB	Stockholm	100%
Gravity4 Norway AS	Oslo	100%
EuroAds Spain S.L.	Madrid	100%
Gravity4 Finland OY	Helsinki	100%

## NOTES

### 8 EQUITY

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2016	645.161	535.483	-1.884.262	-703.618
Exchange adjustments	0	0	-2.434	-2.434
Net profit/loss for the year	0	0	-8.275.016	-8.275.016
<b>Equity at 31 December 2016</b>	<b>645.161</b>	<b>535.483</b>	<b>-10.161.712</b>	<b>-8.981.068</b>

### 9 UNCERTAINTY ABOUT THE CONTINUED OPERATION (GOING CONCERN)

As regards uncertainties concerning the Company's ability to continue as going concern, management have assumed, that the parent company Gravity4 Software Holdings Limited will continue to provide necessary liquidity available to the Company for the current year.

Management expects the capital to be restored over a number of years through positive results in the subsidiaries.

### 10 CONTINGENT ASSETS, LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

#### **Rent and lease liabilities**

The Company have 9 months termination on their office facilities. The liability as of 31.12.2016 amounts to TDKK 779.

## NOTES

### 11 CHARGES AND SECURITIES

As collateral for the Group's facility with the Company's bank, a floating charge was granted over the assets of the Company.

The Company also provided a joint and several absolute guarantee as collateral to the Company's bank regarding the following current accounts with Danske bank:

Gravity4 Denmark A/S  
Gravity4 International ApS  
Gravity4 Norway AS  
Gravity4 Finland OY  
EuroAds Sweden AB

Total bank debt 31. December 2016 is DKK 7,975 thousand.

### 12 RELATED PARTIES AND OWNERSHIP

#### Other related parties

Gravity4 Europe A/S' related parties comprise the following:

Gravity4 Software Holdings Limited: Ireland  
Gravity4 inc.: San Francisco, USA