DNV GL Business Assurance Denmark A/S

Tuborg Parkvej 8, 2900 Hellerup, Denmark

CVR no. 32 93 43 82

Annual report 2015

Approved at the annual general meeting of shareholders on 19 May 2016

Chairman:

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Judy Husen

Building a better
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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 DNV GL Business Assurance Denmark A/S for the financial year 1 January - 31 December 2015.

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 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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.

København, 19 May 2016
Executive Board:

Jesper Schultz

Board of Directors:

Brett Hosken Chairman	Henrik Bach	Jesper Schultz

Independent auditors' report

To the shareholders of DNV GL Business Assurance Denmark A/S

Independent auditors' report on the financial statements

We have audited the financial statements of DNV GL Business Assurance Denmark A/S for the financial year 1 January - 31 December 2015, 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.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 19 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Christian Schwenn Johansen
state authorised public accountant

Søren Gammelgaard
state authorised public accountant

Management's review

Company details

Name	DNV GL Business Assurance Denmark A/S
Address, Postal code, City	Tuborg Parkvej 8, 2900 Hellerup, Denmark
CVR No.	32 93 43 82
Established	19 May 2010
Registered office	Gentofte
Financial year	1 January - 31 December
Website	www.dnvgl.com
Telefax	+45 39 45 48 01
Board of Directors	Brett Hosken, Chairman Henrik Bach Jesper Schultz
Executive Board	Jesper Schultz
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	DnB NOR Bank

Management's review

Operating review

The Company's business review

The Company works to safeguard life, property and the environment. The Company is a leading provider of certificantion services and assists companies and organisations in the certification of management systems.

Financial review

In 2015, the company's revenue came in at DKK 90,177,587 against DKK 82,712,750 last year. The income statement for 2015 shows a loss of DKK 2,475,203 against a loss of DKK 5,440,296 last year, and the balance sheet at 31 December 2015 shows equity of DKK 9,208,968.

The reduced loss is due to a combination of the 9% increase in revenue and increased gross margin partly offset by a higher amortisation and depreciation.

As a consequence of the Company's loss this year, an impairment test has been prepared for goodwill. The impairment test is based on the expected cash flow from the business plan for 2016-17 and estimated revenue for 2018-2020.

Management expects strong revenue growth in the coming 5 years, between 6-12%, and the impairment test is based on a terminal growth of 2%. The expected growth is to a high degree expected to be generated by a strategic focus on developing the sales organisation.

The business plan for 2016-17, estimated revenue for 2018-2020 and the terminal period assumes a margin of 10%, including positive impact relating to synergies from the DS Certificering transfer and from economies of scale.

The realisation of the budgets is subject to uncertainty, and the value of goodwill is dependent on the budgets from 2016 and onwards being achieved.

The Parent Company has declared to support DNV GL Business Assurance A/S to ensure that the Company will have the adequate funds to fulfill its obligations as they fall due.

Reference is made to note 11 for more details.

Post balance sheet events

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

Reference is made to note for more details.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Revenue	90,177,587	82,712,750
	Other operating income	0	358,775
	Other external expenses	-45,516,197	-43,918,199
	Gross profit	44,661,390	39,153,326
2	Staff costs	-38,973,975	-38,605,311
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-8,892,218	-7,590,964
	Other operating expenses	-30,141	0
	Operating profit/loss	-3,234,944	-7,042,949
	Financial income	70,092	59,486
	Financial expenses	-261,747	-419,051
	Profit/loss before tax	-3,426,599	-7,402,514
4	Tax for the year	951,396	1,962,218
	Profit/loss for the year	-2,475,203	-5,440,296

	Proposed proft appropriation/distribution of loss		
	Retained earnings/accumulated loss	-2,475,203	-5,440,296
		-2,475,203	-5,440,296

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
5	**Intangible assets**		
	Acquired intangible assets	7,533,907	10,868,989
	Goodwill	35,298,984	39,805,237
		42,832,891	50,674,226
6	**Property, plant and equipment**		
	Plant and machinery	121,048	249,644
	Other fixtures and fittings, tools and equipment	2,765,281	3,137,962
		2,886,329	3,387,606
	Investments		
	Other receivables	1,060,415	1,124,466
		1,060,415	1,124,466
	Total non-current assets	46,779,635	55,186,298
	Current assets		
	Receivables		
	Trade receivables	20,895,649	18,216,354
7	Work in progress for third parties	4,689,532	9,039,388
	Receivables from group entities	5,103,961	3,570,503
	Income taxes receivable	112,573	3,003,969
	Other receivables	475,868	351,582
	Deferred income	207,360	100,104
		31,484,943	34,281,900
	Total current assets	31,484,943	34,281,900
	TOTAL ASSETS	78,264,578	89,468,198

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	3,000,100	3,000,100
	Retained earnings	6,208,868	8,684,071
	Total equity	9,208,968	11,684,171
	Provisions		
	Deferred tax	2,813,625	3,652,447
	Other provisions	2,074,140	3,884,296
9	**Total provisions**	4,887,765	7,536,743
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Other credit institutions	48,582,167	52,508,098
	Trade payables	1,486,943	2,201,394
	Payables to group entities	4,223,603	3,042,614
	Other payables	9,875,132	12,495,178
		64,167,845	70,247,284
	Total liabilities other than provisions	64,167,845	70,247,284
	TOTAL EQUITY AND LIABILITIES	78,264,578	89,468,198

1 Accounting policies
10 Collateral
11 Contractual obligations and contingencies, etc.
12 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2015	3,000,100	8,684,071	11,684,171
Profit/loss for the year	0	-2,475,203	-2,475,203
Equity at 31 December 2015	3,000,100	6,208,868	9,208,968

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of DNV GL Business Assurance Denmark A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

Changes in accounting policies

Effective from 1 January 2015, the Company has early adopted the Danish Act no. 738 of 1 June 2015, which results in the following changes in the recognition and measurement of:

1. Annual reassessment of residual value of property, plant and equipment

Item 1: Going forward, an annual reassessment of the residual value of property, plant and equipment must be performed. Apart from residual value of land held by the Company, there is no significant residual value of property, plant and equipment in the Company. The change is therefore made only with prospective effect as a change of accounting estimates and has no effect on equity.

None of the above changes have any monetary effect on the income statement or the balance sheet for 2015 or on the comparative figures.

Apart from the above as well as the new and changed presentation and disclosure requirements resulting from Act no. 738 of 1 June 2015, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Income from construction contracts is recognised as revenue as the production activities are carried on, implying that revenue corresponds to the market value of the contract work performed (production method).

Other external expenses

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

Staff costs

Staff costs include wages and salaries, including holiday allowance and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

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

The cost for acquired IP rights is amortised an a straight line basis over the expected useful life. Acquired IP rights include patents, rights and licences.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Acquired IP rights	2-10 years
Goodwill	10 years

As the Company's Management regards the investment in DS Certificering as a long-term investment, the amortisation period for intangible assets exceeds 5 years.

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

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5-10 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, financial expenses relating to finance leases, realised and unrealised c exchange gains and losses relating to transactions denominated in foreign currencies as well as surcharges and refunds under the on-account 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.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Other intangible assets comprise other acquired IP rights, including accreditations.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Property, plant and equipment comprise other plant, operating equipment, cars and tools and equipment.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Receivables

Receivables are measured at amortised cost.

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

Receivables with no objective indication of individual impairment are tested for objective indication of 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 risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs 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

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs 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.

Prepayments

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

Provisions

Provisions comprise expected expenses relating to loss-making contracts, etc. Provisions are recognised when the Company has a legal or constructive obigation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

Corporation 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.

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 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method at the time of the raising of the loan. Other payables are subsequently measured at amortised cost, corresponding to the nominal debt outstanding.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

	DKK	2015	2014
2	**Staff costs**		
	Wages/salaries	31,804,847	31,524,596
	Pensions	3,364,244	3,146,520
	Other social security costs	153,818	150,929
	Other staff costs	3,651,066	3,783,266
		38,973,975	38,605,311
3	**Amortisation/depreciation and impairment of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	7,841,335	6,721,730
	Depreciation of property, plant and equipment	1,050,883	869,234
		8,892,218	7,590,964

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2015	2014
4	**Tax for the year**		
	Estimated tax charge for the year	-112,573	-3,003,969
	Deferred tax adjustments in the year	-605,688	1,198,393
	Change in tax rate	-233,135	-156,642
		-951,396	-1,962,218

5 **Intangible assets**

DKK	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2015	13,223,012	45,062,532	58,285,544
Additions in the year	0	0	0
Disposals in the year	0	0	0
Cost at 31 December 2015	13,223,012	45,062,532	58,285,544
Impairment losses and amortisation at 1 January 2015	2,354,023	5,257,295	7,611,318
Amortisation/depreciation in the year	3,335,082	4,506,253	7,841,335
Impairment losses and amortisation at	5,689,105	9,763,548	15,452,653
Carrying amount at 31 December 2015	7,533,907	35,298,984	42,832,891

As a consequence of the Company's loss this year, an impairment test has been prepared for goodwill. The impairment test is based on the expected cash flow from the business plan for 2016-17 and estimated revenue for 2018-2020.

Management expects strong revenue growth in the coming 5 years, between 6-9%, and the impairment test is based on a terminal growth of 2%. The expected growth is to a high degree expected to be generated by a strategic focus on developing the sales organisation.

The business plan for 2016-17, estimated revenue for 2018-2020 and the terminal period assumes a margin of 10%, including positive impact relating to synergies from the DS Certificering transfer and from economies of scale.

The realisation of the budgets is subject to uncertainty, and the value of goodwill is dependent on the budgets from 2016 and onwards being achieved.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	658,852	4,160,698	4,819,550
Additions in the year	0	819,767	819,767
Disposals in the year	-129,840	-395,695	-525,535
Cost at 31 December 2015	529,012	4,584,770	5,113,782
Impairment losses and depreciation at 1 January 2015	409,208	1,022,736	1,431,944
Amortisation/depreciation in the year	128,596	922,288	1,050,884
Reversal of amortisation/depreciation and impairment of disposals	-129,840	-125,535	-255,375
Impairment losses and depreciation at 31 December 2015	407,964	1,819,489	2,227,453
Carrying amount at 31 December 2015	121,048	2,765,281	2,886,329

DKK	2015	2014
7 Work in progress for third parties		
Selling price of work performed	6,471,552	9,987,466
Progress billings	-1,782,020	-948,078
	4,689,532	9,039,388
recognised as follows:		
Work in progress for third parties (assets)	4,689,532	9,039,388
	4,689,532	9,039,388

8 Share capital

The share capital consists of the following:

3,000,100 shares of DKK 1.00 each	3,000,100	3,000,100
	3,000,100	3,000,100

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

DKK	2015	2014	2013	2012	2011
Opening balance	3,000,100	3,000,000	3,000,000	3,000,000	3,000,000
Capital increase	0	0	100	0	0
	3,000,100	3,000,000	3,000,100	3,000,000	3,000,000

9 Provisions

Other provisions comprise restructuring provisions. Restructuring provisions relate to a provision for a loss-making lease which arose in connection with the takeover of DS Certificering A/S. The obligation is expected to be settled during the next financial year.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Collateral

At 31 December 2015, no assets had been pledged as collateral or otherwise charged other than what is common in the industry.

The Parent Company has declared to support DNV GL Business Assurance A/S to insure that the Company will have the adequate funds to fulfill its obligations as they fall due.

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with the affiliated company Det Norske Veritas A/S as management company and other Danish group entities. The Company has limited and secondary liability with the other jointly taxed group entities for the payment of income taxes within the joint taxation group.

Other financial obligations

Other rent and lease liabilities:

DKK	2015	2014
Rent and lease liabilities	406,346	1,741,233

12 Related parties

DNV GL Business Assurance Denmark A/S' related parties comprise the following:

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
DNV Business Assurance Group AS	Veritasvejen 1, 1363 Høvik, Norge	www.dnvgl.com