Annual report 2017

Cognosec AB (Publ) Group
Consolidated and Parent Company financial statements

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Key financial ratios for the Group

All amount in the annual report are reported as thousands of EURO (TEUR) unless otherwise stated

	2017	2016
Key Financial Ratios	**€ ('000)**	**€ ('000)**
Revenue	17 192,9 TEUR	14 636,2 TEUR
Loss before tax	(3 068,2) TEUR	(3 656,0) TEUR
Loss after tax	(3068,2) TEUR	(3 668,0) TEUR
Operating margin	(17,5) %	(20,6) %
Net Debt	0 TEUR	0 TEUR
Cash Flow from operations	(3 452,5) TEUR	(3 902,3) TEUR
Basic Earnings per share	(0,0120) EUR	(0,0148) EUR
Number of shares at the end of the Period	257 179 500	257 179 500
Employees at the end of the period	136	112

Managements' administration report

Details of the Parent's business

Cognosec AB (Publ) is the Parent company in the Cognosec AB Group. The company was listed on the Nasdaq First North Stock exchange in September 2016. It is a holding company that directly or indirectly owns the operating subsidiaries of the Cognosec AB Group.

Cognosec is a NASDAQ-listed, agile global company with offices in UK, UAE, Europe and Africa. We operate across the public and private sectors in the Cybersecurity space and assist organisations to: reduce cyber risks, become resilient to attacks, assess organisations' processes, procedures and systems for non-compliance and vulnerabilities.
Cognosec operates across multiple public and private sector organisations including government, healthcare, retail, insurance, manufacturing and hospitality. We specialise in security, risk and compliance services that allow us to offer the best in payments, communications, network and e-commerce security.

Cognosec designs, implements and manages solutions that protect critical IT infrastructure, data assets, independent product advice and professional services across all cybersecurity application areas. We also act as key advisers, implementers and on-going security guardians.

The Parent's share register is managed by Euroclear. Mangold Fondkommission AB acts as the certified advisors for the Parent during the year.

Consolidated earnings for the twelve months through to 31 December 2017 amounted to a loss of 3 068.2 TEUR (2016: loss 3 668 TEUR), of which 2.3 TEUR profit (2016: profit 69 TEUR) was attributable to the Non-controlling interest shareholders. Consolidated shareholders' equity at 31 December 2017 amounted to 4 499,8 TEUR (2016: 5 265,7 TEUR) of which 148,8 TEUR (2016: 146,6 TEUR) relate to equity attributable to minority shareholders.

The Parent Company's loss for the 12 months up to and including 31 December 2017 amounted to 856 TEUR (2016: 1 717 TEUR). Equity in the Parent Company at 31 December 2017 amounted to 3 121 TEUR (2016: 3 960 TEUR).

Related party transaction

Transactions with related parties have all been executed on market terms and are further described in Note 18.

Share data

As of 31 December 2017, the Company had a total of 257 179 500 issued shares (2016**:** 257 179 500). The quota value amounted to 0,000278 EUR (2016: 0,000278 EUR) per share. For more information about the Company's shares, see Note 15 and 16.

Business review and going concern

The group is building up its capabilities and growing its strategic base, particularly in Europe and the EMEA Region. Whilst core cash flow generation in established geographies is strong, the newly established entities require cash funding. As such the group is reliant on support from its existing and future shareholders, and has been in receipt of such cash support in 2017 and thereafter. Previous acquisitions were also funded through this mechanism and that is the expectation for the acquisitions which have already been announced to the market.

Management is fully aware of the cash position, with the expectation of future growth and support from external sources to meet its immediate needs. However, as at reporting date, looking at its current cash position and cashflow projections for the business, the company is dependent on external funding to cover its current cashflow gap. If the company cannot acquire additional external funding or, grow the business sufficiently swiftly, there is a risk that a liquidity deficit will occur. Taken as a whole, this means that there are significant factors of uncertainty that could lead to extensive doubt regarding the ability of the company to continue to be going concern. This may primary affect the valuation of goodwill at group level and shares in subsidiaries at parent level.

Board and managing director

The Parent Company's Board of Directors at 31 December 2017 were the following members: Kobus Paulsen (Chairman), Rt Hon. the Lord Blunkett, Lord Anthony St. John of Bletso, Patrick Boylan, Neira Jones, and Daniel Holden.
As of 31 December 2017, Robert Brown was serving as the Parent's CEO.

The following board directors resigned and ceased to be board members on 30 June 2017:
Magnus Stuart, Anna Petre, Bjorn Elowsson and Dusysant Patel.

Annual general meeting

The annual general meeting (AGM) is scheduled for 28th June 2018.

Proposed Appropriation of the Parent Company Current Year Loss

The below funds and proposed treatment of them is to be decided at the company's annual general meeting.

Free Equity	€ 3 889 100,00
Current year Loss	€(837 900,00)
Total	**€ 3 051 200,00**

The board proposes that the available funds are carried forward.

To be brought forward **€ 3 051 200,00**

Consolidated and Parent Company Income Statement

for the year ended 31 December 2017

	Note	**Group**	Group	**Parent**	Parent
		2017	2016	**2017**	2016
		€'000	€'000	**€'000**	€'000
Revenue	*5*	17 192,9	14 636,2	-	-
Cost of sales		(10 566,9)	(8 850,9)	-	-
Gross profit		**6 626,0**	**5 785,3**	-	-
Sales expense	*6*	(6 408,7)	(4 809,9)	-	-
Administrative expenses	*7, 8*	(3 217,6)	(3 997,8)	(845,8)	(1 092,8)
Operating Loss		**(3 000,3)**	**(3 022,3)**	**(845,8)**	**(1 092,8)**
Financial income		15,7	-	-	-
Financial expense		(83,6)	(633,7)	(9,7)	(624,5)
Loss before taxation		**(3 068,2)**	**(3 656,0)**	**(855,5)**	**(1 717,2)**
Income tax expense	*9*	-	(12,0)	-	-
Loss for the period		**(3 068,2)**	**(3 668,0)**	**(855,5)**	**(1 717,2)**
Attributable to					
Equity holders of parent		(3 070,5)	(3 737,2)		
Non-controlling interest		2,3	69,1		
		(3 068,2)	**(3 668,0)**		
Basic earnings per share (€ per share)	*16*	**(0.0120)**	**(0.0148)**		

Consolidated and Parent Company Statement of Comprehensive Income

for the year ended 31 December 2017

	Group	Group	**Parent**	Parent
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Loss for the period	**(3 068,2)**	(3 668,0)	**(855,5)**	(1 717,2)
Other comprehensive income				
Exchange differences on translating foreign operations	2 305,0	(1 694,1)	-	-
Offset share issue registered in 2017	-	-	-	-
Currency revaluation effects	-	-	17,6	(3,5)
Total comprehensive loss for the year	**(763,2)**	(5 362,1)	**(837,9)**	**(1 720,7)**
Attributable to				
Equity holders of parent	(765,5)	(5 431,2)		
Non-controlling interest	2,3	69,1		
	(763,2)	(5 362,1)		

Consolidated and Parent Company Statement of Financial Position

at 31 December 2017

	Note	**Group 2017 €'000**	Group 2016 €'000	**Parent 2017 €'000**	Parent 2016 €'000
Non-current assets					
Intangible assets	*10*	6 204,1	6 151,8	52,3	-
Tangible assets		132,8	56,8	-	-
Investments in subsidiaries	*11*	-	-	4 074,9	3 798,9
		6 336,9	6 208,6	**4 127,2**	3 798,9
Current assets					
Trade and other receivables	*12*	7 577,7	1 921,8	1 638,4	581,7
Cash and cash equivalents		264,9	1 362,5	3,3	11,9
		7 842,6	3 284,3	**1 641,7**	593,7
Total assets		**14 179,5**	9 492,9	**5 768,9**	4 392,6
Current Liabilities	*13*	(9 530,8)	(4 080,6)	(2 648,0)	(433,8)
Total Liabilities		**(9 530,8)**	(4 080,6)	**(2 648,0)**	(433,8)
Net assets		**4 648,7**	5 412,3	**3 120,9**	3 959,8
Equity attributable to equity holders of the parent					
Share capital	*15*	69,7	69,7	69,7	69,7
Share premium		5 852,0	5 852,0	5 763,2	5 763,2
Revaluation reserve		(1 993,6)	(1732,9)		
Retained earnings		571,8	1 076,9	(2 712,0)	(1 874,1)
		4 499,9	5 265,7	**3 120,9**	3 959,8
Non-controlling interest		148,8	146,6	**-**	-
Total equity		**4 648,7**	5 412,3	**3 120,9**	3 959,8

Consolidated Statement of Changes in Equity

at 31 December 2017

	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Group Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2016	**66,3**	**6 075,4**	**(38,7)**	**4 814,1**	77,5	**10 994,6**
Total comprehensive income	-	-	(1 694,2)	(3 737,2)	69,1	(5 362,3)
Costs directly related to IPO share issue	-	(220,0)	-	-	-	(220,0)
Offset issue **	0,8	(0,8)	-	-	-	-
Share issue **	2,6	(2,6)	-	-	-	-
Balance at 31 December 2016	**69,7**	**5 852,0**	**(1 732,9)**	**1 076,9**	**146,6**	**5 412,3**

** In 2016 two amounts were recognised as share capital which were recognised as share premium in 2015 (see note 15).

	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Group Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2017	**69,7**	**5 852,0**	**(1 732,9)**	**1 076,9**	146,5	**5 412,3**
Total comprehensive income	-	-	2 305,0	(3 070,5)	2,3	(763,2)
Costs directly related to IPO share issue	-	-	-	-	-	-
Balance at 31 December 2017	**69,7**	**5 852,0**	**571,8**	**(1 993,6)**	**148,8**	**4 648,7**

Consolidated and Parent Company Statement of Cash Flows

for the year ended 31 December 2017

	Group 2017 €'000	Group 2016 €'000	**Parent 2017 €'000**	Parent 2016 €'000
Cash flows from operating activities				
Operating loss for the financial year	(3 068,2)	(3 656,0)	(855,5)	(1 717,2)
Adjustments for:				
Amortisation of intangible assets	182,8	72,9	182,8	72,9
Depreciation of tangible assets	74,1	46,9	-	-
Net financing costs	67,9	633,7	-	-
Foreign exchange loss	46,4	-	-	-
Interest paid	-	(2,7)	-	-
Interest received	-	-	-	0.8
Decrease in inventories	105,0	-	-	-
Decrease /(increase) in trade and other debtors	(5 913,3)	2 939,3	(1 056,6)	(450,9)
Increase/(decrease) in trade creditors	5 052,8	(3 936,5)	645,5	(132,5)
Total change in working capital	(755,5)	(997,1)	(411,1)	(583,4)
Cash from operations	**(3 452,5)**	(3 902,3)	**(1 083,9)**	(1 602,4)
Tax paid	(274,4)	(122,7)	(274,4)	-
Net Cash outflows from operating activities	**(3 726,9)**	(4 025,0)	**(1 358,3)**	(1 602,4)
Cash flows from investing activities				
Acquisition of subsidiaries	-	(860,0)	-	(860,0)
New movement in subsidiaries	**-**	-	(458,7)	-
Loans to subsidiaries	**-**	-	-	(1 602,4)
Purchase of fixed assets	**(202,5)**	-	(52,3)	-
Net outflows from investing activities	**(202,5)**	(860,0)	**(511,0)**	(2 474,3)
Cash flows from financing activities				
Proceeds from share issue	-	3 284,0	-	3 284,0
Costs relating to the issue	-	(220,0)	-	(220,0)
Dividends paid to non-controlling interests in subsidiaries	-	(48,0)	-	-
Share offset Funding loan	**1 559,0**		1 559,0	-
Related Party cash inflows	**683,6**	**-**	-	-
Net cash used in financing activities	**2 242,6**	3 016,0	**1 559,0**	3 064,0
Net increase in cash and cash equivalents	(1 686,8)	(1 869,0)	(310,3)	(1 012,7)
Foreign exchange translation adjustment	589,2	285,0	301,7	109,0
Cash and cash equivalents at the beginning of year	**1 362,5**	2 946,4	**11,9**	915,7
Cash and cash equivalents at end of year	**264,9**	1 362,5	**3,3**	11,9

Parent Company Statement of Changes in Equity

at 31 December and 2017

	Share Capital	**Share Premium**	**Retained Earnings**	**Parent Total**
	€'000	€'000	€'000	€'000
Balance at 1 January 2016	66,3	5 983,2	(153,4)	5 896,1
Loss for the year	-	-	(1 720,7)	(1 720,7)
Costs directly related to IPO share issue	-	(220,0)	-	(220,0)
Offset issue ***	0,8	-	-	0,8
Share issue ***	2,6	-	-	2,6
Balance at 31 December 2016	**69,7**	**5 763,2**	**(1 874,1)**	**3 959,8**

**** In 2016 two amounts were recognised as share capital which were recognised as share premium in 2015 (see note 15)*

	Share Capital	**Share Premium**	**Retained Earnings**	**Parent Total**
	€'000	€'000	€'000	€'000
Balance at 1 January 2017	69,7	5 763,2	(1 874,1)	3 958,9
Loss for the year	-	-	(837,9)	(837,9)
Costs directly related to IPO share issue	-	-	-	-
Balance at 31 December 2017	**69,7**	**5 763,2**	**(2 712,0)**	**3 120,9**

The Notes on pages 12 to 42 form part of these financial statements.

Notes to the financial statements

Accounting policies and explanatory notes to the financial statements

1 *Significant Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

1.1 Basis of preparation and compliance with accounting standards

The consolidated financial statements comprise Cognosec AB, the Parent Company, and its subsidiaries ("the Group"). The Parent Company is domiciled in Sweden. The parent Company's address is P.O Box 3416, 103 90 Stockholm, Sweden.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The consolidated financial statements of the Cognosec Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, RFR 1 Supplementary Accounting Regulations for Groups and the Swedish Annual Accounts Act.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

There is no difference between IFRS effective as per December 31, 2017, and IFRS as endorsed by the EU, nor is RFR 1 related interpretations issued by the Swedish Financial Reporting Board (Rådet för Finansiell Rapportering) or the Swedish Annual Accounts Act in conflict with IFRS, for all periods presented.

The financial statements were approved by the Board of Directors on 14th June 2018.

The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on the 28th June 2018.

The financial statements are prepared under the historical cost convention.

Basis of preparation - Parent

Significant accounting policies Parent Company:
The financial statements of the Parent Company, Cognosec AB, have been prepared in accordance with the Annual Accounts Act and RFR 2 "Reporting in separate financial statements." RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e., IFRS, to the extent allowed by RFR 2. There are no material differences between RFR 2 and IFRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

The reporting currency for the consolidated financial statements and the parent company is Euro, which is the functional currency of the Parent Company. Unless otherwise indicated, all amounts are rounded off to the nearest thousand.

1.2 Use of assessments in the financial reports

Preparing financial reports in accordance with IFRS requires that management make assessments and assumptions that affect the accounting principles and reported amounts for assets, liabilities, revenues and costs. The assessments and assumptions are based on historical experience and a number of other factors that may be considered relevant under the prevailing conditions. The actual outcome may deviate from these assessments and assumptions. Assessments and assumptions are reviewed on a regular basis with changes in assessments recognized in the applicable period.

Assessments made by management on the application of IFRS that have a significant impact on financial reports, and estimations made that could entail material adjustments in subsequent years' financial reports, are described in greater detail in Note 4 Critical estimates and judgements

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.3 Change in accounting policy

Financial reporting rules issued not yet applied

The following new or amended Standards have been issued by the IASB and will be relevant to Cognosec AB plc from today's perspective. They have not been applied in the Consolidated Financial Statements as at 31 December 2017 since they are not yet mandatory or, alternatively, have not yet been endorsed by the EU. The new or amended Standards are applicable for fiscal years beginning on or after their respective effective date. As general rule, they are not applied before their effective date, even if this is permitted for certain standards.

Below is a list of applicable standards/interpretations that have been issued and are effective for periods as described per standard.

IFRS 9 Financial instruments
IFRS 9, "Financial instruments," addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014, and replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 retains a mixed measurement approach but simplifies this approach in certain respects. There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). How an instrument is classified depends on the business model and the nature of the instrument. Investments in equity instruments must be recognised at FVTPL, however, an option exists to recognise the instrument at FVTOCI on initial recognition. No reclassification to profit or loss will be carried out on the divestment of the instrument.

IFRS 9 also introduces a new approach for calculating provisions for credit losses, which is based on expected credit losses. The classification and measurement of financial liabilities is not changed unless the liability is recognised at FVTPL based on the fair value option. In this case, value changes attributable to own credit risk are presented in other comprehensive income. The standard is to be applied to fiscal years beginning on or after January 1, 2018. Early adoption is permitted. The Group has not fully evaluated the effects of IFRS 9, however with regard to impairment, for Cognosec AB plc this mainly pertains to accounts receivable and the quantitative effects are assessed as insignificant for the Group.

IFRS 15 Revenue from Contracts with Customers
IFRS 15, "Revenue from Contracts with Customers," governs how revenue is recognised. The principles on which IFRS 15 is based aim to provide users of financial reports with more informative, relevant disclosures about the group's revenue. The expanded disclosure requirements mean that information about the nature, timing and uncertainty of revenue and cash flows arising from the group's contracts with customers must be provided. Under IFRS 15, revenue should be recognised when customers gain control of the sold product or service and are able to use or receive benefits from the product or service.

IFRS 15 – Revenue from contracts with customers is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under current IFRS. It also provides further guidance on the measurement of sales on contracts which have discounts, rebates and consignment inventories.

During the year the group carried out a detailed review of the current recognition criteria for revenue against the requirements of IFRS 15. This review in particular closely looks at the recognition of sales made where a third-party software licences or modifies a service product on behalf of Cognosec and consignment inventories. Differences in practice across the group were identified but the impact of these changes on the 2017 and 2016 income statements are immaterial and the impact on the balance sheet at 31 December 2017 is not material. Cognosec will adopt, as at 1 January 2018, the modified retrospective approach for IFRS 15 in its 2018 financial statements.

IFRS 16 Leases
IFRS 16 "Leases" differs significantly from the current IAS 17. SIC–27. With a few exceptions, this standard requires the recognition in the balance sheet of assets and liabilities attributable to all leases. This accounting is based on the perspective that the lessee has the right to use an asset for an agreed period of time and a concurrent obligation to pay for that right. In the income statement, depreciation is recognised separately from interest expenses attributable to the lease obligation. The transition to IFRS 16 can either be recognised retroactively in accordance with IAS 8, or the effect of the transition can be recognised in equity as of the date of transition to IFRS 16, that is on January 1, 2019. Early adoption is permitted. The Group has a smaller amount of leases in accordance with Note 17 and the effects are not expected to significantly impact the Group. No decision has been taken regarding the choice of transition approach.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Parent and its subsidiary undertakings made up to 31 December 2017. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition method of accounting
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

- The excess of the consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.5 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

1.6 Leases

The group has only operating leases. Cost is recognised in the year it is incurred.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where impairment is expected to be permanent. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Computer hardware, software and websites over 3 years
- Fixtures, fittings and equipment over 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Intangible fixed assets and depreciation

Goodwill
Goodwill is measured as described in note 1.5. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for impairment testing.

The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the business segments that are detailed in note 5

Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.9 Parent Company Investments

Fixed assets investments in the parent consist of investments in subsidiaries and are stated at cost less provision for diminution in value

1.10 Pensions

The group operates only defined contribution pension plans. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The pension costs charged in the financial statements represent the contributions payable by the group during the year.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.11 Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro which is Cognosec AB's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

1.12 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is the chief executive officer. The operating segments are South Africa, Kenya, UAE, and Europe.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.13 Financial assets

Initial recognition and derecognition
The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Accordingly, the Group uses trade date when recording financial asset transactions.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or the Group has not retained control of the asset.

Classification
The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial instruments at initial recognition.

Classification of financial instruments issued by the Group
Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.14 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Group intends to sell immediately or in the short term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Group upon initial recognition designates as available-for-sale; or

(c) those for which the holder may not recover substantially all their initial investment, other than because of credit deterioration.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (and groups of financial assets or financial liabilities) and of allocating the 'Net interest income' over the relevant period.

1.15 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becomes probable that the obligor will enter bankruptcy or similar financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

1.16 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and all liquid investments with an initial maturity of three months or less when purchased. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

For the purposes of the statement of cash flows, cash and cash equivalents comprise deposits held at call with banks.

1.18 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.19 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.20 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements (continued)

Accounting polices *(continued)*

1.21 Revenue recognition

Revenue and cost from the sale of the Company's product and services are recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed.

Revenue from sale of licences and sale of hardware is recognise when the customer is invoiced. At the same time a corresponding cost of sale is recognised.

Advisory and system integration services at a fixed price are paid in relation to the stage of completion at the balance sheet date (percentage of completion). Completion of an assignment is determined by costs incurred to date with the estimated total expenditure. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent that corresponds to the contract costs incurred that are likely to be recoverable. An anticipated loss on an assignment is reported immediately as a cost.

Other income

- **Interest income** is recognised as it is earned.
- **Dividends** are recognised when the right to receive the dividend is assured.

1.22 Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 *Principles of Consolidation*

The consolidated financial statements include the parent company Cognosec AB and all companies in which, at the end of the financial year, Cognosec AB exercises control, i.e. subsidiary companies. Control is achieved when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This usually means that Cognosec AB holds over 50% of the voting rights or otherwise has the power to govern the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and disposed subsidiaries are consolidated up to their date of disposal.

Acquired subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill.

Intercompany transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated in full on consolidation. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity.

Foreign subsidiaries

Income statements and cash flow statements of foreign subsidiaries are translated into Euros at the average exchange rates for each month and the balance sheets are translated using the exchange rates prevailing at the balance sheet date. Exchange differences arising from the translation are recognised in other comprehensive income.

When a subsidiary is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on the sale.

Notes to the financial statements (continued)

3 *Financial Instruments*

3.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks including credit risk, market risk, specifically foreign exchange risk, and liquidity risk. Accordingly, the directors provide principles for overall risk management as well as policies covering specific risk areas.

(a) Credit risk

The Company's exposures to credit risk as at the end of the reporting periods based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets are analysed as follows:

	2017 **€'000**	2016 €'000
Trade and other receivables (Note 12)	**7 101,8**	1 921,8
Cash and cash equivalents	**264,9**	1 362,5

Credit concentration risk also exists with respect to the Company's cash equivalents, which are held with a reputable financial institution of high quality standing or rating.

As at 31 December 2017, the Company's trade and other receivables were fully performing. The Company assesses the credit quality of its trade and other receivables considering the financial position, experience and other factors relating to the debtor.

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2017 **€'000**	2016 €'000
Kenya	**305,7**	203,2
South Africa	**4 594,5**	941,1
United Arab Emirates	**1 986,6**	681,7
Europe	**215,0**	833,9
	7 101,8	2 659,8

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. The Company has established procedures to minimise the risk of default by trade debtors including credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

Notes to the financial statements (continued)

3. Financial Instruments (continued)

3.1 Financial risk factors, **(a) Credit risk** *(continued)*

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2017 €'000	Gross 2016 €'000
Not past due	**3 275,6**	2 127,9
Past due 0-30 days	**2 929,0**	531,9
Past due 31-120 days	**897,2**	-
More than 120 days	**-**	-
Total	**7 101,8**	2 659,8

An assessment of the recoverability of Trade and other receivables did not find any impairment indicators such as significantly overdue trade receivables. Therefore, the carrying value of Trade and other receivables is also considered to be their fair value.

Notes to the financial statements (continued)

3. *Financial Instruments (continued)*

3.1 Financial risk factors (continued)

(b) Market Risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. To reduce its currency exposure, the Company generally matches its asset and liability positions represented by the amounts due by acquirers and other payment service providers and the relative amounts due to the merchants.

The net open currency exposure at the end of the reporting period is detailed below.

31 December 2017
Sensitivity to Change in exchange rate

	GBP €'000	USD €'000	SEK €'000	KES €'000	AED €'000	ZAR €'000	Total €'000
Trade receivables							
Balance sheet exposure	48,6	18,0	-	305,7	1986,6	4594,5	**6 953,4**
Absolute effect from -10% in Exchange rate to Euro	4,9	1,8	-	30,6	198,7	459,5	**695,5**
Absolute effect from -20% in Exchange rate to Euro	9,7	3,6	-	61,2	397,3	918,9	**1 390,7**
Trade payables							
Balance sheet exposure	215,9	1,7	572,4	127,9	1558,4	4124,1	**6 600,4**
Absolute effect from -10% in Exchange rate to Euro	21,6	0,2	57,2	12,8	155,8	412,4	**660,0**
Absolute effect from -20% in Exchange rate to Euro	43,2	0,3	114,5	25,6	311,7	824,8	**1 320,1**
Cash and cash equivalents							
Balance sheet exposure	58,9	0,1	-	57,7	39,1	87,6	**243,4**
Absolute effect from -10% in Exchange rate to Euro	5,9	-	-	5,8	3,9	8,8	**24,4**
Absolute effect from -20% in Exchange rate to Euro	11,8	-	-	11,6	7,8	17,5	**48,7**

Notes to the financial statements (continued)

3. Financial Instruments (continued)

3.1 Financial risk factors, (b) Market Risk (continued)

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments

31 December 2017	GBP	USD	EUR	SEK	KES	AED	ZAR	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents	58,9	0,1	21,6	-	57,7	39,1	87,5	264,9
Trade receivables	48,6	18,1	148,3	-	305,7	1 986,6	4 594,5	7 101,8
Trade payables	(215,9)	(1,7)	(176,7)	(572,4)	(127,8)	(1 558,4)	(4 124,1)	(6 777,0)
Balance sheet exposure	**(108,4)**	**16,5**	**(6,8)**	**(572,4)**	**235,6**	**467,3**	**557,9**	**589,7**

31 December 2016	GBP	USD	EUR	SEK	KES	AED	ZAR	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents	9,8	173,3	42,9	-	137,4	716,0	283,0	**1 362,5**
Trade receivable	12,1	80,8	326,6	-	102,3	343,0	473,4	**1 338,2**
Trade payables	(67,5)	-	(527,3)	(433,3)	(131,2)	(1 427,6)	(1 151,7)	**(3 738,6)**
Balance sheet exposure	**(45,6)**	**254,1**	**(157,8)**	**(433,3)**	**108,5**	**(368,6)**	**(395,3)**	**(1 038,0)**

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets that mature in the long-term, its income and operating cash flows are substantially independent of changes in market interest rates. The Company's cash flow interest rate risk arises from cash and cash equivalents. Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors since these assets are of a short-term nature.

Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk.

Notes to the financial statements (continued)

3. Financial Instruments (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally settlement processing obligations and other liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company manages this risk, by monitoring future cash flows together with changes in available liquidity on a regular basis. Senior management is updated on a regular basis on the cash flow position of the Company.

The Company's financial projections reveal that the financial performance of the Company is expected to improve in the foreseeable future thereby generating net cash inflows after the end of the reporting period.

3.2 Fair value of financial instruments

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

Fair values are consequently determined according to the following hierarchy:

- Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

4 *Critical accounting estimates and judgements*

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported amounts of income and expenses during the period. The actual results may differ from these estimates and assumptions. Possible changes in estimates and assumptions are recognised in the financial period when the changes occur and in all subsequent financial periods. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Except for the Critical Accounting judgement detailed below, the Directors conclude that the accounting estimates and judgements made while preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Critical Accounting Judgement: Business combinations

The acquisition of subsidiaries or operations involves that items in the acquired companies' balance sheets as well as items that have not been recognised in the acquired companies' balance sheets, such as customer relations, shall be valued at fair value. Different valuation methods based on number of assumptions are used in fair value determination. Initial accounting is determined provisionally and may be adjusted subsequently. All acquisition calculations are finalised no later than one year after the acquisition is made.

All payments to acquire a subsidiary or operation are recorded at fair value at the acquisition date, including debt related to contingent considerations. The contingent consideration is measured at fair value in subsequent periods with re-measurement through the statement of income.

IFRS Accounting Standard require Directors to form Accounting Policies that gives precedence to the Economic Substance of transactions rather than their legal form.

A list of subsidiaries, is presented in note 11 Group companies.

Notes to the financial statements(continued)

4. *Critical accounting estimates and judgements (continued)*

Critical Accounting Judgement: Taxes

Determination of income taxes and deferred taxes when the ultimate tax determination is uncertain requires management judgement. The Group recognises deferred tax assets resulting from carried forward tax losses when the realisation of related tax benefit, due to taxable profits, is probable. However, deferred tax asset is always recognised if it can be utilised to current taxable temporary differences. The assumptions regarding future taxable profits are based on the current business plan and further estimates added by consideration for the uncertainties in the current business plan and further estimates. The Group uses estimates for recognition of liabilities for anticipated tax audit issues based on all available information at the time of recognition.

Critical Accounting Judgement: Going Concern

During 2017 the group focused on developing the existing business (primarily in Dubai and South Africa) but also began expanding operations and sales efforts in Europe. Whilst existing, core business has had long established and steady long-term cashflows, significant investment has been made in Europe and has resulted in outflows of cash.

The cash balances in some areas of the group's operations are therefore insufficient to cover existing liabilities. However, existing cash balances in other areas of the group can be utilised, and in addition, the directors have received a loan guarantee for the company of 2 MEUR.

Based on these factors, and having reviewed the trading forecast, the board's assessment is that the group has sufficient working capital for the coming 12 months.

Critical Estimate: Impairment of assets

The Group reviews each cash generating unit annually, in order to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell, and value in use. These assessments require the use of estimates and assumptions such as discount rates, future capital requirements, and projected growth of each operation. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Fair value for each operation is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash generating units as comprising an independent operation, which is the lowest level for which cash inflows are largely independent of those of other assets.

An impairment test was carried out on the Group's intangible assets as on December 31, 2017. The most significant portion of the intangible and tangible fixed assets relates to the operations in Dubai, Kenya and South Africa. For this purpose, a discounted cash flow model has been used extending over a 5-year period. A number of variables are simulated in the model. Among the more important assumptions are growth in EBITDA and the yield required. The base assumption regarding the growth in EBITDA is 4% and the yield required is 20 % per year. The result of the base assumptions is that no impairment is required at year-end 2017.

An impairment tests of significant assets is also performed at the Parent Company level. The impairment test is based on the same model as above. The net present value of the forecasted cash flow is compared to the book values of shares and loans provided by the Parent Company. Where an impairment indicator exists, i.e. the book value exceeds the net present value of the forecasted cash flow, an impairment provision is recorded at year end. The impairment test performed as of December 31, 2017 at the Parent Company level showed no impairment indications. For the operations in Europe which are started in 2017, an impairment test will be performed as per end of 2018 when the operations have stabilised.

Notes to the financial statements (continued)

5 *Sales per categories of sales and geographical market*

The analysis by class of business of the Group's Revenue is set out below:

Revenue

	2017	2016
	€'000	€'000
Class of business		
Sale of software Licenses and Computer Hardware	**10 245,2**	10 070,0
Revenue from Consulting services	**6 947,7**	4 566,2
	17 192,9	14 636,2

	2017	2016
	€'000	€'000
Sales per geographic market		
Kenya	**923,3**	874,8
South Africa	**11 066,5**	9 594,7
United Arab Emirates	**4 465,5**	2 977,2
Europe	**737,6**	1 189,5
	17 192,9	14 636,2

	2017	2016
Tangible assets per Segment	**€'000**	€'000
Kenya	28.2	29.2
South Africa	94.9	3.0
United Arab Emirates	3.1	21.3
Europe	6.6	3.4
	132.8	56.8

	2017	2016
EBITDA per Segment	**€'000**	€'000
Kenya	117.2	73.0
South Africa	150.8	468.4
United Arab Emirates	(692.7)	(440.0)
Europe	(2,537.6)	(2,649.6)
	(2,962.3)	(2,548.1)

Notes to the financial statements (continued)

5 Sales per categories of sales and geographical market (continued)

Reconciliation between EBITDA per Segment and Operating profit/(Loss) per Segment

2017	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
EBITDA	117,2	150,8	(692,7)	(2 537,6)	(2 962,3)
Non-cash impacting items	-	(76,7)	(3,6)	(172,1)	(252,4)
Operating profit/(Loss)	**117,2**	**74,1**	**(696,3)**	**(2 709,7)**	**(3 214,7)**

2016	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
EBITDA	73,0	468,4	(440,0)	(2 649,6)	(2 548,1)
Non-cash impacting items	(28,3)	(310,9)	(96,5)	(38,5)	(474,2)
Operating profit/(Loss)	**44,7**	**157,5**	**(536,4)**	**(2 688,1)**	**(3 022,3)**

Tangible and Intangible Assets per Segment

2017	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Tangible Assets per Segment	28,2	94,9	3,1	6,6	132,8
Intangible Assets per Segment	1 511,4	3 698,7	941,8	52,2	6 204,1
Total per Segment	**1 539,6**	**3 793,6**	**944,9**	**58,8**	**6 336,9**

2016	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Tangible Assets per Segment	13,3	35,2	8,3	-	56,8
Intangible Assets per Segment	1 511,4	3 698,7	941,8	-	6 151,8
Total per segment	**1 524,7**	**3 733,9**	**950,1**	**-**	**6 208,6**

Notes to the financial statements (continued)

6 Salaries and other Salary Remuneration

Total Remuneration Senior management and Other staff	**2017** **€'000**	2016 €'000
Board of directors, CEO and key management	754,0	963,8
Other Staff	5 654,7	3 846,1
Group	**6 408,7**	**4 809,9**
Of which Pension and Salary Overhead Costs	*537,0*	*403,0*

Board of Directors' Remuneration	**2017** **€'000**	2016 €'000
Board fee	38,9	65,1
Consulting services	107,7	253,1
Total remuneration Board of Directors	**146,6**	**318,3**

CEO and Key Management Remuneration	**2017** **€'000**	2016 €'000
CEO	275,5	294,5
Key management	331,8	350,3
Total Remuneration CEO and Key Management	**607,3**	**644,7**

CEO remuneration consisted of salary 113 TEUR (2016: 175 TEUR) and Bonus 99 TEUR (2016: 119 TEUR)

Key Management consists of the Business Managers for South Africa, Kenya, United Arab Emirates and Europe. Remuneration consisted of salary 233 TEUR (2016: 231 TEUR) and Bonuses of 99 TEUR (2016: 119 TEUR).

Salaries and other Salary Remuneration **Totals for Parent Company and Subsidiaries**	**2017** **€'000**	2016 €000
Parent Company	242,3	435,9
Subsidiaries	6 166,3	4 373,9
Group	**6 408,6**	**4 809,9**

Board members	**Role**	**Board fee €**	**Salary €**	**Bonus €**	**Consulting fee €**	**Total €**
Kobus Paulsen	Chairman	-	-	-	-	**-**
Magnus Stuart	Former Director	12 971	-	-	102 734	**115 705**
Lord David Blunkett	Director	-	-	-	-	**-**
Patrick Boylan	Director	-	-	-	-	**-**
Neira Jones	Director	12 971	-	-	4 143	**17 114**
Daniel Holden	Director and CFO	-	-	-	-	**-**
Anna Petre	Former Director	12 971	-	-	840	**13 811**
Björn Elowsson	Former Director	-	-	-	-	**-**
Lord Anthony St John of Bletso	Director	-	-	-	-	**-**
Duysant Patel	Former Director	-	-	-		-
Total Remuneration to the Board		**38 913**	-	-	**107 717**	**146 630**

Notes to the financial statements *(continued)*

Note 6 – Salaries and other Salary Remuneration *(continued)*

Split between Men and Women

Average number of staff in Full Time Employment (FTE)	Female	Male	2017 Total	Female	Male	2016 Total
Parent Company*	-	2	2	-	2	**2**
Subsidiaries						
South Africa	27	61	**88**	9	57	**66**
Kenya	8	10	**18**	2	15	**18**
United Arab Emirates	4	12	**16**	6	9	**15**
Europe	2	10	**12**	3	9	**12**
Subsidiaries	**41**	**94**	**134**	**20**	**90**	**110**
Total	**41**	**96**	**136**	**20**	**92**	**112**

*The Parent Company had no employees during 2017 or 2016;
Director's for the Parent Company's Board of Directors and a contracted consultant performed duties for the Parent Company.

Split between Men and Women

Board of Directors and key management (Average FTE)	Female	Male	2017 Total	Female	Male	2016 Total
Parent Company						
Board of Directors	2	7	**9**	2	7	**9**
CEO and Key Management	1	1	**2**	1	1	**2**
Group						
Board of Directors	2	7	**9**	2	7	**9**
CEO and Key Management	1	1	**2**	1	1	**2**

Notes to the financial statements (continued)

7 *Audit and consulting fees*

	Group 2017 €'000	Group 2016 €'000	**Parent 2017 €'000**	Parent 2016 €'000
PwC				
Group and statutory audit fee	46,7	78,1	46,7	78,1
Audit fees other than group or statutory audit	53,9	-	53,9	-
Tax advise	-	-	-	-
Accounting advisory services	23,7	46,9	23,7	46,9
Total PwC Audit and Advisory fees	**124,3**	125.0	**124,3**	125.0
Subsidiary auditors				
Statutory audit fee	25,9	25,8		
Audit fees other than statutory audit fee	13,8	12,4		
Total Subsidiary Audit and Advisory fees	**39,7**	**38,1**		
Total Cognosec Group Audit and Advisory fees	**164.0**	163.1		

8 *Depreciation, amortisation and write-downs*

	Group 2017 €'000	Group 2016 €'000	**Parent 2017 €'000**	Parent 2016 €'000
Amortisation of intangible assets	182,8	72.9	182,8	72,9
Depreciation of tangible assets	83,4	37,3	-	-
Total Amortisation and Depreciation	**266,2**	**110,2**	**182,8**	**72,9**

During the year 182,8 TEUR was written off in respect of impairment of investments. The amount is charged against investments in subsidiaries to the lower of its fair value re-measurement. This has been included in "administrative costs". See note 11 for further details.

Notes to the financial statements (continued)

9 *Income Tax*

	Group 2017	Group 2016	**Parent 2017**	Parent 2016
Current tax recognised via the Income Statement	'€ 000	'€ 000	'€ 000	'€ 000
Current tax recognised via the income statement	136,8	117,1	-	-
Total current tax	**136,8**	117,1	**-**	-
Deferred Income Tax recognised via the Income Statement				
Deferred tax expense/(income) on temporary differences CFC profits/ losses	(136,8)	(104,9)		
Total deferred tax expense/(benefit)	**(136,8)**	(104,9)	**-**	-
Total Tax recognised via the Income Statement	**-**	12,1	**-**	-
Tax recognised via Equity				
Deferred Tax from IPO costs recognised over Equity		-		
Tax recognised via Equity	**-**	-	**-**	-

The parent company recognises and pays tax on CFC (Controlled foreign corporation) taxable profits from its wholly owned subsidiaries in Dubai since these companies are affected by Swedish CFC taxations rules (Swedish corporate income tax legislation; Chapter 39 7a §).

Reconciliation between tax on accounting profit at the aggregate group Tax rate and tax in the Income Statement	**Group 2017**	Group 2016	**Parent 2 017**	Parent 2 016
	'€ 000	'€ 000	'€ 000	'€ 000
Loss before taxes	(3 068,2)	(3 656,0)	(855,5)	(1 717,2)
Parent: Tax expense at 22% (2016:22%)			(188,2)	(377,8)
Group: Tax expense at the aggregate* tax rate of 30% (2016:30%)	(920,5)	(1 096,8)		
Differences between tax at aggregate tax rate and tax at actual rates	(479,0)	148,0	-	-
Tax losses not recognised as deferred tax assets	1 399,4	936,8	188,2	377,8
Tax expense	**-**	(12,0)	-	-

*The applicable tax rate is the aggregate of the national income tax rates for the Groups Subsidiaries

Unused tax losses for which no deferred tax asset has been recognised amount to 4 658 TEUR.

Notes to the financial statements (continued)

10 *Intangible assets*

Intangible assets	**Group**	**Group**	**Parent**	**Parent**
	2017	**2016**	**2017**	**2016**
	€'000	€'000	€'000	€'000
Goodwill	6 152	6 152	-	-
Licence Agreements	52	-	52	-
Total	**6 204**	**6 152**	**52**	**-**

Goodwill	**Group**	**Group**
	2017	2016
	€'000	€'000
Opening balance	6 152	-
Goodwill recognised from acquisitions	-	6 152
Closing Balance	**6 152**	**6 152**

No acquisitions were made in 2017.

Final Acquisition analysis. (Details of acquired companies below)

Acquisitions Table:

The Group acquired the following subsidiaries in the below table. The acquired companies are active in the Cybersecurity industry as Software Resellers and Distributors and providers of overall Cybersecurity solutions. The Acquisitions are in line with the overall strategy of the Cognosec AB Group.

Acquired Companies	**Domicile**	**% of Shares owned**
Cognosec DMCC	UAE, Dubai	100%
Professional Technologies Ltd	Kenya	100%
Dynamic Recovery Services (Pty) Ltd	South Africa	74%
Credence Security (Pty) Ltd	South Africa	100%

Goodwill recognised from this acquisition amount to 6 152 TEUR and is attributable to the workforce and the profitability of the acquired business.

The group recognised the non-controlling interests Dynamic Recovery Services (Pty) Ltd at its fair value, therefore the recognised value of the non-controlling interests its proportionate share of the acquired net identifiable assets. See note 1.4 for the group's accounting policies for business combinations.

Notes to the financial statements (continued)

Note 10 Intangible assets (continued)

During the year the Group acquired a licence "Domain Name (Cyber1.com)" for 52,2 TEUR and; the Goodwill shows a balance of 6 151,9 TEUR in 2016 and 2017, as there were no impairments in both periods.

None of the recognised Goodwill will be deductible for Corporate income tax purposes.

Below table is a summary of paid considerations for the acquisitions as well as the Fair Value of acquired Assets and Liabilities.

Purchase Consideration	**TEUR**
Cash Consideration	1 843
Non-Cash Consideration	3 517
Total Purchase Consideration	**5 360**
Identified Fair Values of acquired Assets and Liabilities	
Acquired Cash and Cash Equivalent	348
Tangible Assets	110
Other assets	5 017
Trade and other payable	(6 396)
Deferred tax payable	-
Total Fair Value of identified Assets and Liabilities	**(921)**
Non-controlling Interest	**(129)**
Goodwill	**6 152**

Book value of aquired assets and liabilities amounted to 827 TEUR, below adjsutments were made to reflect their Fair Value.

Fair Value adjustment of Acquired net assets	
Removal of receivable from dividend paid pre-acquisition, declared post acquisition	1 400 TEUR
Recognition of liability for dividend paid in 2016 (based on pre-sale retained earnings)	348 TEUR
	1 748 TEUR

No Aquistion related costs were incurred in 2016 or 2017.

Non-Cash Consideration consisted of 7 033 929 shares in Cognosec AB, and a Fair Value of 3 517,0 TEUR. (The valuation is based on the IPO subscription price for Cognosec AB shares).

Further details of the Non-Cash consideration are detailed in Note 4

Cash flow impact	
Cash Consideration paid	1 843
Less acquired Cash and Cash equivalent	(348)
Net Cash outflow from the Acquisition	**1 495**

474 TEUR of the Cash Consideration was paid in 2016.

Impairment testing of Goodwill

Recognised Goodwill has an indefinite useful life, Management therefore tests Goodwill annually for impairment or at any time an impairment indicator is identified.

Allocation of Goodwill to CGU (cash generating unit)'s	**2017-12-31**	**2016-12-31**
Africa	5 210	5 210
United Arab Emirates	942	942
Europe	-	-
Total	**6 152**	**6 152**

Notes to the financial statements (continued)

Note 10 Intangible assets (continued)

The recoverable Vaue for Goodwill with an indefinite live has been calculated based on the Value in use that managment expects to realise. The value in use has been calculated based on the future expected cashflows generated in the six year period 2018 to 2023 . Future expected cashflows were identified as follows:

- 2018: Free Cash Flows detailed in the 2017 Business Plan that was approved by the Board of Directors.
- 2019-2023: Free Cash Flows based on an assumed p.a growth in Free Cash Flow of 2% from the 2018 level.
- No Cashflows for periods after 2022 have been included.

The growth rate assumed for the period 2019-2023 does not exceed the long term growth rate for the markets in which the businesses operate in. Key assumptions used are based on managments experience.

Key assumptions in the determination of the Value in Use of Goodwill

2017-12-31	**Africa**	**United Arab Emirates**	**Europe**
Growth rate 2018-2022	2%	2%	NA
WACC	11.5%	11.5%	NA
2016-12-31			
Growth rate 2018-2022	4%	4%	NA
WACC	20%	20%	NA

No other significant assumptions were made to determine the Value in use of Goodwill

After the completed impairment test of Goodwill no impairment of Goodwill was identified.

A sensistivity analsysis was performed on the assumptions used. Neither an increase in the WACC to 14.5% or a reduction of growth rate for free cash flows to 1% for the period 2019-2023 would on their own be sufficent to trigger an impairment of Goodwill.

Licence Agreements	**Group**	Group	**Parent**	Parent
	2017	2016	**2017**	2016
Cost Licence agreement	€'000	€'000	€'000	€'000
Opening balance	73,0	73,0	73,0	73,0
Acquisition of license agreement *	52,2	-	52,2	-
Closing balance	**125,2**	**73,0**	**125,2**	**73,0**
Accumulated amortisation Licence agreement				
Opening balance	(73,0)	-	(73,0)	-
Amortisation	-	(73,0)	-	(73,0)
Closing balance	**(73,0)**	**(73,0)**	**(73,0)**	**(73,0)**
Net Book Value Licence agreement	**52,2**	**-**	**52,2**	**-**

* During the year the Group acquired a licence Domain Name – "Cyber 1.com" for 52,2 TEUR.

The Goodwill shows a balance of 6,152 TEUR in 2016 and 2017, as there were no impairments in both periods.

Notes to the financial statements (continued)

11 *Investment in subsidiaries*

	Parent 2017 €'000	Parent 2016 €'000
Opening balance 1 January	**3 798,9**	**1 816,7**
Acquisition	-	-
Impairment of Investments in Sweden	(182,8)	-
Investment in Subsidiaries	458,8	1 982,2
Closing balance 31 December	**4 074,9**	**3 798,9**

The Parent holds the following issued ordinary share capital in the group undertakings listed below:

Cognosec AB Subsidiaries	**Company Registration Nr.**	**Domicile**	**% of Shares owned**	**% of Voting rights owned**	**Balance Carried at 31 December 2017**	**Balance Carried at 31 December 2016**
Cognosec Ltd	224746800	United Kingdom	100%	100%	2 071,0	1 633,6
Cognosec GmbH Germany	768/K/2016	Germany	100%	100%	213,0	167,0
Cognosec Nordic AB	559062-3228	Sweden	100%	100%	-	181,6
Credence Security JLT	JLT 4874	UAE, Dubai	100%	100%	204,8	204,8
Cognosec DMCC	DMCC 40384	UAE, Dubai	100%	100%	-	-
Professional Technologies Ltd	NO.C 81571	Kenya	100%	100%	308,6	334,5
Dynamic Recovery Services (Pty) Ltd	1997/019520/07	South Africa	74%	74%	1 248,4	1 248,4
Credence Security (Pty) Ltd	1999/009285/07	South Africa	100%	100%	29,1	29,1
Total					**4 074,9**	**3 798,9**

The principle activities of all subsidiaries, is to market and sell solutions to increase safety on the internet and to sell products and services in this area.

Notes to the financial statements (continued)

12 *Trade and other receivables*

	Group	Group	**Parent**	Parent
	2017	2016	**2017**	2016
	€'000	€'000	**€'000**	€'000
Trade debtors	**7 101,8**	1 338,2	**82,3**	525,9
Pre-payment of supplier invoices	**239,7**	344,8	**-**	-
Prepaid rent*	**-**	20,0	**-**	-
Tax receivable	**236,2**	218,8	**-**	-
Amounts owed by Group Undertakings	**-**	-	**1 556,1**	-
Other receivables	**-**	-	**-**	55,8
	7 577,7	1 921,8	**1 638,4**	581,7

* Prepaid rent also includes a rent deposit of 20,0 TEUR (2016: 20,0 TEUR) which is also presented as posted collateral.
Trade and other receivables are stated at book value which is fair value.

13 *Current liabilities*

	Group	**Group**	**Parent**	Parent
	2017	**2016**	**2017**	2016
	€'000	**€'000**	**€'000**	€'000
Trade creditors	**6 777,1**	3 738,6	**572,4**	433,8
Current tax liabilities	**207,3**	48,6	**47,1**	-
Other liabilities	**2 546,2**	293,2	**1 568,7**	-
Other accrued costs	**-**	-	**-**	-
Amounts due to Group Undertakings	**-**	-	**459,8**	-
	9 530,6	4 080,4	**2 648,0**	433,8

Current liabilities are stated at book value which is fair value.

Notes to the financial statements (continued)

14 *Non-Controlling interest*

The following is summarised financial information for Dynamic Recovery Solutions (Pty) Ltd, prepared in accordance with IFRS. The information is before inter-company eliminations. Cognosec AB owns 74% of the Share capital and Voting rights in its South African subsidiary Dynamic Recovery Solutions (Pty) Ltd. The Non-controlling interest in Dynamic Recovery Services (Pty) Ltd is 26% and is owned by the EMM Share Trust. The trust is entitled to receive its proportionate Share of any dividend distribution. A dividend payment of 48,0 TEUR was made to the Non-controlling interest during 2016 related to a period prior to Cognosec AB's acquisition of Dynamic Recovery Solutions (Pty) Ltd.

The non-controlling interest held by the EMM Share trust ensures that Dynamic Recovery Services (Pty) Ltd complies with the South African Broad-Based Black Economic Empowerment Act (52/2003).

	2017	**2016**
	€'000	€'000
Revenue	10 756,1	8 739,6
Profit	8,9	265,9
Profit attributable to NCI	**2,3**	**69,1**
Other Comprehensive Income	-	-
Total comprehensive income	8,9	265,9
Total comprehensive income attributable to NCI	**2,3**	**69,1**
Current Assets	4 850,1	2 643,1
Non-current assets	90,2	61,6
Current liabilities	(4 261,1)	(1 686,6)
Non-current liabilities	-	-
Net Assets	**679,2**	**1 018,2**
Net Assets attributable to NCI	**148,8**	**146,6**
Dividends paid to NCI during the year	**Nil**	**48,0**

Notes to the financial statements (continued)

15 *Share capital*

Per 31 December 2017 Cognosec AB registered Share capital consisted of 257.2 Million Shares (2016: 257.2 Million Shares) and amounted to 686 TSEK (2016: 643 TSEK). Cognosec AB shares are registered in Euro.

To facilitate an analysis of changes in the number of issued Shares and the Share capital for both 2016 and 2017 the Share capital, as presented in the Primary Financial Statements are presented at the exchange rate per 31 December 2016, which was 9.23 SEK per EUR. As at 31 December 2017 the par value of each Share is 0.0025 SEK (2016: 0.0025) or 0.000278 EUR (2016: 0.000278).

Each Share has one vote.

The Share capital detailed in the annual accounts is the Share capital which was registered on the 31 December 2017 and 2016 respectively.

		Change in issued number of Shares	Issued number of Shares	Par Value SEK
Shares issued at	**1 January 2015**	**-**	**250 000**	**1**
Share Split 1 to 1000	23 April 2015	249 750 000	250 000 000	0.0010
Offset Share Issue	23 April 2015	362 000 000	612 000 000	0.0010
Reverese Split 2 to 1	23 April 2015	(306 000 000)	306 000 000	0.0020
Reverse Split 10 to 8	23 April 2015	(61 200 000)	244 800 000	0.0025
Directed Share Issue	7 December 2015	2 800 000	247 600 000	0.0025
Initial Public Offering of Shares	22 June 2016	9 579 500	257 179 500	0.0025
Shares issued at	**31 December 2016**	**-**	**257 179 500**	**0.0025**
Shares issued at	**1 January 2017**		257 179 500	0.0025
Shares issued at	**31 December 2017**	**-**	**257 179 500**	**0.0025**

16 *Earnings per Share*

	2017	2016
Net result attributable to shareholders of the Parent (€ 000)	(3 071)	(3 737)
Weighted average number of ordinary shares in issue (Thousands)	256 475	252 639
Basic earnings per share (€ per share)	**(0.0120)**	**(0.0148)**

The group has no dilutive potential ordinary shares. Therefore, the diluted earnings per share is the same as the basic earnings per share

Cognosec AB paid no Dividends in 2017 or 2016.

Notes to the financial statements (continued)

17 *Operating Lease commitments*

	Falling due within 1 year	Falling due between 2-5 years	Falling due in more than 5 years
	€'000	€'000	€'000
South Africa	200,0	600,0	-
Europe	135,0	-	-
Kenya	32,0	96,0	-
UAE	38,0	114,0	-
Total	**405,0**	**810,0**	**-**

18 *Related party transactions*

Transactions with related parties are based on established commercial terms for the industry and are entered into under normal commercial terms. Refer to Note 6 for information about salaries and other benefits, expenses and commitments in terms of pensions and similar benefits for the Board, the CEO and other senior executives.

The Groups subsidiaries in South Africa paid EUR 151k EUR for office premises rented via a company that is controlled by the Group's CEO. The Board of Directors considers that the rental charge is in line with market conditions. Otherwise, no transactions have taken place between Cognosec AB and related parties that have had any material impact on the company's position or earnings.

Related party loan
Related party loan transactions and balances with related party entities under common directorship control are set out in the table below:

Entities	**Movement in the year**	**Balance as 31/3/17**
UC Group	€385,733	€638,598
Cognosec Gmbh Vienna	€347,287	€343,927

Major shareholders
At 14 July 2018, the following substantial interest (1% or more) in the company's ordinary share capital (voting right) have been notified to the company.

Shareholder	**Percentage of issued ordinary share capital**	**Value**
	%	**SEK**
UBS SWITZERLAND AG /CLIENTS ACCOUNT	29.1	75,921,847
CBLDN-BARCLAYS BANK (SUISSE)	18.6	48,514,316
CREDIT SUISSE (SWITZERLAND)LTD	11.7	30,474,000
PERSHING, LLC, W9	6	15,599,596
CLIENTS ACCOUNT-DCS	5.8	15,192,168
CLEARSTREAM BANKING S.A., W8IMY	4.2	10,883,694
BPSS PAR/JARVIS A/C NON TREATY	3.8	10,000,000
ROBERT, BROWN	2.2	5,798,514
PAULSEN, JACOBUS*	2.1	5,498,000
THE BANK OF NEW YORK MELLON, CORPORATION W9	2.1	5,408,000
VIVIAN, GEVERS	2	5,288,731
MSIL IPB CLIENT ACCOUNT	1.4	3,793,194
CANACCORD GENUITY NON US RESA	1.4	3,630,406
ANDREW, SJOBERG	1.2	3,027,936
KAS BANK CLIENT ACC NON TREATY 30%	1	2,538,818

Notes to the financial statements (continued)

The company's substantial shareholders do not have different voting rights. Cognosec, so far as is known by the company, is not directly or indirectly owned or controlled by another corporation or by any individual. Cognosec knows of no arrangements, the operation of which may at a subsequent date result in a change of control of the company.

19 *Subsequent events*

In Q4 2017, Cognosec AB completed the acquisition of A-Tek (Credence Security UK) Ltd and Intact Software Distribution Pty) Ltd. The new operations will be consolidated into the Cognosec AB Group from Q1, 2018.

- The acquisition of Credence Security (formerly A-Tek Distribution) Ltd in the European segment was completed in December 2017 and consolidated from January 1, 2018. Credence Security Distribution is a UK-based company specialising in sale of cyber security via innovative portal technologies. The acquisition is in line with Cognosec's strategy to expand business areas to cover the sale and distribution of software technologies over the internet.

- The acquisition of Intact Software Distribution (Pty) Ltd in the South Africa segment was completed in January 2018 and consolidated from February 1, 2018. Intact Software Distribution (Pty) Ltd is a company specialized in High Level Microsoft solutions and offers cloud-based solutions. Intact Software Distribution (Pty) Ltd is headquartered in Gauteng, South Africa.

The objective of the transactions is, together with Cognosec AB's own operations, to create offerings within strategy, design, technology, innovation, change management and communication. The acquired operations have added sales of 143,6 TEUR, which corresponds to 0.8 percent of sales in Globally.

20 *Appropriation of Current Year Loss for Cognosec AB*

The below funds and proposed treatment of them is to be decided at the company's annual general meeting.

Free Equity	€ 3 889 100,00
Current year Loss	€ (837 900,00)
Total	**€ 3 051 200,00**

The board proposes that the available funds are carried forward.

To be brought forward **€ 3 051 200,00**

21 *Approval of Annual Report*

The Board of Directors and the CEO hereby affirm that the Annual Report has been prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements have been prepared in accordance with international accounting standards as adopted by the European Parliament and Council Regulation (EC) No 1606/2002 of July 19, 2002 in respect of the application of international accounting standards.

The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Directors' Report for the Parent Company and the Group provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes material risks and uncertainties facing the Parent Company and the companies that are part of the Group.

The Group's income and financial statements will be submitted to the Annual General Meeting on 28th June 2018 for adoption.

Signatures of the CEO, Board and the Groups' auditor

14th June 2018

____
Jacobus Paulsen
Chairman

____
Robert Brown
CEO

____
Neira Jones
Board member

____
Lord David Blunkett
Board member

____
Patrick Boylan
Board member

____
Daniel Holden
Board member

____
Lord Anthony St John
Board member

Our audit opinion was issued on 14th June 2018 ÖhrlingsPricewaterhouseCoopers AB

____
Martin Johansson
Authorised Public Accountant

Auditor’s report

Unofficial translation

To the general meeting of the shareholders of Cognosec AB(publ), corporate identity number 556135-4811

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Cognosec AB(publ) for the year 2017.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Material Uncertainty Related to Going Concern

Without it qualifying our opinion, we would like to call attention to the managements administration report ” and Note 4 in the annual accounts and consolidated accounts, which states that the company needs additional financing. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen’s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Cognosec AB(publ) for the year 2017 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the loss dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group’ equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. [The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and among other matters take measures that are necessary to fulfill the company’s accounting in accordance with law and handle the management of assets in a reassuring manner.]

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Remark

Without impacting our opinion, we wish to make note that deducted VAT were neither declared nor paid within the prescribed time periods on a number of occasions.

Stockholm 14 June 2018

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant