Annual report 2016

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

Table of content

Key financial ratios for the Group

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

	2016	2015
Key Financial Ratios	**€ ('000)**	**€ ('000)**
Revenue	14 636,2 TEUR	16 791,2 TEUR
(Loss)/ Profit before tax	(3 656,0) TEUR	1 962,1 TEUR
(Loss)/ Profit after tax	(3 668,0) TEUR	1 503,8 TEUR
Operating margin	(20,6)%	11,4%
Net Debt	0 TEUR	0 TEUR
Cash Flow from operations	(3 902,3) TEUR	1 765,5 TEUR
Basic Earnings per share	(0,0148) EUR	0.0077 EUR
Number of shares at the end of the Period	257 179 500	247 600 000
Employees at the end of the period	112	83

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.

The registered trade activity of Cognosec AB is: "to develop, market and sell solutions to increase safety on the internet, to selling products and services in this area, through own organisation and through associated companies, subsidiaries, agents and partners, to pursue such activities through associates and subsidiaries, to manage business and property, to engage in strategic advisory and system integration services, to performing parent Company business and related business."

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 December 31, 2016 amounted to a loss of 3 668 TEUR (2015: profit 1 504 TEUR), of which 69 TEUR profit (2015: profit 207 TEUR) was attributable to the Non-controlling interest shareholders. Consolidated shareholders' equity at 31 December 2016 amounted to 5 265,7TEUR (2015: 10 917,0 TEUR) of which 146,7 TEUR (2015: 77,4 TEUR) relate to equity attributable to minority shareholders.

The Parent Company's loss for the 12 months up to and including 31 December 2016 amounted to 1 717 TEUR (2015: 55 TEUR). Equity in the Parent Company at 31 December 2016 amounted to 3 960 TEUR (2015: 5 896 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 2016, the Company had a total of 257 179 500 issued shares (2015**:** 247 600 000). The quota value amounts to 0,000278 EUR (2015: 0,000278 EUR) per share. For more information about the Company's shares, see Note 15.

Significant events during the 12 months ending 31 December 2016
Cognosec AB listed on the Nasdaq First North Stock Exchange.

Significant events after the balance sheet date
On the 24th January Cognosec AB announced that an exclusive agreement with A-tek Distribution had been signed. A-tek 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 is expected to close at the end Q2, 2017 subject to legal, financial and technology due diligence exercises.

Cognosec AB Group has changed from the previously applied accounting standard K3 (Swedish interpretation of IFRS for Small and medium sized entities) to International Financial Reporting Standards (IFRS). Both the comparative financial information as well as the 2016 financial information has been restated to comply with IFRS accounting standards. Further details of the adjustment made in the restatement are detailed in Note 4 and Note 22 to the Financial Statements.

Board and managing director
The Parent Company's Board of Directors consists per 31 December 2016 of the following members: Kobus Paulsen (Chairman), Magnus Stuart, Rt Hon. the Lord Blunkett, Patrick Boylan, Neira Jones, Björn Elowsson and Daniel Holden. As of December 31, 2016, Robert Brown was serving as the Parent's CEO.

Annual general meeting
The annual general meeting (AGM) is scheduled for 28th June 2017.

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	€ 5 609 800,00
Current year Loss	€(1 720 700,00)
Total	**€ 3 889 100,00**

The board proposes that the available funds are carried forward.

To be brought forward **€ 3 889 100,00**

Consolidated and Parent Company Income Statement
for the year ended 31 December 2016

	Note	**Group**	Group	**Parent**	Parent
		2016	2015	**2016**	2015
		€'000	€'000	**€'000**	€'000
Revenue	*5*	14 636,2	16 791,2	-	-
Cost of sales		(8 850,9)	(10 943,0)	-	-
Gross profit		**5 785,3**	5 848,2	-	-
Sales expense	*6 ,7, 8*	(4 809,9)	(2 432,0)	-	-
Administrative expenses		(3 997,8)	(1 505,1)	(1 092,8)	(53,1)
Operating (Loss) / Profit		**(3 022,3)**	1 911,1	**(1 092,8)**	(53,1)
Financial income		-	51,0	-	-
Financial expense		(633,7)	-	(624,5)	(1,9)
(Loss) / Profit before taxation		**(3 656,0)**	1 962,1	**(1 717,2)**	(55,0)
Income tax expense	*9*	(12,0)	(458,3)	-	-
(Loss) / Profit for the period		**(3 668,0)**	1 503,8	**(1 717,2)**	(55,0)
Attributable to					
Equity holders of parent		(3 737,2)	1 297,1		
Non-controlling interest		69,1	206,7		
		(3 668,0)	**1 503,8**		
Basic earnings per share (€ per share)	*16*	**(0.0148)**	**0.0077**		

Consolidated and Parent Company Statement of Comprehensive Income

for the year ended 31 December 2016

	Group	Group	**Parent**	Parent
	2016	2015	**2016**	2015
	€'000	€'000	**€'000**	€'000
(Loss) / Profit for the period	**(3 668,0)**	1 503,8	**(1 717,2)**	(55,0)
Other comprehensive income				
Exchange differences on translating foreign operations	(1 694,1)	(345,3)	-	-
Offset share issue registered in 2016	**-**	-	-	0,8
Currency revaluation effects	**-**	-	(3,5)	(87,8)
Total comprehensive (loss)/income for the year	**(5 362,1)**	1 158,5	**(1 720,7)**	(142,0)
Attributable to				
Equity holders of parent	(5 413,3)	951,8		
Non-Controlling interest	69,1	206,7		
	(5 362,1)	1 158,5		

Consolidated and Parent Company Statement of Financial Position

at 31 December 2016

	Note	**Group 2016 €'000**	Group 2015 €'000	**Parent 2016 €'000**	Parent 2015 €'000
Non-current assets					
Intangible assets	*10*	6 151,8	6 224,8	-	72,9
Tangible assets		56,8	103,7	-	-
Investments in subsidiaries	*11*	-	-	3 798,9	1 816,7
		6 208,7	6 328,5	**3 798,9**	1 889,6
Current assets					
Trade and other receivables	*12*	1 921,8	10 129,7	581,7	4 254,3
Cash and cash equivalents		1 362,5	2 946,4	11,9	915,7
		3 284,4	13 076,1	**593,7**	5 170,0
Total assets		**9 492,7**	19 404,4	**4 392,6**	7 059,6
Current Liabilities		(4 080,7)	(8 409,9)	(433,8)	(1 163,6)
Total Liabilities	*13*	**(4 470,4)**	(8 409,9)	**(433,8)**	(1 163,6)
Net assets		**5 412,0**	10 994,5	**3 959,8**	5 896,0
Equity attributable to equity holders of the parent					
Share capital	*15*	69,7	66,2	69,7	66,2
Share premium		5 852,0	6 075,5	5 763,2	5 983,2
Revaluation reserve		(1732,9)	(38,8)		
Retained earnings		1 076,9	4 814,1	(1 874,1)	(153,4)
		5 265,7	10 917,0	**3 959,8**	5, 896,0
Non-controlling interest		146,6	77,4	**-**	-
Total equity		**5 412,0**	10 994,5	**3 959,8**	5 896,0

Consolidated Statement of Changes in Equity
at 31 December 2016

	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Group Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2015	27,1	-	-	-	-	27,1
Acquired non-controlling interest	-	-	-	-	(129,3)	(129,3)
Total comprehensive income	-	-	(345,3)	1 297,1	206,7	1 158,5
New share issue	-	5 000,0	-	-	-	5 000,0
Costs related to share offering in 2015	-	(416,0)	-	-	-	(416,0)
Tax on IPO costs recognised over equity	-	91,5	-	-	-	91,5
Shareholders 'contribution*	-	-	306,5	3 517,0	-	3 823,5
Offset issue	39,1	-	-	-	-	39,1
Directed share issue	-	1 400,0				1 400,0
Balance at 31 December 2015	**66,2**	**6 075,5**	**(38,8)**	**4 814,1**	77,4	**10 994,4**

* *This represents the non-cash purchase price recognised in 2015. See note 10 for details.*

	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Group Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2016	**66,2**	**6 075,5**	**(38,8)**	**4 814,1**	77,4	**10 994,4**
Total comprehensive income	-	-	(1 694,2)	(3 737,2)	69,1	(5 362,1)
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**	**5 412,1**

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

Consolidated and Parent Company Statement of Cash Flows

for the year ended 31 December 2016

	Group 2016 €'000	Group 2015 €'000	**Parent 2016 €'000**	Parent 2015 €'000
Cash flows from operating activities				
Operating (loss) / profit for the financial year	(3 656,0)	1 962,1	(1 717,2)	(55,0)
Adjustments for:				
Amortisation of intangible assets	72,9	-	72,9	-
Depreciation of tangible assets	46,9	-	-	-
Net financing costs	633,7			
Interest paid	(2,7)	(2,3)	-	-
Interest received	-	11,1	0.8	-
Decrease (increase) in trade and other debtors	2 939,3	(63,6)	(450,9)	19,6
(Decrease) in trade creditors	(3 936,4)	-	(132,5)	-
Total change in working capital	(997,1)	(63,6)	(583,4)	19,6
Cash from operations	**(3 902,3)**	1 856,3	**(1 602,4)**	16,5
Tax paid	(122,7)	(90,8)	-	-
Net Cash flows from operating activities	**(4 025,0)**	1 765,5	**(1 602,4)**	16,5
Cash flows from investing activities				
Acquisition of subsidiaries	(860,0)	(1 020,9)	(860,0)	(1 396,2)
Loans to subsidiaries	**-**	-	(1 614,3)	-
Net cash from investing activities	**(860,0)**	(1 020,9)	**(2 474,3)**	1 369,2
Cash flows from financing activities				
Proceeds from share issue	3 284,0	2 270,0	3 284,0	2 270,0
Costs relating to the issue	(220,0)	-	(220,0)	
Dividends paid to non-controlling interests in subsidiaries	(48,0)	-	-	-
Repayment of overdraft	**-**	(162,0)	-	-
Net cash used in financing activities	**3 016,0**	2 108,0	**3 064,0**	2 270,0
Net increase in cash and cash equivalents	(1 869,0)	2 852,6	(1 012,7)	917,3
Foreign exchange translation adjustment	285,0	74,1	109,0	(21,3)
Cash and cash equivalents at the beginning of year	**2 946,4**	19,7	**915,7**	19,7
Cash and cash equivalents at end of year	**1 362,5**	2 946,4	**11,9**	915,7

Parent Company Statement of Changes in Equity
at 31 December and 2016

	Share Capital	Share Premium	Retained Earnings	Parent Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2015	27.1	-	(11,4)	15,7
Loss for the year	-	-	(142,8)	(142,8)
Offset issue	39,1	-	-	39,1
Offset share issue registered in 2016	-	1 399,2	0,8	1 400,0
Ongoing share issue	-	5 000,0	-	5 000,0
Costs related to ongoing share offering	-	(416,0)	-	(416,0)
Balance at 31 December 2015	**66,2**	**5 983,2**	**(153,4)**	**5 896,0**

	Share Capital	Share Premium	Retained Earnings	Parent Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2016	66,2	5 983,2	(153,4)	5 896,0
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)**	**3 958,8**

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

The Notes on pages 12 to 45 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 Birger Jarlsgatatan 12, 114 34, Stockholm.

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. These financial statements are the first financial statements prepared by the group in accordance with IFRS. As the group were created on 1 January 2015 this is the transition date to IFRS, hence there is no opening balance for 2015 to be restated. A comparative restatement is required and full details are in note 22.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 1st January 2015 for the purposes of the transition to Adopted IFRSs.

There is no difference between IFRS effective as per December 31, 2016, 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 7th June 2017.

The balance sheets and income statements are subject to approval by the Annual General Meeting of shareholders on the 28th June 2017.

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.

This is the first year that the parent has applied RFR 2 and there are no material changes on previously applied K3.

The reporting currency for the consolidated financial statements and the parent company is Euro.

1.2 Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. There were material amendments on the adoption of IFRS. There is an impact affecting the reporting financial position, financial performance and cash flows of the group. See note 22 for details.

In these financial statements the Group has changed its accounting policies in the following areas:

As a result of transition to IFRSs the only changes to accounting treatment is because of IFRS 3 Business Combinations. See note 22 for further details.

Notes *(continued)*

Accounting polices *(continued)*

1.3 Change in accounting policy

New standards and interpretations not yet adopted

Adopted standards and interpretations of standards that are not yet effective for the year ended December 31, 2016 have not been applied in preparing these consolidated financial statements.

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
The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 also amends the principles for hedge accounting. This standard is effective as from January 1, 2018. Prior to the effective date, the Group will conclude on the impact that the adoption of this standard has on the financial result or position.

IFRS 16 Leases
In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for under a period and has an obligation to pay for that right. The accounting for lessors will be based on the same classification as under IAS 17, operating or finance leasing. The definition of a lease is amended. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. EU has not yet adopted the standard. The Group will apply the new standard as from 1 January 2019. An initial assessment identifies that the standard is likely to only impact the balance sheet.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a new principle based model of recognising revenue from customer contracts. The standard is effective for annual periods beginning on or after January 1, 2018 with retroactive application.

Once implemented it will replace all current IFRS, IAS including their interpretations will replace all current IFRS standards; IAS 11, Construction contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers and SIC 31, Revenue-Barter Transactions Involving Advertising Services; and introduces a single model of recognising revenue from contracts with customers except leases, financial instruments and insurance contracts.

IFRS 15 applies a five-step model which requires revenue to be recognised as control over goods and services are transferred to the customer.

The Group has evaluated the resulting changes to accounting principles and internal processes due to the new revenue recognition model and is currently implementing the changes in line with the implementation. The Group is currently assessing the impact of the implementation of the standard at transition date, including impact on the comparative numbers for prior reporting periods.

Once completed, further information will be provided on changes in accounting policies and if there are any expected impacts to the financial statements at the transition date.

The standard provides a choice of two transition methods, full retrospective or cumulative effect method. The full retrospective method requires restatement of prior year comparatives and adjustment to equity to the earliest presented comparative period, i.e. the Financial year 2016, whereas with the cumulative effect method, the impact is adjusted to equity at the transition date of January 1, 2018. The Group has decided to apply the cumulative effect method.

Notes *(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 2016. 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 *(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 *(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 *(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 *(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 *(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 *(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 *Explanation of transition to Adopted IFRSs*

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 2016 and the comparative information presented in these financial statements for the year ended December 2015.

Notes *(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:

	2016 €'000	2015 €'000
Trade and other receivables (Note 12)	**1 921,8**	10 129,7
Cash and cash equivalents	**1 362,5**	2 964,4

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 2016, 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:

	2016 €'000	2015 €'000
Kenya	**203,2**	274,8
South Africa	**941,1**	6 063,4
United Arab Emirates	**681,7**	4 139,5
Europe	**833,9**	-
	2 659,8	10 477,7

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 *(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	Gross
	2016	2015
	€'000	€'000
Not past due	**2 127,9**	8 382,2
Past due 0-30 days	**531,9**	2 095,5
Past due 31-120 days		
More than 120 days		
Total	**2 659,8**	10 477,7

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 *(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 2016
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	12,1	80,9	0,0	102,3	343,0	473,4	**1 011,6**
Absolute effect from -10% in Exchange rate to Euro	1,2	8,1	0,0	10,2	34,3	47,3	**101,2**
Absolute effect from -20% in Exchange rate to Euro	2,4	16,2	0,0	20,5	68,6	94,7	**202,3**
Trade payables							
Balance sheet exposure	67,6	-	433,3	131,2	1427,6	1151,7	**3211,4**
Absolute effect from -10% in Exchange rate to Euro	6,8	-	43,3	13,1	142,8	115,2	**321,1**
Absolute effect from -20% in Exchange rate to Euro	13,5	-	86,7	26,2	285,5	230,3	**642,3**
Cash and cash equivalents							
Balance sheet exposure	9,8	173,3	-	137,4	716,0	283,0	**1 319,5**
Absolute effect from -10% in Exchange rate to Euro	1,0	17,3	-	13,7	71,6	28,3	**132,0**
Absolute effect from -20% in Exchange rate to Euro	2,0	34,7	-	27,5	143,2	56,6	**263,9**

Notes *(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 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 receivables	12,1	80,9	326,6	-	102,3	343,0	473,4	1 338,2
Trade payables	(67,6)	-	(527,3)	(433,3)	(131,2)	(1 27,6)	(1 151,7)	(3 738,6)
Balance sheet exposure	**(45,7)**	**254,1**	**(157,8)**	**(433,3)**	**108,5**	**(368,6)**	**(395,3)**	**(1 038,0)**

31 December 2015	**GBP**	**USD**	**EUR**	**SEK**	**KES**	**AED**	**ZAR**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	-	-	915,7	-	155,7	72,0	1 803,0	**2 946,4**
Trade receivable	-	-	-	-	143,4	2 156,0	3 158,1	**5 457,5**
Receivables for subscribed shares	-	-	3 908,0	-	-	-	-	**3 908,0**
Liabilities to seller's subsidiaries	-	(448,0)	-	-	-	-	-	**(448,0)**
Trade payables	-	-	-	-	(213,8)	(1 492,8)	(5 178,4)	**(6 885,0)**
Balance sheet exposure	**-**	**(448,0)**	**4 823,7**	**-**	**94,5**	**872,7**	**(15,9)**	**5 327,0**

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 *(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 first-time preparation of consolidated financial statements in accordance with IFRSs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as well as disclosures. 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: Recognition of Non-Cash consideration

The acquisition analysis that formed part of the Cognosec AB 2015 Consolidated Annual Accounts only recognised Cash-Consideration which Cognosec AB paid to acquire the companies detailed in this acquisition analysis. While Cognosec AB did not pay any Non-Cash Consideration to acquire these companies, one of its key Shareholders did.

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

The Directors consider that recognising the Fair Value of these shares, first as a Shareholders contribution in the Consolidated Statement of Changes in Equity and then as a Non-Cash Consideration for the purchase of these companies better represents the Economic Substance of this transaction and have therefore decided to apply this judgement for the restated Comparative Financial Information this affects both the Financial year ending the 31st December 2015 and 2016.

Notes *(continued)*

Critical accounting estimates and judgements *(continued)*

The Fair Value of this Non-Cash Consideration amounts to 3 516,7 TEUR, which is now included in the restated Consolidated Statement of Changes in Equity for the financial year that ended 31st December 2015 as well as the restated acquisition analysis for this acquisition.

Critical Accounting Judgement: Going Concern

During 2016 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, 2016. The most significant portion of the intangible and tangible fixed assets relates to the operations in Dubai and South Africa/Kenya. For this purpose, a discounted cash flow model has been used extending over a 6-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 2016.

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, 2016 at the Parent Company level showed no impairment indications. For the operations in Europe which are started in 2016, an impairment test will be performed as per end of 2017 when the operations have stabilised.

Notes *(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

	2016	2015
	€'000	€'000
Class of business		
Sale of software Licenses and Computer Hardware	**10 070,0**	14 603,8
Revenue from Consulting services	**4 566,2**	2 187,4
	14 636,2	16 791,2

	2016	2015
	€'000	€'000
Sales per geographic market		
Kenya	**874,8**	798,7
South Africa	**9 594,7**	12 063,5
United Arab Emirates	**2 977,2**	3 929,0
Europe	**1 189,5**	-
	14 636,2	16 791,2

	2016	2015
Tangible assets per Segment	**€'000**	€'000
Kenya	29.2	29.8
South Africa	3.0	62.3
United Arab Emirates	21.3	11.6
Europe	3.4	-
	56.8	103.6

	2016	2015
EBITDA per Segment	**€'000**	€'000
Kenya	73.0	27.8
South Africa	468.4	668.6
United Arab Emirates	(440.0)	1,299.2
Europe	(2,649.6)	(53.1)
	(2,548.1)	1,942.5

Notes *(continued)*

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

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

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)**

2015	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
EBITDA	27,8	668,6	1 299,2	(53,1)	1 942,5
Non-cash impacting items	(1,5)	(22,6)	(7,4)	-	(31,4)
Operating profit/(Loss)	**26,3**	**646,0**	**1 291,9**	**(53,1)**	**1 911,1**

Tangible and Intangible Assets per Segment

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	-	6 151,9
Total per Segment	**1 524,7**	**3 733,9**	**950,1**	**-**	**6 208,7**

2015	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Tangible Assets per Segment	23,9	63,3	15,0	1,5	103,7
Intangible Assets per Segment	1 511,4	3 698,7	941,8	73,0	6 227,9
Total per segment	**1 535,30**	**3 762,00**	**956,80**	**1,50**	6 328,5

Notes *(continued)*

6 *Salaries and other Salary Remuneration*

	2016	2015
Total Remuneration Senior management and Other staff	**€'000**	€'000
Board of directors, CEO and key management	963,8	225,1
Other Staff	3 846,1	2 248.2
Group	**4 809,9**	2 473.3
Of which Pension and Salary Overhead Costs	*403,0*	*207,0*

	2016	2015
Board of Directors Remuneration	**€'000**	€'000
Board fee	65,1	-
Consulting services	253,1	2
Total remuneration Board of Directors	**318,3**	2

	2016	2015
CEO and Key Management Remuneration	**€'000**	€'000
CEO	294,5	184,6
Key management	350,3	40,5
Total Remuneration CEO and Key Management	**644,7**	225,1

CEO remuneration consisted of salary 175 TEUR (2015: 185 TEUR) and Bonus 119 TEUR (2015: nil)

Key Management consists of the Business Managers for South Africa, Kenya and UAE Remuneration consisted of salary 231 TEUR (2015: 41 TEUR) and Bonuses of 119 TEUR (2015: nil).

Salaries and other Salary Remuneration	**2016**	2015
Totals for Parent Company and Subsidiaries	**€'000**	€000
Parent Company	435,9	37,2
Subsidiaries	4 373,9	2 436,1
Group	**4 809,9**	2 473,3

Board members	**Role**	**Board fee €**	**Salary €**	**Bonus €**	**Consulting fee €**	**Total €**
Kobus Paulsen	Chairman	-	-	-	-	-
Magnus Stuart	Director	13 021	-	-	133 716	**146 736**
David Blunkett	Director	13 021	-	-	112 500	**125 521**
Patrick Boylan	Director	-	-	-	-	-
Neira Jones	Director	13 021	-	-	6 938	**19 958**
Daniel Holden	Director and CFO	-	-	-	-	-
Anna Petre	Director	13 021	-	-	-	**13 021**
Björn Elowsson	Director	13 021	-	-	-	**13 021**
Duysant Patel	Deputy Director	-	-	-		-
Total Remuneration to the Board		**65 104**	-	-	**253 153**	**318 257**

Notes *(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**	**2016 Total**	**Female**	**Male**	**2015 Total**
Parent Company*	-	2	2	-	2	**2**
Subsidiaries						
South Africa	9	57	**66**	7	50	**57**
Kenya	2	15	**18**	2	15	**17**
United Arab Emirates	6	9	**15**	2	5	**7**
Europe	3	9	12	-	-	-
Subsidiaries	**20**	**90**	**110**	**11**	**70**	**81**
Total	**20**	**92**	**112**	**11**	**72**	**83**

*The Parent Company had no employees during 2016 or 2015;
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**	**2016 Total**	**Female**	**Male**	**2015 Total**
Parent Company						
Board of Directors	2	7	9	1	5	6
CEO and Key Management	1	1	2	1	1	2
Group						
Board of Directors	2	7	9	1	5	6
CEO and Key Management	1	1	2	1	1	2

Notes *(continued)*

7 *Audit and consulting fees*

	Group 2016 €'000	Group 2015 €'000	**Parent 2016 €'000**	Parent 2015 €'000
PwC				
Group and statutory audit fee	78,1	75.8	78.1	75.8
Audit fees other than group or statutory audit	-	54.2	-	54.2
Tax advise	-	-	-	-
Accounting advisory services	46,9	-	46.9	-
Total PwC Audit and Advisory fees	**125,0**	130.0	**125.0**	130.0
Subsidiary auditors				
Statutory audit fee	25.8	18.0		
Audit fees other than statutory audit fee	12.4	6.0		
Total Subsidiary Audit and Advisory fees	**38.1**	24.0		
Total Cognosec Group Audit and Advisory fees	**163.1**	154.0		

8 *Depreciation, amortisation and write-downs*

	Group 2016 €'000	Group 2015 €'000	**Parent 2016 €'000**	Parent 2015 €'000
Amortisation of intangible assets	72.9	-	72.9	-
Depreciation of tangible assets	37.3	31.5	-	-
Total Amortisation and Depreciation	**110.2**	31.5	**72.9**	-

The comparative financial period was restated to remove previously amortised Goodwill. The K3 accounting Standard required that Goodwill was amortised over a maximum period of 10 Years. Under IFRS goodwill is not amortised but tested for impairment yearly. See note 22 for further details.

Notes *(continued)*

9 *Tax*

	Group 2016	Group 2015	**Parent 2016**	Parent 2015
Current tax recognised via the Income Statement	'€ 000	'€ 000	'€ 000	'€ 000
Current tax recognised via the income statement	117,1	458,0	-	-
Total current tax	**117,1**	458,0	-	-
Deferred Income Tax recognised via the Income Statement				
Deferred tax expense/(income) on temporary differences CFC profits/ losses	(104,9)	-		
Total deferred tax expense/(benefit)	**(104,9)**	-	-	-
Total Tax recognised via the Income Statement	**12,1**	458,0	-	-
Tax recognised via Equity				
Deferred Tax from IPO costs recognised over Equity		(91,0)		
Tax recognised via Equity	-	(91,0)	-	-

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 2016**	Group 2015	**Parent 2 016**	Parent 2 015
	'€ 000	'€ 000	'€ 000	'€ 000
Accounting (loss)/profit	(3 656,0)	1 962,1	(1 717,2)	(55,0)
Parent: Tax expense/(income) at 22% (2015:22%)			(377,8)	(12,1)
Group: Tax expense/(income) at the aggregate* tax rate of 30% (2015:30%)	(1 096,8)	588,6		
Differences between tax at aggregate tax rate and tax at actual rates	148,0	(130,6)	-	-
Tax losses not recognised as deferred tax assets	936,8		377,8	12,1
Tax expense	**(12,0)**	458,0	-	-

*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 3 259 TEUR.

Notes *(continued)*

10 *Intangible assets*

Intangible assets	**Group**	**Group**	**Parent**	**Parent**
	2016	**2015**	**2016**	**2015**
	€'000	€'000	€'000	€'000
Goodwill	6 152	6 152	-	-
Licence Agreements	-	73	-	73
Total	**6 152**	**6 225**	**-**	**73**

Goodwill	**Group**	**Group**
	2016	2015
	€'000	€'000
Opening balance	6 152	-
Goodwill recognised from acquisitions	-	6 152
Closing Balance	**6 152**	**6 152**

No acquisitions were made in 2016.

Final Acquisition analysis. (Details of acquired companies below)

Acquisitions in 2015:

On 1 January 2015, the Parent acquired the 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. This Acquisition was in line with the overall strategy of the Cognosec AB Group.

Acquired Companies	**Domicile**	**% of Shares owned**
Cognosec DMCC	UAE, Dubai	100%
Profesional 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 6 151 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 *(continued)*

Note 10 Intangible assets (continued)

The acquired business contributed revenues of 16 791,2 TEUR and net profit of 1 503,8 TEUR to the group for the period from 1 January to 31 December 2015.

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 Eqvivalent	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	**6 151**

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 2015 or 2016.

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 eqvivalent	(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's	**2016-12-31**	**2015-12-31**
Kenya	1 512	1 512
South Africa	3 699	3699
United Arab Emirates	942	942
Europe	-	-
Total	**6 152**	**6 152**

Notes *(continued)*

Note 10 Intangible assets (continued)

The recoverable Vaue for Goodwill with an indefinite lige 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 expectedcashflows generated in the six year period 2017 to 2022 . Future expected cashflows were identified as follows:

- 2017: Free Cash Flows detailed in the 2017 Business Plan that was approved by the Board of Directors.
- 2018-2022: Free Cash Flows based on an assumed p.a growth in Free Cash Flow of 4% from the 2017 level.
- No Cashflows for periods after 2022 have been included.

The growth rate assumed for the period 2018-2022 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

2016-12-31	**Kenya**	**South Africa**	**United Arab Emirates**	**Europe**
Growth rate 2018-2022	4%	4%	4%	NA
WACC	20%	20%	20%	NA
2015-12-31				
Growth rate 2018-2022	4%	4%	4%	NA
WACC	20%	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 23% or a reduction of growth rate for free cash flows to 1% for the period 2018-2022 would on their own be sufficent to trigger an impairment of Goodwill.

Licence Agreements	**Group**	Group	**Parent**	Parent
	2016	2015	**2016**	2015
Cost Licence agreement	€'000	€'000	€'000	€'000
Opening balance	73,0	-	73,0	-
Acquisition of license agreement *	-	73,0	-	73,0
Closing balance	**73,0**	73,0	**73,0**	73,0
Accumulated amortisation Licence agreement				
Opening balance	-	-	-	-
Amortisation	(73,0)	-	(73,0)	-
Closing balance	**(73,0)**	-	**(73,0)**	-
Net Book Value Licence agreement	-	73,0	-	73,0

* Acquisition of the concession agreement relates to intellectual property from a partnership agreement that is entered with Cognosec GmbH Austria. The Consideration for 100% of the shares in Cognosec GmbH Austria was 39 TEUR and has been paid in full. Cognosec AB had not, at the end of 2016 taken ownership of Cognosec GmbH. This is expected to happen in 207.

Notes *(continued)*

11 *Investment in subsidiaries*

	Parent	Parent
	2016	2015
	€'000	€'000
Opening balance 1 January	**1 816,7**	-
Acquisition	-	1 369,1
Additional cash consideration paid for acquisition in 2015	-	447,6
Investment in new Subsidiaries	1 982,2	-
Closing balance 31 December	**3 798,9**	1 816,7

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 2016**	**Balance Carried at 31 December 2015**
Cognosec Ltd	224746800	United Kingdom	100%	100%	1 633,6	-
Cognosec GmbH Germany	768/K/2016	Germany	100%	100%	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%	-	-
Profesional Technologies Ltd	NO.C 81571	Kenya	100%	100%	334,5	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					**3 798,9**	**1 816,7**

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 *(continued)*

12 *Trade and other receivables*

	Group 2016 €'000	Group 2015 €'000	**Parent 2016 €'000**	Parent 2015 €'000
Trade debtors	**1 338,2**	5 457,5	**525,9**	-
Pre-payment of supplier invoices	**344,77**	463,3	-	-
Prepaid rent*	**20,0**	135,8	-	123,9
Tax receivable	**218,8**	-	-	-
Receivables for subscribed shares	-	3 908,0	-	3 908,4
Other receivables	-	165,1	**55,9**	-
Deferred tax asset	-	-	-	222,0
	1 921,8	10 129,7	**581,7**	4 254,3

* Prepaid rent also includes a rent deposit of 20,0 TEUR (2015*:* 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 2016 €'000	Group 2015 €'000	**Parent 2016 €'000**	Parent 2015 €'000
Trade creditors	**3 738,6**	6 885,0	**433,8**	620,0
Current tax liabilities	**48,6**	276,5	-	222,0
Other liabilities	**293,2**	196,5	-	31,7
Other accrued costs	-	387,6	-	72,9
Liability to sellers of subsidiaries	-	447,6	-	-
Accrued costs related to the listing	-	216,7	-	216,7
	4 080,4	8 409,9	**433,8**	1 163,6

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

Notes *(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).

	2016	**2015**
	€'000	€'000
Revenue	8 739,6	10 632,0
Profit	265,9	382,0
Profit attributable to NCI	**69,1**	**206,7**
Other Comprehensive Income	-	-
Total comprehensive income	269,5	382,0
Total comprehensive income attributable to NCI	**69,1**	**206,7**
Current Assets	2 643,1	4 672,7
Non-current assets	61,6	1 179,8
Current liabilities	(1 686,6)	5 231,3
Non-current liabilities	-	40,4
Net Assets	**1 018,2**	**580,4**
Net Assets attributable to NCI	**146,6**	**77,4**
Dividends paid to NCI during the year	**48,0**	**Nil**

Notes *(continued)*

15 *Share capital*

Per 31 December 2016 Cognosec AB registered Share capital consisted of 257.2 Million Shares (2015: 244.8 Million Shares) and amounted to 643 TSEK (2015: 612 TSEK). Cognosec AB has registered Euro as the currency in which its Share capital is to be denominated in. At 31 December 2016, the Par value had not been redenominated from SEK to EUR. The redenomination will occur in 2017.

To facilitate an analysis of changes in the number of issued Shares and the Share capital for both 2015 and 2016 the Share capital, as presented in the Primary Financial Statements are presented at the exchange rate per 31 December 2015, which was 9.23 SEK per EUR. Per 31 December 2016 the Par value of each Share is 0.0025 SEK (2015: 0.0025) or 0.000278 EUR (2015: 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 2016 and 2015 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
Shares issued at	**31 December 2015**	**-**	**247 600 000**	**0.0025**
Shares issued at	**1 January 2016**		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**

16 *Earnings per Share*

Basic earnings per share are calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2016	2015
Net result attributable to shareholders of the Parent (€ 000)	(3 737)	1 297
Weighted average number of ordinary shares in issue (Thousands)	252 639	169 273
Basic earnings per share (€ per share)	**(0.0148)**	**0.0077**

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 2016 or 2015.

Notes *(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	92,0	276,0	-
Europe	40,0	-	-
Kenya	28,0	84,0	-
UAE	48,0	144,0	-
Total	**208,0**	**504,0**	-

18 *Related party transactions*

UC Group Ltd which is controlled by Cognosec's principal owner, JA Paulsen, currently provides services to Cognosec. The cost up to and including 31 December 2016 amounts to nil (2015: 25k EUR).

The Groups subsidiaries in South Africa paid EUR 92k 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.

19 *Subsequent events*

On the 24th of January Cognosec AB announced that an exclusive agreement with A-tek Distribution had been signed. A-tek 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 is expected to close at the end Q2, 2017 subject to legal, financial and technology due diligence exercises.

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	€ 5 609 800,00
Current year Loss	€(1720 700,00)
Total	**€ 3 889 100,00**

The board proposes that the available funds are carried forward.

To be brought forward **€ 3 889 100,00**

21 *Effects from the transition to International Financial Reporting Standards (IFRS)*

This is the first set of Consolidated Financial Statements for the Cognosec AB Group which are prepared under IFRS

Accounting policies detailed in Note 1 were used for preparing the Group Consolidation for; the year ended 31 December 2016, the comparative financial information which cover the year ended 31 December 2015 and the Opening Balances at 1 January 2016.Since the Cognosec AB Group was formed on 1 January 2015, no voluntary exemptions were applied on opening balances.

Transition effects due to the change in Accounting Standard from K3 to IFRS are presented in the below tables and the supplementing explanations. The impact from the conversion to IFRS are shown for all the Primary Financial Statements.

Reconcialtion between previously applied Accounting Standard and IFRS. IFRS 1 requires that a reconcialtion of the Consolidated Equity and Other Comprehensive Income, as presented under the previous accounting standard is reconciled to how the Financial information is presented under IFRS. The conversion to IFRS has not impacted the Consolidated Cash Flow Statement.

Therefore, the first date for which Financial information was prepared in accordance with IFRS was 1 January 2015, which was also the date when Cognosec AB as the Patent Company in the Group acquired its subsidiaries, for further details of the acquisition see Note 10 and 11.

Opening balances therefore only consist of the Parent company's' Financial Position, which consisted of Current Assets 200 TSEK, 145 TSEK Equity and 55 TSEK Trade payables. No adjustment was required upon transitioning the Parent Company's' opening balances from K3 to IFRS, and since there were no adjustments to the opening Financial Statements for the Parent.

Notes *(continued)*

Note 22 Effects from the transition to International Financial Reporting Standards (IFRS) *(continued)*

Company it is not presented per the below tables. The reconcialtion of the 2016 Result and Equity position, at 31 December 2016 between K3 and IFRS is based on the financial information presented in the 4th Quarter report for 2016 (which was presented under K3 Accounting Standard)

The reconcialtion of the 2015 Result and Equity position, at 31 December 2015 between K3 and IFRS is based on the financial information presented in the Annual Report for 2015 (which was p

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the year ended 31 December 2015 and in the preparation of an opening IFRS balance sheet at 1 January 2015 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Swedish K3). An explanation of how the transition from Swedish K3 to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

Note 22 Effects from the transition to International Financial Reporting Standards (IFRS) *(continued)*

	31 December		Effect of transition to Adopted IFRSs			Adopted IFRSs
	2015	Adj 1	Adj 2	Adj 3	Adj 4	**2015**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Revenue	16 791,2					16 791,2
Cost of sales	(10 943,0)					(10 943,0)
Gross profit	**5 848,2**					**5 848,2**
Administrative expenses	(3 991,3)	54,2				(3 937,1)
Operating profit	**1 856,9**					**1 911,1**
Financial income	51,0					51,0
Profit on ordinary activities before taxation	**1 907,9**					**1 962,1**
Tax on profit on ordinary activities	(458,3)					(458,3)
Profit on ordinary activities after taxation	**1 449, 6**					**1 503,8**
Attributable to						
Equity holders of parent	1 242,9					1 297,1
Minority interests	206,7					206,7
Profit for the financial year	**1 449,6**					**1 503,8**

	2016	2016
	€'000	**€'000**
Profit for the financial year	**1 449,6**	**1 503,8**
Exchange differences on translating foreign operations	(345,3)	(345,3)
	1 104,3	**1 158,5**
Attributable to		
Equity holders of parent	897,6	951,8
Non-controlling interest	206,7	206,7
Total comprehensive income for the year	**1 104,3**	**1 158,5**

Notes *(continued)*

Note 22 Effects from the transition to International Financial Reporting Standards (IFRS) (continued)

	2015	Adj 1	Adj2	Adj3	Adj4	**2015**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Non-current assets						
Intangible assets	1 008,4	54,2	3 517,0	1 748,0	(103,0)	6 224,6
Tangible assets	103,7					103,7
Other receivables	0,0					0,0
Investments in subsidiaries	0,0					0,0
Total Non-Current Assets	**1 112,1**					**6 328,3**
Current assets	14 824,1			(1 748,0)		13 076,1
Total assets	**15 936,2**					**19 404,4**
Current Liabilities	**(8 409,9)**					**(8 409,9)**
Non-current Liabilities	0,0					0,0
Total Liabilities	**(8 409,9)**					**(8 409,9)**
Net assets	**7 526,3**					**10 994,5**
Equity attributable to equity holders of the parent						
Share capital	66,2					66,2
Share premium	6 075,5					6 075,5
Retained earnings	1 407,1	54,2	3 517,0		(164,0)	4 814,1
Revaluation reserve	(345,0)			245,3	60,7	(38,8)
	7 203,5					**10 916,9**
Non-controlling interest	322,8			(245,3)		77,5
Total equity	**7 526,3**					**10 994,5**

Adjustment 1
Due to change in accounting Standard from K3 to IFRS Goodwill should no longer be amortised but assed annually for impairment or when there is an impairment indicator which indicates that goodwill may be impaired. The 2015 PL is therefore restated after the reversal of the 54.2 TEUR Goodwill amortisation expense previously recognised.

Adjustment 2
Due to change in accounting Standard from K3 to IFRS the Fair Value of both Cash Consideration and Non-Cash consideration should be recognised in the acquisition analysis. While the Cognosec AB only paid a Cash Consideration for the acquisition that took place in 2015, one of its larger shareholders paid the sellers with some of the shares that were in his name.

Adjustment 3
Adjsutment of the opening 2015 balance to remove a receivable amount relating to a dividend paid prior to the acquisition but not declared until after the acquisition and a dividend payment made to the sellers in 2016

Removal of the amount resulted in a corresponding increase in Goodwill

Adjustment 4
To reflect the redistribution of equity attributable to equity holders of the Parent and the Non-Controlling interest which arose from Adjustment 3; a reduction in the equity attributable to the Non-Controlling interest and a corresponding increase in the Equity attributable to the Parent.

Notes *(continued)*

Note 22 Effects from the transition to International Financial Reporting Standards (IFRS) (continued)

	31 December	Effect of transition to Adopted IFRSs					**Adopted IFRSs**
	2016	Adj 1,2,3&4	Adj 5	Adj 6	Adj 7	Adj 8	**2016**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Revenue	14 636,2						14 636,2
Cost of sales	(8 850,9)						(8 850,9)
Gross profit	5 785,3						5 785,3
Administrative expenses	(8 474,1)		125,1	(458,6)			(8 807,7)
Operating profit	(2 688,8)						(3 022,3)
Financial expense	(633,7)						(633,7)
Profit on ordinary activities before taxation	(3 322,5)						(3 656,0)
Tax on profit on ordinary activities	(12,0)						(12,0)
Profit on ordinary activities after taxation	(3 334,5)						(3 668,0)
Attributable to							
Equity holders of parent	(3 403,6)						(3 737,2)
Minority interests	69,1						69,1
Profit for the financial year	(3 334,5)						(3 668,0)

	2016						**2016**
	€'000	**€'000**	**€'000**	**€'000**		**€'000**	**€'000**
Profit for the financial year	(3 334,5)						(3 668,0)
							0,0
Exchange differences on translating foreign operations	(1 601,5)					(92,6)	(1 694,1)
	(4 936,0)						(5 362,1)
Equity holders of parent	(5 005,1)						(5 431,3)
Minority interests	69,1						69,1
Total comprehensive income for the year	(4 936,0)						(5 362,1)

Notes *(continued)*

Note 22 Effects from the transition to International Financial Reporting Standards (IFRS) (continued)

	2016	Adj 1,2,3&4	Adj 5	Adj 6	Adj 7	Adj8	2016
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Non-current assets							
Intangible assets	1 269,0	5 216,2	125,1	(458,6)			6 151,6
Tangible assets	56,8						56,8
Other receivables	0,0						0,0
Investments in subsidiaries	0,0						0,0
Total Non-Current Assets	**1 325,8**						**6 208,5**
Current assets	**5 032,2**	(1 748,0)					**3 284,2**
Total assets	**6 358,1**						**9 492,7**
Current Liabilities	(4 080,1)						(4 080,1)
Non-current Liabilities	0,0						0,0
Total Liabilities	**(4 080,1)**						**(4 080,1)**
Net assets	**2 278,0**						**5 412,0**
Equity attributable to equity holders of the parent							
Share capital	69,7						69,7
Share premium	5 703,0					149,0	5 852,0
Retained earnings	(3 794,0)	3 407,2	125,1	(458,6)	2 131,5	(334,2)	1 076,9
Revaluation reserve	0,0	306			(2 131,5)	92,6	(1 732,9)
	1 979,0						**5 266,0**
Non-controlling interest	391,9	(245,3)					146,6
Total equity	**2 278,0**						**5 412,0**

Adjustment 5
Due to change in accounting Standard from K3 to IFRS Goodwill should no longer be amortised but assed annually for impairment or when there is an impairment indicator which indicates that goodwill may be impaired. The 2016 PL is therefore restated after the reversal of the 125,1 TEUR Goodwill amortisation expense previously recognised.

Adjustment 6
The 4th Quarter report for 2016 included a transaction that should under IFRS not be recorded as Goodwill, the restated financial information has therefore recorded this as an expense in the PL.

Adjustment 7 & 8
While not a strict restatement due to the change in accounting Standard from K3 to IFRS; the adjustments were done to correctly reflect the accumulated amounts in the respective categories of equity and a goodwill translation effect.

Signatures of the CEO, Board and the Groups' auditor

Stockholm 7th June 2017

Jacobus Paulsen Chairman	Robert Brown CEO
Neira Jones Board member	Lord David Blunkett Board member
Björn Elowsson Board member	Anna Petre Board member
Patrick Boylan Board member	Daniel Holden Board member
Magnus Stuart Board member	

Our audit opinion was issued on 7th June 2017 ÖhrlingsPricewaterhouseCoopers AB

Martin Johansson
Authorised Public Accountant

Auditor’s report

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 2016.

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 2016 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 2016 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.

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 intends 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: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. 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 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated 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's 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/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Stockholm 7 June 2017

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant