

# ANNUAL REPORT

PROFIT HOLDING LTD

(01.01. - 31.12.2016)

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PROFIT HOLDING OY

Y-tunnus 2630484-6

Gräsantörmä 2, 02200 Espoo

Merkitty kaupparekisteriin 08.08.2014

Verotuskunta Espoo

## The Board of Director' Report

Profit Holding Ltd (originally Shelco 51 Ltd) was established on 1st July 2014 and registered in the Trade Register on 8th August 2014. Profit Holding Ltd acquired Profit Software Oy's shares on 30th September 2014 whereby Profit Holding Ltd Group was formed. Profit Holding Ltd Group consists of the parent company Profit Holding Ltd, Profit software Ltd and its subsidiary Profit Software Oü in Estonia.

### FINANCIAL RESULTS

Parent company Profit Holding Ltd's income was generated from management of the group companies, as the Managing Director of the Group operates under Profit Holding Ltd. Profit Holding Ltd operates otherwise as the financing company of Profit Software Ltd. Profit Holding Ltd's fiscal year 2016 net sales amounted to EUR 318 thousand (2015: EUR 323 thousand). The parent company's profit for the period was EUR 494 thousand (2015: EUR 3 489 thousand). Company's total assets on 31st December 2016 were EUR 23 715 thousand (2015: EUR 27 695 thousand) and shareholders' equity EUR 9 910 thousand (2015: EUR 11 128 thousand)

The Group's net sales from 1 January to 31 December 2016 was EUR 11 748 thousand (2015: EUR 10 760 thousand) and the result before taxes was EUR 3 009 thousand (2015: EUR 2 708 thousand) and net profit was EUR 2 404 thousand (2015: EUR 1 936 thousand). The consolidated balance sheet per 31st December 2016 was in total EUR 24 878 thousand (2015: EUR 26 241 thousand) and shareholders' equity was EUR 11 641 thousand (2015: EUR 11 289 thousand)

Information about the Group's operational activities are presented in Profit Software Ltd's, the subgroup's financial statements. The Group's financial ratios are presented in the notes to the financial statements.

### SUBGROUP

Profit Holding Ltd Group consists of the parent company Profit Holding Ltd, Profit software Ltd and its subsidiary Profit Software Oü in Estonia.

### RESEARCH AND DEVELOPMENT

The 2016 research and development costs were EUR 2.9 million (2015: EUR 1.5 million)

In year 2015, Profit Software made concrete plan for further development of group pension module. The plan was executed during year 2016 and the module will be ready for production in year 2017. Its development took nearly 10 man-years.

In spring 2016, Profit Software decided to develop new business areas in the so-called. Fintech market. To bring this vision forward, a sales and customer oriented ProtoX-product development team was set up using the agile development method. During the fall, the team developed two new prototypes which were used to get feedbacks from the market. It seems that the market's need was well identified and reflected in the second prototype which is ready for the first customer trial use and for moving forward to the actual productizing stage.

# THE BOARD OF DIRECTOR' REPORT

Towards the end of 2016, planning for the renewal of the Profit Life & Pension User Interface also started. This is a big project, which will be divided into several subprojects, so that the implementation can be done step by step. Part of the planning is usability research, which reveals the problematic areas from usability point of view, as well as architectural plan, the aim of which is to allow the gradual renewal of the user interface.

## PERSONNEL

At the end of 2016, the number of employees was 112 (2015: 96). The parent Company has 1 employee (2015: 1).

## BOARD OF DIRECTORS AND AUDITORS

Members of Board were elected in Profit's Annual General Meeting held on 2nd March 2017. The members are Benjamin Kramarz, Björn Norrbom and Ilkka Lohi. Authorized Public Accountant Mauri Eskelinen and KPMG Oy were re-nominated as the company's auditors. Ilkka Starck continues as the company's CEO.

## SHARES, OPTIONS AND SHARE ISSUES

The parent company has in total 8 405 391 shares and one share series.

It was decided in the board meeting held on the 5<sup>th</sup> January 2016 that the deferred purchase price of EUR 152980 owed to Ilkka Starck under the Share Purchase Agreement relating to the shares in Profit Software Oy becomes immediately due and accordingly, that Ilkka Starck had subscribed and paid for 152 980 new shares issued to him pursuant to the shareholder resolution dated 30<sup>th</sup> September 2014 by setting the entire EUR 152 980 receivable from the company against the subscription of the shares.

The option holders of the company had subscribed for a total of 217 891 new shares in accordance with the option agreements dated 30<sup>th</sup> September 2014 by making payments of EUR 1 per share.

The subsidiary Profit Software Ltd had on the fiscal year closing date 1 014 330 own shares which represents approximately 1.3% of all shares.

## ASSESSMENT OF SIGNIFICANT RISKS AND UNCERTAINTIES

Risk management is part of the Group's normal planning, operational and monitoring processes. Risk management aims to identify, estimate, monitor and mitigate the operation-threatening risks. Risks can be classified into a few main categories, such as strategic, operational, financial and accidental risks.

Strategic, operational and financial risks:

### *Strategic and operational risks:*

Profit's main business areas are Finland and the Nordic countries; therefore, the company is exposed especially to the business risks of these areas. All clients of Profit are in the insurance sector. The success of Profit highly depends on general development of the insurance industry and the clients' willingness to invest. To mitigate business risks and dependency on key projects, Profit will expand the product range and actively develop new business concepts and areas.

# THE BOARD OF DIRECTOR' REPORT

As Profit works in Finland as well as in Estonia and Sweden, changes in the taxation and legislation of these countries may affect Profit's financial position. Business and personnel management in three different countries with different juridical, cultural and language environments is also challenging.

## *Accidental risks:*

In principal, the Group has insurances to cover the damages caused by accidents, litigation and other legal proceedings.

## *Financial risks:*

To manage the interest rate risk, the Group's loans are diversified with fixed and floating rates. The Group's finance department is responsible for taking procedures to cover the financial risks when necessary. Majority of the Group's cash flows are in euro, thus exchange rate risk is very small.

Most of the parent company's loans are at a floating rate. The bank loan EUR 6.8 million lent by Nordea is charged with a floating rate of six month Euribor plus 1.5% margin. The financial impact caused by the fluctuations in the market may be considerable. One percentage increase in interest rate weakens the company's result by EUR 0.1 million. The bank loans contain covenant, which may have impact on the future financial costs.

The Company fulfilled the provisions of the bank loan covenant at the checkpoint of 31st December 2016.

## POST FISCAL YEAR-END EVENT

No significant events have taken place in the company after year-end

## BUSINESS OUTLOOK FOR YEAR 2017

The Group continues to invest in innovation and product development to develop its skills and offerings, as well as to meet the needs of its customers. New solutions are offered to support existing and new customers' system solutions, which implementation needs to be rapid in a rapidly changing environment. In addition to the existing insurance business, the Group will develop the supply of services to cover the needs of a broader financial service sector.

The main objectives of 2017 are net sales growth, development of new business in services and supply of new products. This activity is sought both in Finland and the Nordic countries, Sweden is at the centre of the company's growth. The company's expansion in Sweden will be accelerated in 2017 and staff will be possibly hired in Sweden to develop service business.

## THE BOARD'S PROPOSAL FOR DISTRIBUTION OF PROFIT

The distributable fund of the parent company was EUR 9 907 thousand. The Board of Directors proposed to the Shareholders' General Meeting that it would distribute to the shareholders the total EUR 2 000 000 dividend received from the subsidiary company Profit Software Ltd in Spring 2017.

## **Board**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

## Consolidated Statement of Comprehensive Income (IFRS)

	Notes	01.01.-31.12.2016	01.01.-31.12.2015
<b>REVENUE</b>	<b>1</b>	<b>11 747 644</b>	<b>10 760 102</b>
Other Income	2	65 791	0
External Services		-65 445	-55 138
Personnel Expenses	3	-6 567 114	-5 469 234
Depreciations and Amortizations	4	-171 792	-245 189
Other Operational Expenses	5	-1 480 654	-1 694 115
<b>INCOME BEFORE INTERESTS AND INCOME TAXES</b>		<b>3 528 429</b>	<b>3 296 427</b>
Financing Income and Expenses	7	-519 289	-587 641
<b>FINANCING INCOME AND EXPENSES</b>		<b>-519 289</b>	<b>-587 641</b>
<b>INCOME BEFORE INCOME TAXES</b>		<b>3 009 140</b>	<b>2 708 786</b>
Income Taxes	8	-605 489	-772 186
<b>NET INCOME</b>		<b>2 403 651</b>	<b>1 936 601</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2 403 651</b>	<b>1 936 601</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the Parent Company		2 403 651	1 936 601
Non-controlling Interests			
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the Parent Company		2 403 651	1 936 601
Non-controlling Interests			
<b>Basic Earnings per Share</b>	<b>20</b>	<b>0,29</b>	<b>0,24</b>
<b>Diluted Earnings per Share</b>	<b>20</b>	<b>0,20</b>	<b>0,16</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

## Consolidated Statement of Financial Position (IFRS)

	Notes	31.12.2016	31.12.2015
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible Assets	9	50 186	193 837
Goodwill	9	20 196 789	20 196 789
Tangible Assets	10	41 149	50 287
Deferred Taxes	13	46	78 698
<b>FIXED ASSETS</b>		<b>20 288 170</b>	<b>20 519 611</b>
<b>CURRENT ASSETS</b>			
Accounts Receivables and Other Receival	12	1 677 867	1 104 615
Cash and Cash Equivalents	14	2 911 440	4 616 914
<b>CURRENT ASSETS</b>		<b>4 589 306</b>	<b>5 721 529</b>
<b>TOTAL ASSETS</b>		<b>24 877 476</b>	<b>26 241 140</b>
<b>LIABILITIES AND EQUITY</b>			
<b>OWNER'S EQUITY</b>			
Share Capital		2 500	2 500
Reserve for Invested Non-Restricted Equity		6 984 840	8 878 166
Retained Earnings		4 653 603	2 408 653
<b>TOTAL OWNER'S EQUITY</b>	15	<b>11 640 943</b>	<b>11 289 319</b>
<b>LIABILITIES</b>			
<b>LONG-TERM LIABILITIES</b>			
Loan Payable		8 954 505	11 659 190
Deferred Tax Liabilities		653 771	224 975
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>9 608 276</b>	<b>11 884 165</b>
<b>CURRENT LIABILITIES</b>			
Loan Payable		1 807 804	1 604 613
Accounts Payable and Other Payables		661 058	495 806
Accrued Liabilities		1 159 395	935 789
Deferred Taxes Liabilities		0	31 447
<b>TOTAL CURRENT LIABILITIES</b>		<b>3 628 257</b>	<b>3 067 655</b>
<b>TOTAL LIABILITIES</b>	16	<b>13 236 533</b>	<b>14 951 820</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24 877 476</b>	<b>26 241 140</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

## Consolidated Statement of Cash Flows (IFRS)

	1.1.-31.12.2016	1.1.-31.12.2015
<b>CASH FLOW FROM OPERATING ACTIITIES</b>		
Net Income	2 403 651	1 936 601
Adjustments to Reconcile Net Income		
Depreciation and Amortization	171 792	245 189
Financial Income and Expenses	519 289	587 641
Taxes	605 489	772 186
Other Adjustments	-11	278
Change in Operating Assets and Liabilities		
Change in Short-Term Receivables	-573 252	96 805
Change in Short-Term Liabilities	388 858	108 380
Paid and Received Interest	-284 261	-587 641
Paid and Received Tax	-54 921	0
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3 176 635</b>	<b>3 159 439</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment in Fixed Assets		-29 284
Purchase of Subsidiary's Shares	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>0</b>	<b>-29 284</b>
<b>CASH FLOW BEFORE FINANCING ACTIVITIES</b>	<b>3 176 635</b>	<b>3 130 155</b>
Loan Withdrawals	6 800 000	0
Loan Payments	-8 400 000	-1 294 359
Finance Lease Repayments		
Received Capital Return	-3 500 000	
Issue of Shares	217 891	
Purchase of Own Shares		-1 743
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-4 882 109</b>	<b>-1 296 102</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>-1 705 474</b>	<b>1 834 053</b>
<b>NET CASH ON BALANCE SHEET</b>		
Cash and Cash Equivalents at the Beginning of Period	4 616 914	2 782 861
Cash and Cash Equivalents at the End of Period	2 911 440	4 616 914
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>-1 705 474</b>	<b>1 834 053</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

## Consolidated Statement of Changes in Equity (IFRS)

	Share Capital	Retained Earnings	Reserve for Invested Non-Restricted Equity	Total Equity
<b>SHARE CAPITAL 1.1.2016</b>	<b>2 500</b>	<b>2 408 653</b>	<b>8 878 166</b>	<b>11 289 319</b>
<b>Comprehensive Income</b>				
Net Income		2 403 651		2 403 651
Other Comprehensive Income				
<b>Total Comprehensive Income</b>		<b>2 403 651</b>		<b>2 403 651</b>
<b>Transactions with Shareholders</b>				
Return of Capital			-2 083 432	-2 083 432
Convertible Loans			-180 766	-180 766
Issues of Shares			370 871	370 871
Other Changes		-158 701		-158 701
<b>Transactions with Shareholders in Total</b>		<b>-158 701</b>		<b>-158 701</b>
<b>SHARE CAPITAL 31.12.2015</b>	<b>2 500</b>	<b>4 653 603</b>	<b>6 984 840</b>	<b>11 640 943</b>

	Share Capital	Retained Earnings	Reserve for Invested Non-Restricted Equity	Total Equity
<b>SHARE CAPITAL 1.1.2015</b>	<b>2 500</b>	<b>473 795</b>	<b>8 878 166</b>	<b>9 354 461</b>
<b>Comprehensive Income</b>				
Net Income		1 936 601		1 936 601
Other Comprehensive Income				0
<b>Total Comprehensive Income</b>		<b>1 936 601</b>		<b>1 936 601</b>
<b>Transactions with Shareholders</b>				
Purchase of Own Shares		-1 743		-1 743
<b>Transactions with Shareholders in Total</b>		<b>-1 743</b>		<b>-1 743</b>
<b>SHARE CAPITAL 31.12.2015</b>	<b>2 500</b>	<b>2 408 653</b>	<b>8 878 166</b>	<b>11 289 319</b>

## Notes to Consolidated Financial Statements

### **ACCOUNTING POLICIES**

Profit Holding Group develops and delivers software and system solutions for the financial sector, particularly for the insurance business.

The parent company Profit Holding Ltd is a Finnish private limited company domiciled in Espoo Finland. Its registered address is Gräsantörmä 2, 02200 Espoo.

Copies of the Annual Report 2016 are available at Gräsantörmä 2, 02200 Espoo.

Profit Holding Ltd.'s Board of Directors authorized the Financial Statements for issue on 2<sup>nd</sup> March 2017.

### **ACCOUNTING PRINCIPLES**

The consolidated financial statements of Profit Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union and in accordance with the standards and interpretations effective on 31st December 2016. The consolidated financial statements also comply with Finnish IFRS as adopted by accounting and corporate law requirements.

The consolidated financial statements for the period 01.01.2016 - 31.12.2016 is prepared in accordance with the application of accepted international accounting standards (International Financial Reporting Standards, IFRS) effective on 31st December 2015, such as IAS and IFRS standards and SIC and IFRIC interpretations. The International Financial Reporting Standards applied here are the IFRS standards and interpretations which comply with both the Finnish Accounting Act and the EU Directives (EC) No 1606/2002. The notes to the consolidated financial statements are also in compliance with the Finnish accounting and corporate law requirements complementary to the IFRS-standards.

The consolidated financial statements have also been prepared in accordance with the going-concern principle. The going-concern principle is defined on the basis of the business and financial plans approved by the Board of Directors. The main risks are associated with fixed-price projects' schedule of completion and how quickly the market of the Company's products recovers from the recession. Materialization of such risks could weaken the Company's financial position and jeopardize the continuity of its operation.

The consolidated financial statements are presented in euro and prepared under the historical cost convention except as disclosed below.

Preparation of the financial statements in accordance with the IFRS-standards requires the Group's management to make certain estimates and judgements in applying the accounting policies, as described in more detail at the end of the accounting principles.

### **CONSOLIDATION PROCEDURES**

The subsidiaries are entities controlled by the Group. Control is presumed to exist when the Group is involved in the business activities of the subsidiary and is exposed or entitled to the variable return of the subsidiary, and has the power to influence the variable return. Acquired subsidiaries are consolidated from the date on

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

which the Group obtain the control and divested subsidiaries are consolidated till the date on which the control ceases.

The consolidated financial statements include the accounts of the parent company Profit Software Oy and its wholly owned subsidiary Profit Software OÜ that is entirely under the control of the parent company.

The subsidiaries are consolidated to the Group's financial statements by using the acquisition method. All internal transactions, internal profits, profit distributions and mutual shareholdings of Group companies are eliminated as part of the consolidation process

## **FOREIGN CURRENCY TRANSLATION**

The presentation and measurement currency of the Group's parent company is euro.

Receivables and liabilities in foreign currencies are converted into euros at the average exchange rate of the closing date. Gains and losses arising from the transactions in foreign currencies are entered in comprehensive income or loss.

Income statements of the foreign subsidiaries have been converted monthly into euros using the monthly average rate quoted by the European Central Bank on the balance sheet dates.

Foreign exchange gains and losses are included in the corresponding items above the operating profit, otherwise they are recognized in financial items.

## **REVENUE RECOGNITION**

The rendered services are recognized as revenue on a monthly basis. Annual maintenance fees are always recognized as revenue over the term of the contract

For the long-term and fix-priced projects, revenue is recognized on the basis of the percentage of completion in condition that the outcome of the project can be estimated reliably. The stage of completion is determined by Percentage of Completion method: the pro-portion that costs incurred to date bearing to the estimated total costs of the transaction. If the estimates of the project change, the recognized sales and income in the period in which the change first becomes known and estimable. When the outcome of a project cannot be estimated reliably, the costs incurred are recognized as an expense, and project revenue is recognized only to the extent that contract costs incurred will be recoverable. An expected loss is recognized immediately as an expense as soon as such loss is probable.

License revenue is recognized in accordance with the substance of the agreement.

## **OTHER OPERATING INCOME**

Grants received as compensation for expenses incurred are recognized in the income statement at the same time when the expenditure of the grant are entered as an expense. Such grants are included in other operating income.

## **OPERATING PROFIT**

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

IAS 1 *Presentation of Financial Statements* doesn't not define the concept of operating profit. Profit Software's operating profit is calculated as follows:

Operating profit is equal to revenue plus other operating income less the acquisition costs of materials and services including subcontractor costs, personnel costs, depreciation and impairment costs, and other operating costs. All other income statement items not mentioned here are presented below the operating profit. Foreign currency translation differences generated from operating activities are included in the operating profit.

## **RESEARCH AND DEVELOPMENT COSTS**

Research costs are expensed as incurred. Research and development costs incurred to develop new products and significant improvements in containing the development of new product versions will be capitalized as intangible assets, provided that the product is technically feasible, commercially exploitable, and that is expected to generate future economic benefits. Capitalized development costs include material, work and testing costs that are directly attributable to preparing the asset for its intended use.

Product Development expenditure is recognized as an expense and amortized over their useful lives. The estimated useful life of the capitalized development costs in the balance sheet is 5 years. Technological obsolescence, as well as the typical life cycle of products is taken into consideration in determining the useful life.

Amortization begins when the product version is released and is available for sale. Maintenance of existing products and minor enhancements are recognized as an expense.

## **INTANGIBLE ASSETS**

Intangible assets including goodwill, computer software and capitalized development costs are initially recognized at the original acquisition costs, provided that the cost can be measured reliably and the future economic benefits attributable to the asset will flow to the company.

Subsequently, intangible assets are stated at historical cost less accumulated depreciation and any impairment losses.

Intangible assets are amortized in the income statement on straight-line basis over their useful lives. The estimated useful lives are 5 to 10 years.

Goodwill arising from business combinations is recognized when total combined value of the consideration transferred, the non-controlling interest in the acquiree and previously owned portion exceeds the fair value of the net assets acquired.

Goodwill is not amortized, but is tested for impairment annually and whenever there is any indication that the carrying value may be impaired. For this purpose, goodwill is allocated to cash-generating units. Goodwill is stated at cost less accumulated impairment losses.

## **TANGIBLE ASSETS**

Tangible assets include IT machinery and equipment. Tangible assets are measured at original acquisition costs less accumulated depreciation and eventual impairment. The estimated economic lifetime of IT

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

machinery and equipment is 4-5 years. These assets are depreciated over their estimated useful life. Historical cost includes expenditure that is directly attributable to the acquisition of the tangible assets.

The useful life and residual value of the tangible assets are reviewed at least at each financial statement, and the necessary adjustments are made to meet the expected economic benefits changes.

Capital gains and losses from sale of tangible assets are recognized as operating income or expenses.

## **IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS**

The company will review on each balance sheet date whether there is any indication of decline in value for an asset. Whenever such indication appears, impairment test should be conducted and the carrying value of an asset or a group of identical assets should be compared to its recoverable amount. Impairment test is done automatically for the on-going R&D projects on annual basis regardless whether indication of impairment exists. The recoverable amount is the fair value or the asset less the costs of its sale, or its value in use, whichever is the higher. The value in use is the present value of the future cash flows expected to be derived from an asset or cash generating units. When the recoverable amount of an asset is less than its carrying amount, the carrying amount should be reduced to the recoverable amount. The impairment loss should be recognized as an expense immediately.

The impairment losses should be reversed in case of changes in situation and the recoverable value of an impaired asset has changed. Impairment losses on goodwill are not reversible under any circumstances.

## **LEASE – THE GROUP AS A LESSEE**

Leases of tangible assets where the Group has a substantial part of the ownership risks and rewards are classified as finance leases. A finance lease is an asset in the balance sheet at the inception of the lease term of the leased asset at fair value or, if lower, the present value of minimum leases. Plant and equipment acquired under finance leases are depreciated over their useful life or over the lease term, which could be shorter than the useful life. Finance lease contracts are recorded in tangible assets, which are subject to impairment test as described above.

The present value of the finance lease liabilities is recorded as interest-bearing liabilities, which are categorized into current and non-current liabilities. Lease payments are recorded as financing costs and a reduction in debt during the lease period.

The rents of the rental agreements, for which substantially all the risks and benefits remain with the lessor are recognized as an expense on a straight-line basis over the lease period. Such leases mainly include real estate rentals and leasing cars.

## **ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

Trade receivables are generated from sales of products, software licenses and services. They are classified into loans and other receivables – category, which is measured at acquisition cost. They are included in current assets, except when they mature more than 12 months.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Trade receivables are considered impaired when there is objective evidence that the receivable will not be recovered in full. If the amount of the impairment loss decreases later, the recognized impairment loss is reversed through profit and loss.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash, call deposits with banks and rent deposits. The utilized amount of a credit limit is booked as a short-term loan liability in short-term liabilities.

## **FINANCIAL LIABILITIES**

Financial liabilities are initially recognized at their fair value. Transaction costs are included in the original book value of the financial liabilities. Later, all financial liabilities are discounted with the effective interest method

Financial liabilities are categorized, on the basis of their due dates, into two main categories, long-term and short-term liabilities.

The fair value of the convertible loan has been calculated by using the market interest rate at the time when the loan was issued. The liability component is measured at amortized cost until it is amortized completely by converting the loan into shares or paying back the loan. The remainder of the amount of money, in other words, the equity component net of tax, is recorded to the invested non-restricted equity fund.

## **FINANCIAL COSTS**

Financial costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of the asset when it is probable that they will generate future economic benefits, and the costs can be measured reliably. Financing costs are recognized as an expense in the period in which they are incurred. The Group has no such costs fulfilling the conditions of financing costs at the reporting date.

## **PENSIONS**

Profit Holding Ltd's subsidiaries' statutory pension scheme is handled through pension insurance companies. Pension schemes for foreign subsidiary comply with the relevant regulations and practices in the relevant country where the group applies defined-contribution pension plan and has no obligation to make additional subsequent payments. The related costs are recognized in the income statement in the relevant period.

## **PROVISIONS**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, the payment obligation is probable and the amount can be reliably estimated. A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations exceed the benefits received from the contract. A warranty provision is recognized when the product or service subject to the warranty terms and conditions have been sold and the magnitude of potential guarantee costs can be accurately enough to predict.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **SHARES, OPTIONS AND OWN SHARES**

Dividends are deducted from shareholders' equity when the Annual General Meeting has made the decision of dividend distribution. Purchase of own shares and its related direct purchase costs are recognized as a reduction in shareholders' equity.

## **INCOME TAXES AND DEFERRED TAXES**

Tax expenses in the income statement comprise tax based on taxable income for the period and deferred taxes. Income tax is recognized otherwise in the income statement unless it's recognized directly under equity or under comprehensive profit, in which case the tax impact will be also incorporated in the aforementioned items.

Deferred taxes are calculated on all temporary differences between the book value and taxable value. Investments in subsidiaries do not generate deferred taxes, as the Group is able to control the timing for the reversal of the temporary difference, and the temporary difference is unlikely to be reversed in the foreseeable future. Deferred taxes are recorded in using the statutory tax bases effective by the closing date of the fiscal year. However, a deferred tax liability is not recognized from the initial recognition of goodwill or if it arises from initial recognition of an asset or liability, as it is not a business combination and its transaction has no impact on the accounting profit or on the taxable income.

Tax losses carried forward is recognized as a deferred tax asset, assuming that the company generates in the future taxable income against which the losses can be utilized. Recognition of deferred tax assets is assessed at each reporting date.

## **ACCOUNTING PRINCIPLES AND MAJOR UNCERTAINTIES AFFECTING MANAGEMENT'S ESTIMATES**

The preparation of the financial statements requires management to make estimates and assumptions relating to the future. Actual results may differ from these estimates and assumptions. In addition, management must make judgements in applying the accounting principles and in recognizing revenue of the projects in progress. These estimates are based on management's best knowledge of current events and actions. Possible changes in estimates and assumptions are recognized in the period which the estimate or assumption is adjusted and in all subsequent periods.

The most important estimates included in the financial statements relate to the valuation of assets, trade receivables saleability, deferred tax asset arising from losses, impairment test of goodwill from business combinations, capitalization of product development costs.

## **DETERMINATION OF FAIRE VALUE OF AN ASSET ACQUIRED IN A BUSINESS COMBINATION**

The Group's management believes that the estimates and assumptions used are sufficiently accurate for determining the fair values. In addition, the Group assesses at each balance sheet date whether there are any indications of tangible and intangible assets impairment.

## **IMPAIRMENT TEST**

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group carries out annually impairment test of goodwill, intangible assets and intangible assets with an indefinite useful life. In accordance with the accounting policies set out above, the Group assesses indications of impairment. The recoverable amounts of cash-generating units are calculated on the basis of value in use. These calculations require estimates.

## **ADOPTION OF NEW AND AMENDED STANDARDS & INTERPRETATIONS**

The same accounting policies have been applied as in the 2015 consolidated financial statements.

The narrow legislative amendment entering into force in year 2016 had no impact on the consolidated financial statements.

In the subsequent years, the following standards will enter into force. Their potential impact on the consolidated financial statement will be evaluated in future periods.

New IFRS 15: Sales of the customer agreements \* (applicable on or after 1.1.2018 for annual periods beginning): IFRS 15 provides a comprehensive framework to determine whether the sales revenue remitted to how much and when. IFRS 15 replaces the existing guidance on revenue recognition, for example. IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes. IFRS 15 requires an entity to record sales as a monetary amount that reflects the consideration to which the entity expects to be entitled to the goods or services received. The Group will evaluate the potential impact of the new standards in the coming fiscal year.

The new IFRS 9 Financial Instruments \* (applicable on or after 1.1.2018 for annual periods beginning): The new standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 o'clock included in the revised guidelines of financial instruments recognition and measurement. This also includes the new, expected credit losses on the accounting treatment of the model, which applies to the financial assets recognized in the determination of impairment losses. The standard general hedge accounting provisions have also been updated. IAS 39, provisions for financial instruments in the balance sheet recording and de-recognition has been retained. The Group will evaluate the potential impact of the new standards in the coming fiscal year.

Other issued new or amended standards and interpretations, that are not mentioned here, are not assessed to have a significant impact on the Group's consolidated financial statements.

The new IFRS 16 Leases \* (applicable on or after 1.1.2019 for annual periods beginning): The new standard replaces the current IAS 17 Leases – standards and its interpretations. The new standard changes essentially accounting practices related to Lessees. The division under finance and operating leases is removed. The new standard requires that certain type of facilities shall be considered in future Lessees balance sheet. Lessor's accounting practices remain largely unchanged.

Other unlisted but already published new or amended standards and interpretations are not expected to have any significant impact on the consolidated financial statements.

\* = This provision has never been approved for application within the EU 31.12.2016.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Revenue

	1.1.-31.12.2016	1.1.-31.12.2015
Custoer support and Maintenance	5 048 982	4 582 925
Project work	5 359 947	4 721 351
Annual Licenses and Maintenance	1 103 817	1 325 169
Other Revenue	234 897	130 657
<b>Total Revenue</b>	<b>11 747 644</b>	<b>10 760 102</b>

## 2. Other Income

	1.1.-31.12.2016	1.1.-31.12.2015
Grants	65 791	0
<b>Other Income in Total</b>	<b>65 791</b>	<b>0</b>

## 3. Personnel and Related Parties

	1.1.-31.12.2016	1.1.-31.12.2015
Salaries	5 163 705	4 304 803
Pension Costs	676 243	600 386
Other Personnel Costs	727 166	564 045
<b>Total Personnel Expenses</b>	<b>6 567 114</b>	<b>5 469 234</b>

### Average Number of Employees

Finland	65	56
Estonia	47	40
<b>Total Number of Employees</b>	<b>112</b>	<b>96</b>

### Related Party Transactions

Profit Software Group consists of the parent company and its subsidiary.  
Other related party consists of the Board of Directors and the Management.

Salaries and bonuses were paid to the Management team and to the members of the Board as follows:

	1.1.-31.12.2016	1.1.-31.12.2015
Salaries and Other Compensations to the Management Team	622 205	674 226
Compensations Paid for Board Members	20 000	20 000

No material/service transactions with the members of related parties took place during the fiscal year.  
Via Venture Partners II K/S has granted to the parent company convertible loan which is further described in in Note 16.

### Major Shareholders:

Owner	Number of Shares	Percentage
Via Venture Partners Fond II K/S	4 017 500	47,80 %
Finnish Industry Investment Ltd	2 998 830	35,68 %
Ilkka Starck	948 403	11,28 %
Other Owners	440 658	5,24 %
	<b>8 405 391</b>	<b>100,00 %</b>
Purchases from Profit Software Ltd	0	400 841
Sales to Profit Software Ltd	394 688	0
Loans from Profit Software Ltd	0	2 000 000
Interests payable to Profit Software Ltd	41 861	31 847
Group Contribution from Profit Software Ltd	1 100 000	610 000
Long-term Loans payable to Profit Software Ltd	2 000 000	2 024 090

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 4. Depreciation and Amortizations

Depreciations and Amortizations	1.1.-31.12.2016	1.1.-31.12.2015
<b>Intangible Assets</b>		
Amortization of Activated R&D Costs	143 652	203 939
Amortization of Goodwill	0	0
<b>Total Intangible Assets</b>	<b>143 652</b>	<b>203 939</b>
<b>Tangible Assets</b>		
Machinery and Equipment	28 141	29 862
Finance Lease Amortizations	0	11 389
<b>Total Tangible Assets</b>	<b>28 141</b>	<b>41 251</b>
<b>Depreciations and Amortizations in Total</b>	<b>171 792</b>	<b>245 189</b>

## 5. Other Operating Expenses

	1.1.-31.12.2016	1.1.-31.12.2015
Office Rent	341 376	321 512
IT and Software Costs	379 180	356 016
Optional Personnel Expenses	136 824	95 858
Subcontractors	143 834	330 861
Other Expenses	479 440	589 868
<b>Other Operating Expenses</b>	<b>1 480 654</b>	<b>1 694 115</b>

## 6. R&D Costs

R&D costs totalled EUR 2,9 million in the subsidiary in 2016. Development costs include costs that are directly attributable to preparing the asset for its intended use, i.a. personnel costs.

## 7. Financing Income and Expenses

	1.1.-31.12.2016	1.1.-31.12.2015
<b>Financing Income</b>		
Interest Expenses on Loans Measured at Amortised Cost	0	0
Other Financing Income and Expenses	13 598	130 281
<b>Financing Income</b>	<b>13 598</b>	<b>130 281</b>
<b>Financial Expenses</b>		
Interest Expenses on Loans Measured at Amortised Cost		
Other Financial Expenses	-532 887	-717 922
Interest on Finance Lease	0	0
<b>Financial Expenses</b>	<b>-532 887</b>	<b>-717 922</b>
<b>Financing Income and Expenses Total</b>	<b>-519 289</b>	<b>-587 641</b>

## 8. Income Taxes

	1.1.-31.12.2016	1.1.-31.12.2015
Taxes payable for the Fiscal Year	-546 320	-31 447
Change in Deferred Tax Assets	-78 429	-762 067
Change in Deferred Tax Liabilities	19 260	21 328
<b>Total</b>	<b>-605 489</b>	<b>-772 186</b>

Change in deferred tax assets has been recorded in the income statement.

### Tax Booked Directly in Own Equity

EUR 1 416 568 was paid back to the convertible loan issued in financial year 2014. In following the original terms of the loan, EUR 1 057 683 before taxes and EUR 846 146 after taxes of the loan was booked into own equity at issuance of the loan. The repayment made in the financial year 2016 has been divided into own equity and liability in accordance with the proportions of the own equity as follows:

### 2016

Repayment	1 416 568
Repayment of Liabilities	1 190 611
Repayment of Equity	225 957
Equity Before Tax	225 957
Taxes	45 191
Equity after Tax	180 766

Reconciliation of Income Taxes	1.1.-31.12.2016	1.1.-31.12.2015
Income before Taxes	3 009 140	2 708 786
Taxes Calculated at the Domestic Tax Rate	-601 828	-541 757
Foreign Subsidiaries' Taxes	81 349	59 094
Non-Deductible Expenses	-1 190	-700 013
Marketing Expenses 50%	-1 039	-1 173
Tax Loss Carry-forward not Accrued Earlier	-78 475	395 752
Unrecorded Deferred Tax Liabilities		
Other	-4 305	15 911
<b>Reconciliation of Income Taxes</b>	<b>-605 489</b>	<b>-772 186</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 9. Intangible Assets

	2016	R&D Costs	Goodwill	Total
Acquisition Costs 1.1		478 903	20 196 789	20 675 692
Acquisition Costs 31.12		478 903	20 196 789	20 675 692
Accumulated Amortization and Impairment 1.1		-285 066	0	-285 066
Amortization		-143 652	0	-143 652
Accumulated Amortization and Impairment 31.12		-428 718	0	-428 718
Net Book Value 1.1		193 837	20 196 789	20 390 626
Net Book Value 31.12		50 185	20 196 789	20 246 974
	2015	R&D Costs	Goodwill	Total
Acquisition Costs 1.1		478 903	20 196 789	20 675 692
Acquisition Costs 31.12		478 903	20 196 789	20 675 692
Accumulated Amortization and Impairment 1.1		-81 128	0	-81 128
Amortization		-203 939	0	-203 939
Accumulated Amortization and Impairment 31.12		-285 066	0	-285 066
Net Book Value 1.1		397 776	20 196 789	20 594 565
Net Book Value 31.12		193 837	20 196 789	20 390 626

### Goodwill Impairment Test

Goodwill impairment is conducted annually. The company has no intangible assets with an indefinite useful life.

Impairment test is conducted at a cash generating unit level which generates its own cash inflow independent from the other cash generating units. No impairment loss was recognized from the impairment test conducted autumn 2016.

In addition to the impairment test, the company assesses on continuous basis the indications for the impairment of assets or goodwill. In case such internal or external indications exist, the Company performs impairment test by measuring the recoverable amount of an asset or a cash generating unit.

The recoverable amount of an asset or a cash generating unit is its fair value less costs to sell or its value in use, whichever is higher. The fair value is determined by discounting the future cash flow generated by the asset. The recoverable amount used in the company's impairment test is determined on its value in use.

If the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized. The impairment loss is recorded in profit or loss. The impairment loss recognized in previous fiscal years from other assets than goodwill can be reversed, if there has been change in the values used in the impairment tests which resulted in an impairment loss.

The key assumptions which the management uses in estimating future cash flow cover the most recent budgets/forecasts. The key assumptions have the most sensitive impact on the recoverable value of the cash generating unit. The key assumptions which affect the forecasts are the profitability and the business volume of the company.

Profit Holding as a whole is the cash-generating unit in the impairment test and its goodwill has been allocated fully on the group level.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Impairment Testing in 2016

The amount of goodwill on the closing date of 2016 is EUR 20.2 million. The total amount of assets of the cash generating unit to be tested is EUR 25 million.

The key assumptions used in the impairment testing are as follows:

The operating profit of the company plus depreciation and amortization during 1.1.2016- 31.12.2016 amounted EUR 3.7 million (2015: EUR 3.5 million). The effective interest rate used in the test is 11.79 %. In the forecast period, the growth rate was 2 %, which is in line with inflation forecast.

According to impairment testi, there is no indication of possible change in key assumptions that could cause a situation in which the carrying amount of the unit would exceed the recoverable amount.

## 10. Tangible Assets

	2015	Machinery and Equipment	Machinery and Equipment/Finance Lease	Total
Capital Costs 1.1		84 376	20 462	104 838
Additions		0	19 002	19 002
Capital Costs 31.12		84 376	39 464	123 840
Accumulated Depreciations 1.1		-38 505	-16 047	-54 551
Depreciations		-20 334	-7 806	-28 141
Accumulated Depreciations 31.12		-58 839	-23 853	-82 691
Net Book Value 1.1		45 872	4 415	50 287
Net Book Value 31.12		25 537	15 611	41 149
		Machinery and Equipment	Machinery and Equipment/Finance Lease	Total
<b>2015</b>				
Capital Costs 1.1		55 092	20 462	75 554
Additions		29 284	0	29 284
Capital Costs 31.12		84 376	20 462	104 838
Accumulated Depreciations 1.1		-8 642	-4 658	-13 300
Depreciations		-29 862	-11 389	-41 251
Accumulated Depreciations 31.12		-38 505	-16 047	-54 551
Net Book Value 1.1		46 450	15 804	62 254
Net Book Value 31.12		45 872	4 415	50 287

## 11. Acquisitions

### Business Acquisitions 2015

There were no business acquisitions in the financial year 2016.

### Acquisition of Subsidiaries 2014

Profit Holding Ltd. acquired the entirety Profit Software Ltd.'s shares on 30.09.2014. Profit Software specialises in IT-solutions for insurers. After the acquisition, Profit Holding Ltd owns 100% of Profit Software and thus gained control.

The purchase price was EUR 23 316 620. The purchase price includes the transfer tax of EUR 11 200, which is recorded in the IFR income statement under other operating expenses.

Market Value	23 316 620
Tax on Asset Transfer	-11 200
Total Acquisition Cost (IFRS)	23 305 420

The values of acquired assets and liabilities assumed at the acquisition date are as follows.

The figures are based on Profit Software's FAS-figures as of 30.09.2014. No Interim financial statements have been drawn up.

	Kirjatut arvot
Tangible Assets	55 091
Intangible Assets	478 903
Deferred Tax Assets	906 113
Accounts Receivables and Other Receivables	1 294 681
Cash and Cash Equivalents	1 780 860
Total Liabilities	4 515 649

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Tax Liabilities	199
Accounts Payable	67 908
Advances Received	47 000
Other Liabilities	1 291 911
<b>Total Liabilities</b>	<b>1 407 018</b>

Net Asset	3 108 631
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## Emergence of Goodwill:

Acquisition Cost	23 305 420
Net Value of the Acquiree's	3 108 631
<b>Goodwill</b>	<b>20 196 789</b>

The acquisition resulted in goodwill of EUR 20 196 789 on the basis of the expected synergy benefits from the acquisition of Profit Software Ltd. The company's management believes that the value of software, the value of its related intangible intellectual property rights and the value of customer relations are limited without the know-how of the employees. The acquisition did not differentiate between intangible assets and customer relations acquired. The recognized goodwill is not deductible for tax purposes.

## 12. Account Receivable and Other Receivables

	31/12/2016	31/12/2015
Accounts Receivable	1 581 317	1 032 004
Other Receivables	1 149	10 278
Accrued Income	95 401	62 333
<b>Trade Receivables and Other Receivables Total</b>	<b>1 677 867</b>	<b>1 104 615</b>

	31/12/2016	31/12/2015
<b>Accounts Receivables Aging</b>	<b>1 143 549</b>	<b>895 777</b>
Accounts Receivables Aging Due in 1-30 Days	437 768	136 227
<b>Total</b>	<b>1 581 317</b>	<b>1 032 004</b>

No credit loss has been recorded in the fiscal year 2016. The accounted value of sales and deposits is an evaluation of their fair value and the book values correspond with the amount that is the maximum amount of credit risk.

## 13. Deferred Tax Assets and Liabilities

Deferred Tax Assets	01/01/2016	Booked in earnings	Booked in own equity	31/12/2016
Loss Confirmed	78 647	-78 647	0	0
Other Assets	51	-5	0	46
<b>Deferred Tax Assets</b>	<b>78 698</b>	<b>-78 652</b>	<b>0</b>	<b>46</b>

Deferred Tax Assets	01/01/2015	Booked in earnings	Booked in own equity	31/12/2015
Loss Confirmed	840 542	-761 895	0	78 647
Other Assets	223	-172	0	51
<b>Deferred Tax Assets</b>	<b>840 765</b>	<b>-762 067</b>	<b>0</b>	<b>78 698</b>

Deferred Tax Liabilities	01/01/2016	Booked in earnings	Booked in own equity	31/12/2016
Convertible Loan	199 497	9 675	45 191	144 631
Financial Instruments	25 477	9 585	0	15 892
Other Liabilities		540 361		540 361
<b>Deferred Tax Liabilities</b>	<b>224 975</b>	<b>19 260</b>	<b>45 191</b>	<b>700 884</b>

Deferred Tax Liabilities	01/01/2015	Booked in earnings	Booked in own equity	31/12/2015
Convertible Loan	211 537	12 039	0	199 497
Financial Instruments	34 489	9 011	0	25 477
<b>Deferred Tax Liabilities</b>	<b>246 025</b>	<b>21 050</b>	<b>0</b>	<b>224 975</b>

Deferred tax assets of EUR 78 698 recognized in the financial year 2015 have been partially reversed. The group has tax loss of approx. EUR 365 000 from the tax year of 2015.

## 14. Cash and Cash Equivalents

	31/12/2016	31/12/2015
Bank Accounts	2 825 651	4 562 064
Rental Deposits	85 789	54 850
<b>Cash and Cash Equivalents</b>	<b>2 911 440</b>	<b>4 616 914</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 15. Shareholders' Equity

Restricted Own Equity	2016	2015
Additions During the Period	0	0
<b>Capital Stock 31.12.</b>	<b>2 500</b>	<b>2 500</b>
<b>Total Invested Restricted Equity 31.12.</b>	<b>2 500</b>	<b>2 500</b>
Reserve for Invested Non-Restricted Equity		0
Shares	8 402 891	8 032 020
Convertible Loans	665 381	846 146
Capital Return from the Invested Non-Restricted Equity Fund	-2 083 432	0
Reserve for Invested Non-Restricted Equity 31.12.	<b>6 984 840</b>	<b>8 878 166</b>
Retained Earnings	2 249 952	473 795
Purchase of Own Shares		-1 743
Profit of the Financial Period	2 403 651	1 936 601
<b>Non-restricted Equity Total</b>	<b>11 638 443</b>	<b>11 286 819</b>
<b>Total Equity</b>	<b>11 640 943</b>	<b>11 289 319</b>

The parent company has 8 405 391 shares and one share series. The nominal value of one share is one euro.

The share capital 2 500 euros was paid in connection with the establishment of the company. The increase in the Invested non-restricted equity carried out in financial year 2014 was based the issue of shares completed on 26th September 2014. The proceeds of EUR 8 032 020 from the share subscriptions were recorded in the Invested Non-Restricted equity fund.

It was decided in the board meeting held on the 5th January 2016 that the deferred purchase price of EUR 152 980 owed to Ilkka Starck under the Share Purchase Agreement relating to the shares in Profit Software Oy becomes immediately due and accordingly, that Ilkka Starck had subscribed and paid for 152 980 new shares issued to him pursuant to the shareholder resolution dated 30 September 2014 by setting the entire EUR 152 980 receivable from the company against the subscription of the shares. The option holders of the company had subscribed for a total 217 891 new shares in accordance with the option agreements dated 30 September 2014 by making payments of EUR 1 per share.

The subsidiary Profit Software Ltd has a supply of 1 014 330 own shares on the closing date. The parent company Profit Holding Ltd does not have any own shares.

### Option Schemes

The company has two subscription right based option schemes, of which one entitles to subscribe 5 715 000 shares and the other 1 390 250 shares.

The Company took from Via Venture Partners Fond II K/S a convertible loan of EUR 5 715 000 in terms and conditions that the loan is associated with a right to subscribe for shares in the Company by setting off the receivables against the subscription price of the shares. The subscription rights shall be issued gratuitously.

In order to be entitled to receive the subscription rights Via Venture Partners Fond II K/S is required to sign a separate loan agreement. The loan agreement was signed on 30th September 2014.

The other scheme of 1 390 250 options are reserved for the Company's or its subsidiary's key employees, managers or consultants and board members. In year 2014, 973 175 options were granted to the Management Shareholders. The vesting schedule of these options spans four years, and one forth of the granted options shall vest and become exercisable on each anniversary of the agreement date.

The subscription time of the shares begins immediately and ends on 31st of December 2020 at the latest. The shares are paid at the time of subscription. Management determines all other operations related to share subscription.

The nominal value of one share is one euro in both of the option schemes. The value is based on the current value of the share at the time of the scheme arrangement. The nominal value is recorded in the Invested Non-Restricted Equity Fund in its entirety.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 16. Liabilities

Long-Term Interest Bearing Liabilities	Fair Value		Book Value	
	2016	2015	2016	2015
Loans from Financial Institutions	4 922 905	6 674 978	5 440 000	6 674 978
Convertible Loans	4 023 562	4 984 213	4 735 549	4 984 213
Finance Lease Liabilities	8 038,14	0,00	8 038	0
<b>Long-Term Interest Bearing Debts</b>	<b>8 954 505</b>	<b>11 659 190</b>	<b>10 183 587</b>	<b>11 659 190</b>
<b>Short-Term Interest Bearing Liabilities</b>				
Finance Lease Liabilities	7 804	4 613	7 575	4 613
Current Portion of Long-Term Debts	1 800 000	1 600 000	1 360 000	1 600 000
<b>Short-Term Interest Bearing Debts</b>	<b>1 807 804</b>	<b>1 604 613</b>	<b>1 367 575</b>	<b>1 604 613</b>
<b>Total Interest-Bearing Financial Liabilities</b>	<b>10 762 309</b>	<b>13 263 804</b>	<b>11 551 162</b>	<b>13 263 804</b>

The following tables describe maturity schedule in 2016 and 2015.  
The numbers are undiscounted and they include interest payments.

	Book Value	31/12/2016			
		Repayment	< 1 Year	1-2 Years	2-5 Years
Loans from Financial Institutions	6 722 905	7 080 500	1 456 900	1 436 500	4 187 100
Convertible Loans	4 735 549	6 161 039			
Finance Lease Liabilities	15 842	7 806	7 806	0	0
Accounts Payable	82 974	82 974	82 974		

	Book Value	31/12/2015			
		Repayment	< 1 Year	1-2 Years	2-5 Years
Loans from Financial Institutions	8 274 978	9 102 256	1 870 278	2 010 894	5 221 084
Convertible Loans	4 984 213	8 061 572			
Finance Lease Liabilities	4 613	4 416	4 416	0	0
Accounts Payable	105 006	105 006	105 006		

	2016	2015
<b>Finance Lease Liabilities, Minimum Rents</b>		
< 1 Year	8 279	4 752
1 - 5 Years	7 563	0

### Finance Lease Liabilities, Current Value of Minimum Rents

< 1 Year	7 804	4 613
1 -5 Years	8 038	0
Future Finance Expenses		0
Finance Lease Liabilities in Total	15 842	4 613

IT equipment is included in the finance lease liabilities. Finance lease contracts last 3-5 years.  
The book values of finance lease liabilities are equivalent to their fair values.

Long-term liabilities consist of the bank loan and the convertible loan taken on the 30th of September.  
2014. The carrying amount of the convertible loan consists of the loan principal and the capitalized interest of EUR 437 117.21.

The interest rate of the bank loan is 6 months Euribor plus 1.5% margin. During the year 2017 EUR 1 360 000 of the loan will mature. Repayments and interest are payable semi-annually starting from the 30th March 2017.

The convertible loan has a fixed interest rate of 3.5% p.a. The loan and all accrued interest shall become due and payable in its entirety on the tenth anniversary of its drawdown date. The loan may not be pre-paid in whole or partly without the lender's prior written consent. The withdrawal fees of EUR 200 000 related to the loan have been accrued for the term of the loan using the effective interest rate method.

The bank loan terms include covenants that may affect the future financial expenses. The covenants are tested semi-annually and the next checkpoint is 31st December 2017. The Company has complied with all covenants of the bank loan during the period of 2016 and 2015.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Non-Interest Bearing Liabilities

### Short-term Financial Liabilities Measured at Amortised Cost

	31/12/2016	31/12/2015
Interests Payable	25 642	66 843
Other Payables	585 888	390 800
<b>Total</b>	<b>611 530</b>	<b>457 643</b>

Other Non-interest Bearing Liabilities	31/12/2016	31/12/2015
Accounts Payable	75 170	105 006
Accrued Expenses	1 133 753	868 946
<b>Total</b>	<b>1 208 923</b>	<b>973 952</b>

<b>Non-Interest Bearing Liabilities</b>	<b>1 820 453</b>	<b>1 431 595</b>
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### 17. Other Rental Agreements/Contingent Liabilities

Minimum Rents Payable based on Other Non-Cancellable Leases:

	31/12/2015	31/12/2015
1 Year	303 229	149 937
1 - 5 Years	314 001	212 411
5+ Years	0	0
<b>Total</b>	<b>617 230</b>	<b>203 447</b>

The group has rented all of its office space in use. Rent agreements are continuing with a 3-6 month notice. The group also has lease cars. The regular term of operating lease contracts is 3 years. Employee housing has one month notice period.

Liability Insurance	2016	2015
Business Mortgage (Profit Software Ltd)	2 385 000	2 385 000

Company mortgages have been given as guarantees for bank loans in 2016 (EUR 2 385 000).

Auditor Fees	2016	2015
Audit	28 046	21 796
Other Services	16 629	13 103
<b>Total</b>	<b>44 675</b>	<b>34 899</b>

### Shares Owned by the Group

Profit Software Oy is owned by Profit Holding Oy. (100%)  
 Profit Software OÜ is owned by Profit Software Oy. (100%)

Group Companies	Home City	Home Country	Shareholding	Percentage of Voting Rights
Profit Holding Oy	Helsinki	Suomi	Emoyhtiö	
Profit Software Oy	Helsinki	Suomi	100 %	100 %
Profit Software OÜ	Tallinna	Viro	100 %	100 %



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 18. Financial Risk Management

The external financing and finance risks of Profit Software are focused on the financial management of the group parent company which is responsible for liquidity, adequacy of funding and financial risk management for the group.

The main financial risks are interest rate risk, credit risk and liquidity risk. The risk management group of the company aims to minimize negative effects caused by changes in financial markets that may affect the group result. The Board of Directors accepts the general principles of the risk management, and the finance management is responsible for their practical implementations along with business groups.

On closing date 31st of December 2016, the group did not hold hedging instruments, thus the group does not apply hedge accounting.

### Interest Rate Risk

The Group is not significantly but somewhat exposed to interest rate risks mainly due to the floating rated bank loan. The Group's convertible loan has a fixed interest rate.

The bank loan of EUR 6.8 million lent by OP is charged with a floating rate of six month Euribor plus 1.5% margin. The margin may also change based on the compliance of the covenant terms. The financial impact caused by the fluctuations in the market may be considerable. One percentage increase in interest rate weakens the company's result by EUR 0.1 million. Management believes that the Group is not significantly exposed to interest rate risks.

### Credit Risk

The clients of the group are well-known and solvent domestic and foreign insurance companies, therefore the group has no significant credit risks. Credit risks related to commercial activities are primarily the responsibility of business units. The group has no significant receivable credit concentrations. Financial management supervises that terms and follow the given principles of financial politics.

### Liquidity Risk

The group aims to constantly estimate and follow the amount of funding required by the business so that there would be enough liquids to finance the operation and to repay maturing loans. Maturity analysis based on contracts of discounted equities and interest payments in financial statement 2016 and 2015 are presented in note 16. The bank loan terms include covenants that may affect the future financial expenses. The covenants are tested semi-annually and the next checkpoint is 31st of May 2017. The Company has complied with all covenants of the bank loan at the latest checkpoint on 31st of December 2016.

### Currency Risk

The most significant currency risk is related to the Swedish krona. The Group is exposed to currency fluctuations causing transaction risks. The Group has traded kronas into euros when the krona has been strong.

## 19. Capital Management

The aim of capital management is to ensure going concern by using the optimal capital structure and is to ensure the increase of shareholders' value. The optimal structure is supported by decisions related to distribution of dividend and issue of shares.

Pin numbers that describe the optimal capital structure are solvency ratio and net gearing. At the end of 2016, the interest bearing net debts of the group were EUR 10 762 309 (31.12.2015: EUR 13 263 804). When calculating the net gearing, the interest bearing debt is divided with the amount of own equity. Net debts are interest bearing debts with reduced cash and cash equivalents.

	2016	2015
Interest Bearing Liabilities	10 762 309	13 263 804
Cash and Cash Equivalents	2 825 651	4 562 064
Net Interest Bearing Liabilities	7 936 658	8 701 740
Total Equity	11 640 943	11 289 319
Net Gearing %	68 %	77 %

## 20. Earnings per Share

Undiluted earnings per share is calculated by diving the parent company's attributable profit by the weighted average number of shares during the financial year.

	2016	2015
Profit of the Financial Year	2 403 651	1 936 601
Weighted Average Number of Shares During the Period	8 405 391	8 034 520
<b>Undiluted Earnings per Share</b>	0,29	0,24

While calculating earnings per share with diluted number of shares, the weighted average takes into account all the dilutive effect of dilutive potential common shares. The Group's dilutive potential ordinary shares arise from convertible loans.

The convertible loan's dilutive effect has been calculated on assumption that the exchange of convertible loans to shares takes place at the time of their issuance.

The interest expenses adjusted by tax impact is added to the earnings of the financial year.

	2016	2015
Profit of the financial year	2 403 651	1 936 601
Interest of the convertible loan (adjusted by tax impact)	170 417	210 043
Diluted profit of the financial year	2 574 069	2 146 644
Weighted average number of shares during the period	8 405 391	8 034 520
Convertible loans changed to shares	4 298 432	5 715 000
Diluted number of shares	12 703 823	13 749 520
<b>Diluted earnings per share</b>	0,20	0,16

# PARENT COMPANY STATEMENT OF INCOME (FAS)

## Parent Company Statement of Income (FAS)

	Notes	01.01.-31.12.2016	01.01.-31.12.2015
<b>REVENUE</b>	<b>1</b>	<b>318 297</b>	<b>323 259</b>
Other Income	2	0	0
<b>Materials and Services</b>			
External Services		15	0
<b>Materials and Services in Total</b>		<b>15</b>	<b>0</b>
<b>Personnel Expenses</b>			
Salaries and Bonuses		-231 592	-223 124
Pension Costs		-37 376	-41 079
Other Personnel Expenses		-5 930	-7 513
<b>Personnel Expenses in Total</b>	<b>3</b>	<b>-274 898</b>	<b>-271 717</b>
<b>Depreciations, Amortizations and Impairments</b>			
Depreciations and Amortizations		0	0
Impairments		0	0
<b>Total Depreciations, Amortizations and Impairments</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>Other Operating Expenses</b>	<b>5,6</b>	<b>-66 634</b>	<b>-123 377</b>
<b>OPERATING INCOME</b>		<b>-23 221</b>	<b>-71 835</b>
<b>Financing Income and Costs</b>			
Earnings from Group Companies		0	3 500 000
Earnings from Other Investments			
Interest and Financing Income		3	18
Interest Costs and Other Financing Costs		-455 338	-543 791
<b>Total Financing Income and Costs</b>	<b>7</b>	<b>-455 336</b>	<b>2 956 227</b>
<b>NET INCOME BEFORE EXTRAORDINARY ITEMS</b>		<b>-478 556</b>	<b>2 884 393</b>
<b>Extraordinary Items</b>			
Received (Given) Grants from Group Companies		1 100 000	610 000
<b>NET INCOME BEFORE TAX</b>		<b>621 444</b>	<b>3 494 393</b>
<b>Income Taxes</b>	<b>8</b>	<b>-127 169</b>	<b>-5 696</b>
<b>NET INCOME</b>		<b>494 275</b>	<b>3 488 697</b>

# PARENT COMPANY BALANCE SHEET (FAS)

## Parent Company Balance Sheet (FAS)

ASSETS	Notes	31/12/2016	31/12/2015
<b>FIXED ASSETS</b>			
<b>Intangible Assets</b>			
Total Intangible Assets	9	0	0
<b>Tangible Assets</b>			
Total Tangible Assets	10	0	0
<b>Investments</b>			
Shares in Group Companies	11	23 469 600	23 316 620
<b>Total Investments</b>		<b>23 469 600</b>	<b>23 316 620</b>
<b>FIXED ASSETS IN TOTAL</b>		<b>23 469 600</b>	<b>23 316 620</b>
<b>CURRENT ASSETS</b>			
<b>Short-Term Receivables</b>			
Accounts Receivables	12	0	0
Receivables from Group Companies	12	183 076	4 322 022
Other Receivables	12	495	2 469
Accrued Receivables	12	1 717	22 369
<b>Total Short-Term Receivables</b>		<b>185 287</b>	<b>4 346 860</b>
<b>Cash and Cash Equivalents</b>	14	<b>60 527</b>	<b>31 279</b>
<b>CURRENT ASSETS IN TOTAL</b>		<b>245 814</b>	<b>4 378 139</b>
<b>ASSETS</b>		<b>23 715 414</b>	<b>27 694 759</b>
<b>LIABILITIES AND EQUITY</b>			
<b>OWN EQUITY</b>			
Share Capital		2 500	2 500
Reserve for Invested Non-Restricted Equity		6 319 459	8 032 020
Retained Earnings		3 093 720	-394 977
Profit of the Period		494 275	3 488 697
<b>OWN EQUITY IN TOTAL</b>	15	<b>9 909 954</b>	<b>11 128 240</b>
<b>LIABILITIES</b>			
<b>Long-Term</b>			
Convertible Loans		4 735 549	5 981 700
Loans from Financial Institutions		5 440 000	6 800 000
Loans from Group companies		2 000 000	2 024 090
<b>Total Long-Term</b>		<b>12 175 549</b>	<b>14 805 790</b>
<b>Short-Term</b>			
Loans from Financial Institutions		1 360 000	1 600 000
Advances Received		0	0
Accounts Payable		5 509	319
Loan from Group Companies		28 111	0
Other Liabilities		44 050	49 349
Accrued Liabilities		59 376	105 365
Deferred Tax Liabilities		132 865	5 696
<b>Short-Term Liabilities</b>		<b>1 629 911</b>	<b>1 760 729</b>
<b>TOTAL LIABILITIES</b>	16	<b>13 805 460</b>	<b>16 566 519</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>23 715 414</b>	<b>27 694 759</b>

# PARENT COMPANY CASH FLOW STATEMENT (FAS)

## Parent Company Cash Flow Statement (FAS)

	01.01.-31.12.2016	01.01.-31.12.20
<b>Cash Flow from Operating Activities:</b>		
Net Income Before Taxes	494 275	3 488 697
Deferred Taxes	132 865	5 696
Depreciations	0	0
Financing Income and Costs	455 336	-2 956 227
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1 082 475</b>	<b>538 165</b>
Change in Long-Term Liabilities	386 327	-1 375 885
<b>Changes in Working Capital:</b>		
Changes in Accounts Receivable	4 161 573	-844 271
Changes in Accounts Payable	-257 986	1 667 028
Interest Paid	-455 338	-543 791
Interests Received	3	18
Paid Taxes	-5 696	0
Change in Accruals		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>4 911 357</b>	<b>-558 736</b>
<b>Cash Flow from Investing Activities:</b>		
Investments in Fixed Assets	0	0
Purchase of Subsidiaries' Shares	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>0</b>	<b>0</b>
<b>Cash Flow before Financing</b>	<b>4 911 357</b>	<b>-558 736</b>
<b>Cash Flow from Financial Activities:</b>		
Loan Withdrawal	6 800 000	2 000 000
Loan Repayment	-8 400 000	-1 600 000
Paid Capital Refunds	-3 500 000	0
Payments from Issue of Shares	217 891	0
Sale of Own Shares	0	108 000
Purchase of Own Shares	0	-109 743
<b>CASH FLOW FROM FINANCING</b>	<b>-4 882 109</b>	<b>398 257</b>
<b>NET CASH FLOW FROM FINANCING</b>	<b>29 248</b>	<b>-160 479</b>
<b>Changes in Cash and Cash Equivalents</b>		
Cash and Cash Equivalents at the Beginning of the Period	31 279	191 758
Cash and Cash Equivalents at the End of the Period	60 527	31 279
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>29 248</b>	<b>-160 479</b>

# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## Notes to the Parent Company's Financial Statements

### **ACCOUNTING PRINCIPLES**

The financial statements of Profit Holding Ltd and Profit Holding Group for the period 01.01.2016 - 31.12.2016 are prepared in accordance with the Finnish Accounting Acts. Profit Holding Ltd (originally Shelco 51 Ltd, change registered on 6<sup>th</sup> November 2014) acquired Profit Software Ltd's shares on 30th September 2014 whereby Profit Holding Ltd Group was formed.

The financial statements of Profit Holding Group are prepared by the purchase method. The excess of purchase price over the acquiree's share equity value is allocated partially to fixed assets and shown as goodwill.

All internal transactions, internal profits, profit distributions and mutual shareholdings of Group companies are eliminated as part of the consolidation process.

Profit Holding Group develops and delivers software and system solutions for the financial sector, particularly for the insurance business.

The parent company Profit Holding Ltd is a Finnish private limited company domiciled in Espoo Finland. Its registered address is Gräsantörmä 2, 02200 Espoo.

Copies of the Annual Report 2016 are available at Gräsantörmä 2, 02200 Espoo.

### **FINANCIAL LIABILITIES**

Financial liabilities related transaction costs are recognized as an expense.

### **LEASING**

The leasing payments in the financial statements are recognized as an expense in accordance with the Finnish Accounting Standards.

### **INCOME TAXES**

The taxes are recorded in accordance with the applicable Finnish law.

Tax losses carried forward have been recognized as deferred tax asset with extreme caution.

# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## NOTES TO INCOME STATEMENT

### 1. Revenue

	1.1.-31.12.2016	1.1.-31.12.2
Other Revenue	318 297	323 25
<b>Total Revenue</b>	<b>318 297</b>	<b>323 25</b>

### 2. Other Operating Income

	1.1.-31.12.2016	1.1.-31.12.2
Other Income	0	0
Grants	0	0
<b>Total of Other Operating Income</b>	<b>0</b>	<b>0</b>

### 3. Personnel Expenses

	1.1.-31.12.2016	1.1.-31.12.2
Salaries	-231 592	-223 12
Pension Costs	-37 376	-41 07
Other Personnel Expenses	-5 930	-7 51
<b>Total Personnel Expenses</b>	<b>-274 898</b>	<b>-271 71</b>

### The Group's average number of employees during the financial year

Finland	65	60
Estonia	47	38
<b>Total Personnel</b>	<b>112</b>	<b>98</b>

### Related Party Transactions

Profit Holding Group's related parties include the parent company and its subsidiaries. The Group's related parties include members of the Board of Directors and the management.

There has been no transaction of goods and services with the related parties during the fiscal year.

	1.1.-31.12.2016	1.1.-31.12.2
Receivables from Profit Software Oy per 31.12.2015	183 076	4 322 02
Payables to Profit Software Oy per 31.12.2015	-2 028 111	-2 024 02

### 4. Depreciation, Amortization and Impairments

Profit Holding Oy has no depreciable tangible assets on its balance sheet.

### 5. Other Operating Expenses

	1.1.-31.12.2016	1.1.-31.12.2
Rent Costs	0	0
IT hardware and software expenses	6 958	1 490
Other Personnel costs	492	14
External Services	17 523	92 94
Other Expenses	41 661	28 93
<b>Total Other Operating Expenses</b>	<b>66 634</b>	<b>123 37</b>

### 6. R&D Costs

There were no R&D costs for Profit Holding Ltd. in 2016.

### 7. Financial Income and Expenses

	1.1.-31.12.2016	1.1.-31.12.2
Income from ownership in Group Companies	0	3 500 00
Other Interest and financial Income	3	18
Interest and other financial expenses to Group Companies	-41 861	-31 84
Interest and other financial expenses to others	-413 477	-511 94
<b>Financial Income and Expenses</b>	<b>-455 336</b>	<b>2 956 22</b>

### 8. Income Tax

	1.1.-31.12.2016	1.1.-31.12.2
Taxes for the Current and Previous Periods	-127 169	-5 69
<b>Total Income Tax</b>	<b>-127 169</b>	<b>-5 69</b>

Changes in deferred tax assets have been recognized in the consolidated income statement.

# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## NOTES TO THE BALANCE SHEET OF THE PARENT COMPANY

### 15. Own Equity

#### Restricted Own Equity

	<b>2016</b>	<b>2015</b>
Initial Balance	2500	2500
Additions	0	0
<b>Share Capital 31.12.</b>	<b>2 500</b>	<b>2 500</b>

<b>Total Restricted Own Equity 31.12.</b>	<b>2 500</b>	<b>2 500</b>
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#### Non-Restricted Equity

##### Invested Non-restricted Equity Fund

Initial Balance	8 032 020	8 032 020
Issue of Shares	217 891	0
Return of Capital	-2 083 432	0
Escrow Shares	152 980	0
<b>Invested Non-restricted Equity Fund 31.12.</b>	<b>6 319 459</b>	<b>8 032 020</b>

Retained Earnings	3 095 463	-393 234
Tax Paid on Purchase of Own Shares	-1 743	-1 743
Profit of the Financial Period	494 275	3 488 697
<b>Invested Non-restricted Equity Fund 31.12.</b>	<b>9 907 454</b>	<b>11 125 740</b>

<b>Total Equity</b>	<b>9 909 954</b>	<b>11 128 240</b>
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The parent company has 8 405 391 shares and one share series. The nominal value of one share is one euro. The share capital 2 500 euros was paid in connection with the establishment of the company. The increase in the invested non-restricted equity carried out in financial year 2014 was based the issue of shares completed on 26th September 2014. The proceeds of EUR 217 891 from the issue of shares in 2016 were recorded in the Invested Non-restricted Equity fund.

The company has two subscription right based option schemes, of which one entitles to subscribe 5 715 000 shares and the other 1 390 250 shares.

The subsidiary Profit Software Ltd had a supply of 1 014 330 own shares on the closing date.

### 16. Liabilities

	31/12/2016	31/12/2015
<b>Long-Term Liabilities</b>		
Convertible Loans	4 735 549	5 981 700
Loans from Financial Institutions	5 440 000	6 800 000
Liabilities to Group Companies	2 000 000	2 024 090
<b>Total Long-Term Liabilities</b>	<b>12 175 549</b>	<b>14 805 790</b>

#### Short-Term Liabilities

	31/12/2016	31/12/2015
<b>Loans from Financial Institutions</b>		
	<b>1 360 000</b>	<b>1 600 000</b>
<b>Accounts Payable</b>	<b>5 509</b>	<b>319</b>
<b>Liabilities to Group Companies</b>	<b>28 111</b>	<b>0</b>
<b>Other Liabilities</b>	<b>44 050</b>	<b>49 349</b>
<b>Accrued Liabilities</b>		
Vacation Pay Accrual	36 367	35 440
Interest Payable	25 642	66 843
Other Accrued Liabilities	-2 632	3 083
<b>Accrued Liabilities</b>	<b>59 376</b>	<b>105 365</b>
<b>Deferred Tax Liabilities</b>	<b>132 865</b>	<b>5 696</b>

<b>Total Short-Term Liabilities</b>	<b>1 629 911</b>	<b>1 760 729</b>
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Long-term liabilities consist of the bank loan and the convertible loan taken on the 30th September 2014. The carrying amount of the convertible loan consists of the loan principal of EUR 4 298 431.50 and the capitalized interest of EUR 437 117.21. Long-term liabilities also include long-term liabilities to Profit Software Ltd.

The interest rate of the bank loan is 6 months Euribor plus 1.5% margin. During the year 2017 EUR 1 360 000 will mature. Repayments and interest are payable semi-annually.

The bank loan terms include covenants that may affect the future financial expenses. The covenants are tested semi-annually and the next checkpoint is 31st of May 2017. The Company has complied with all covenants of the bank loan during the period of 2016.

The convertible loan has a fixed interest rate of 3.5% p.a.. The interest shall be compounded annually and accrued interest with the same fixed interest rate as the loan. The loan and all accrued interest shall become due and payable in its entirety on the tenth anniversary of its drawdown date. The loan may not be pre-paid in whole or partly without the lender's prior written consent.

# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## NOTES TO THE BALANCE SHEET OF THE PARENT COMPANY

### 15. Own Equity

#### Restricted Own Equity

Initial Balance	2016	2015
Additions	2500	2500
	0	0
<b>Share Capital 31.12.</b>	<b>2 500</b>	<b>2 500</b>

<b>Total Restricted Own Equity 31.12.</b>	<b>2 500</b>	<b>2 500</b>
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The company has two subscription right based option schemes, of which one entitles to subscribe 5 715 000 shares and the other 1 390 250 shares.

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	31/12/2016	31/12/2015
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Convertible Loans	4 735 549	5 981 700
Loans from Financial Institutions	5 440 000	6 800 000
Liabilities to Group Companies	2 000 000	2 024 090
<b>Total Long-Term Liabilities</b>	<b>12 175 549</b>	<b>14 805 790</b>
<b>Short-Term Liabilities</b>		
	31/12/2016	31/12/2015
<b>Loans from Financial Institutions</b>	<b>1 360 000</b>	<b>1 600 000</b>
<b>Accounts Payable</b>	<b>5 509</b>	<b>319</b>
<b>Liabilities to Group Companies</b>	<b>28 111</b>	<b>0</b>
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The interest rate of the bank loan is 6 months Euribor plus 1.5% margin. During the year 2017 EUR 1 360 000 will mature. Repayments and interest are payable semi-annually. The bank loan terms include covenants that may affect the future financial expenses. The covenants are tested semi-annually and the next checkpoint is 31st of May 2017. The Company has complied with all covenants of the bank loan during the period of 2016.

The convertible loan has a fixed interest rate of 3.5% p.a.. The interest shall be compounded annually and accrued interest with the same fixed interest rate as the loan. The loan and all accrued interest shall become due and payable in its entirety on the tenth anniversary of its drawdown date. The loan may not be pre-paid in whole or partly without the lender's prior written consent.



# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## NOTES ON PERSONNEL

Parent Company Profit Holding Ltd.'s Staff During the Financial Year	1.1.2016-31.12.2016	1.1.2015-31.12.2015
Headcount	1	1
Board of Directors	2	2
	3	3

## HOLDINGS IN OTHER COMPANIES

Profit Holding Ltd's subsidiary Profit Software Ltd. Finland located in Helsinki

Address: Gräsantörmä 2, 02200 Espoo.

Profit Holding Ltd. Owns 100% of Profit Software Ltd. Finland.

Profit Software Ltd. Finland's subsidiary Profit Software Ltd. Estonia located in Tallinn

Address: Pärnu mnt 127b, 11314 Tallinn, Estonia.

Profit Software Ltd. Finland owns 100% of Profit Software Ltd. Estonia.

Group Companies	Location	Shareholdings	Percentage of Voting Rights
Profit Holding Ltd.	Helsinki Finland	Parent Company	100 %
Profit Software Ltd.	Helsinki Finland	Subgroup Parent Company	100 %
Profit Software Ltd.	Tallinna Estonia	100 %	100 %

## Parent Company's Shares in Subsidiary

Name	Nom. Value	Amount	Book Value	Shareholding
Profit Software Oy		76 274 333	23 316 620	100/100

## CALCULATION OF DISTRIBUTABLE FUNDS OF THE PARENT

Reserve for Invested Non-Restricted Equity	6 319 459,42
Retained Earnings/Loss	3 095 462,91
Purchase of Own Shares	-1 742,98
Net Income of the Period	494 274,63
<b>Total Distributable Funds</b>	<b>9 907 453,98</b>

## LIST OF ACCOUNT BOOKS USED

Proccountor accounting software has been used for the accounting of the company.

	Document Numbers	
Annual Report		in paper
Accounting Journal and General Ledger		in electronic format
Purchase Invoices	10001 Accounts Payable	in electronic format
Sales Invoices	20001 Accounts Receivable	in electronic format
Bank Receipts	30001 Nordea	in electronic format
Bank Receipts	40001 Sampo	in electronic format
Bank Receipts	50001 Nordea EEK	in electronic format
Wage Receipts		in electronic format
Ledger Entries	90001 Memo	in electronic format

# SIGNATURES FOR THE FINANCIAL STATEMENTS

## Signatures for the Financial Statements

### SIGNATURES OF THE BOARD OF DIRECTORS

Helsinki . 2017

\_\_\_\_\_  
**Kramarz Benjamin**  
Chairman of the Board

\_\_\_\_\_  
**Ilkka Lohi**  
Member of the Board

\_\_\_\_\_  
**Björn Norrbom**  
Member of the Board

\_\_\_\_\_  
**Ilkka Starck**  
Chief Executive Officer

# AUDITOR'S SIGNATURE

## Auditor's Signature

A report of completed inspection has been given today.

Helsinki . 2017

KPMG OY AB

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Mauri Eskelinen, KHT

## Auditor's Report