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GMS Development - Society for Software Development Ltd., Paderborn

Accounting / Financial Reports

company

information

designation

GMS Development - company for software development mbH

Paderborn

Annual financial statements for the financial year from January 1st, 2018 to December 31st, 2018

Management report for the financial year from January 1 to December 31, 2018

GMS Development - Society for Software Development Ltd., Paderborn

I. Company Fundamentals

1. Business Model

For more than 30 years, GMS Development - Gesellschaft für Software-Entwicklung mbH (hereinafter "GMS" or "GMS Development") (www.gms-online.de) - has been developing and selling standard software as one of the leading specialists for field service solutions as well as consulting and support services for all tasks and areas of application in Field Service (technical customer service). The product portfolio includes (online/offline-capable) applications for mobile service, high-performance real-time appointment, deployment and tour optimization, service management, self-learning knowledge databases and portal solutions for service partners and customer self-service. The solutions are sold under the product names Service1 (on demand) and AMS3 (on premise) in the DACH region and are used by some of the most internationally renowned companies in over 60 countries worldwide. The target market includes all companies with service organizations that focus on field service for technical products. Despite cross-industry application possibilities, development and sales concentrate on service organizations in the areas of: device, plant and mechanical engineering, medical technology, alternative energies, heating, air conditioning and refrigeration technology, IT and communication systems as well as vehicle service/mobility. In addition to the development of standard software, the range of services includes in particular the consulting, implementation and support services required for successful operation. In this way, GMS guarantees continuous support and improvements to the solutions used by its customers from the start of the project to the end of use.

Organizationally, the company is divided into product development and quality assurance, professional services (consulting, customizing, implementation and integration), solution support (solutions and infrastructure), sales and marketing, administration (office management, finance and HR) and management.

GMS Development GmbH is a 100% subsidiary of GMS Holding GmbH, Paderborn. Employees of GMS Development hold shares in GMS Holding through GMS MBG (Employee Participation Society). All GMS companies are headquartered in Paderborn.

products and services

Service1

With Service1, GMS Development is one of the "first movers" who launched a complete cloud solution for field service, which now includes more than 120 standard components, back in 2010. Service1 is made available to customers including the necessary infrastructure as SaaS (Software as a Service). In addition to a large number of highly optimized functions and processes, Service1 offers a wide range of options for adapting the solution to individual requirements via simple customizing. This includes, for example, user profiles and access rights, selection lists, adding data fields, changing labels and layouts,

Service1 Service Console

The Service Console is a central component of Service1 and provides the functions for the management of customer, product, contract and transaction data required for fast and efficient service processing. In addition, the Service Console includes functions for managing technician master data, working time models and qualification profiles. Further focal points are contract and spare parts management with extensive options for automating service processes (e.g. automated planning and scheduling of maintenance orders or for the subsequent supply of spare parts). The real-time appointment,

Service1 ASE (Advanced Scheduling Engine)

The ASE is one of the most powerful tools for automatic scheduling and real-time capacity and tour optimization. Using state-of-the-art algorithms, appointments can be made in fractions of a second, taking into account all parameters relevant to planning (e.g. priorities, time windows, qualifications, working time models, capacity, travel times and routes) plan optimally. The visual representation takes place via a planning board with detailed information on the appointment and route plans of the technicians. The Planning Board offers target/actual views for operational planning, map displays, appointment and order details as well as functions for manual and/or semi-automatic planning (immediate use, technician failure, appointment changes, etc.). The ASE is highly scalable and able to optimally support organizations with several thousand technicians in planning and controlling their field service technicians. In addition to internal resources, service orders for external resources (service partners) can also be planned and controlled via the ASE.

Service1 mobile service

The mobile service apps provide the field service technicians with the functions and information they need for their daily work, both online and offline. Starting with appointment and tour planning, through service orders with all relevant data on customers, products and history, to spare parts management, service recording, invoicing and service reporting. In particular, the amount of data and functions available offline is an outstanding performance feature and offers field service technicians full support in completing their service tasks anywhere. The mobile service apps can be used on common devices and system environments (Windows,

Service1 customer and partner portals

The portals make it possible to integrate service processes with customers and partners directly into Service1 and to automate them to a large extent. In this way, customers can be offered 24/7 availability in order to independently enter service orders and arrange an appointment immediately. The order status and service/invoice data can also be made available online and up-to-date at any time via the customer portal, and the service orders planned with Service1 for partners can be processed.

Professional Services

The Professional Services division provides all services associated with the analysis, conception, planning and implementation of solutions and strategies. The team of experts can fall back on methods and knowledge to realize projects within 3 to 6 months in "time and budget". The success rate of the projects carried out so far is 100%. The project life cycle model of GMS Development extends over the entire period of use of the solution(s) used and offers customers the security of being able to access experts at all times who are familiar with all the special features of the service organization and processes and the IT systems that support them. solutions are familiar. The range of services also includes expert services for UX/CX (user and customer experience), OR (operations research) and the use of AI (artificial intelligence) in the service. Experienced consultants and tailor-made strategies (success management) are available to customers for continuous improvement of service performance.

solution support

Solution Support offers customers a wide range of services to support the solutions used in their service organization. Basic and premium support are offered with different services tailored to the respective service organization and its availability and support requirements. The support of the individual customers is provided by dedicated contact persons, who are already familiarized with the special features of the service organization during the project phase and guarantee long-term competent support. Monitoring and proactive support services are offered as part of Premium Support,

2. Branch Office Report

GMS Development is based in Paderborn. There are currently no branches.

3. Research and Development

The new and further development of our products and services follows a long-term plan (road map) and derived release plans. Our Service1 solutions are updated annually over three releases (Spring, Summer and Winter) and made available to customers. The new features and solutions are published via release announcements, which are to be published regularly from Summer Release 2019 onwards.

Long-term planning takes place on a rolling basis and is subjected to a critical review in annual strategy meetings and adapted to emerging developments (customers, market and technology). The aim of the long-term strategy is to provide our customers with innovative solutions that make a significant contribution to improving performance and sustainability.

Research and development work in 2018 focused on route optimization, mobile service and AI (artificial intelligence).

The algorithms for route optimization were brought up to date in cooperation with OR experts. On this basis, innovative new features (e.g. speed profiles, with which routes can be optimized taking into account the time and weekday-dependent traffic volume) will be launched in 2019.

Another focus of the research and development work started in 2018 is in the area of mobile services. The proliferation of smartphones and the interaction concepts familiar from apps require a modern design and intuitive usability. In addition, customers and users expect a high

degree of flexibility and adaptability. In 2018, with the support of external UX specialists, extensive analyzes were carried out for customers and users, the results of which form the basis of our design and architecture concepts for future new and further developments.

Artificial intelligence and the associated technologies are key drivers of future new and further developments. Our new development "Newton" offers highly specialized AI solutions for service. Newton Parts is the first component of a web service that can be used for parts prediction. The areas of application range from the call center to scheduling and assistance systems for technicians to portal solutions for customer self-service and service partners.

The research and development work was carried out with the involvement of external experts, for whom around 5% of sales were invested in the reporting period. Since external expertise is only required on a selective and temporary basis, we assume that we will be able to gradually reduce the costs for external R&D services again over the next two to three years, after a further increase.

II. Economic report

1. Macroeconomic and industry-related conditions

Field Service Management (FSM) trends and market development

On-demand vs. on-premise (subscription vs. one-time license)

The global market for subscription models (on-demand) in Field Service Management (FSM) continued to grow at an above-average rate of around 18% in 2018 - compared to global economic growth of 3%. Due to the large number of users (technicians) who are outside of your company's firewall, FSM solutions are predestined for relocation to the cloud. This development is also reflected in the revenue share for on-premise FSM software, which fell from 41% in 2016 to 31% in 2017 and 22% in 2018.

Service organizations face the challenge of providing their services efficiently and with high quality. This requires the use of the latest technologies and ongoing digitization. Companies that do not adapt their service business to these challenges will find it increasingly difficult to compete. Already today, 39% of the service organizations offer their customers the opportunity to find out about the order status online and another 49% plan to set up such a service within the next 12 to 24 months (by 2020).

Artificial intelligence as a growth driver

The increasing use of artificial intelligence in service is another growth driver. While the proportion of AI-based forecasts or plans for technician assignments was still 1% in 2017, growth by 2020 is estimated at 10%. According to forecasts, in 2022 around 70% of customer interaction will take place through the incorporation of new technologies such as artificial intelligence and voice systems. In contrast, only 30% of FSM providers will be able to offer AI-based service solutions via their platform.

FSM market development

The global FSM market volume was USD 2,042 million in 2018 and will grow to USD 4,476 million by 2023. North America with 55% and Western Europe with 24% are the largest markets for FSM solutions. The global growth is thus still above average and also offers high growth potential in the future.

2. Business Development and Situation

The 2018 financial year was characterized by personnel expansion, organizational and new product developments. In order to be able to take better account of current and future market requirements, new organizational units (marketing and sales support) were created and existing ones, such as support, product development and quality assurance, were further expanded. In addition, the basis for the development and sale of new products was created, the market launch of which is planned for 2020.

The implementation of the measures listed is based on strategic planning, the goals of which were fully achieved in 2018.

3. Net assets, financial position and results of operations: presentation, analysis, assessment

a. earnings situation

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	fiscal year	Previous year	change	
	€	€	€	%
Significant sources of income				
overall performance	10,662,502	10,438,683	+223.819	+2.1
personnel expenses	5.201.211	4,617,838	+583.373	+12.6
depreciation	136,074	106,819	+29.255	+27.4
Other operating expenses	1,571,499	1,271,693	+299.805	+23.6
Earnings before profit transfer	3,853,976	4,477,950	-623,974	-13.9
net income	0	0	0	0.0

Due to the change in business model from on-premise to on-demand solutions, which had been initiated since 2010, declines in revenue in the on-premise business (license and support revenue) had to be compensated for by increases in revenue in the on-demand (subscription) business in the 2018 reporting year. Despite growth in the on-demand business, overall performance [sales revenue + inventory changes] only increased by 2.1% compared to the previous year.

Personnel costs increased by T€ 583 or 12.6% to T€ 5,201 compared to the previous year. This increase resulted in particular from the recruitment of a further 8 employees (+15%) and a further managing director (CIOO) for innovations and new product development. The average number of employees in 2018 was 62 employees (excluding management). For 2019, we expect personnel costs to be at a comparable level, despite further planned new hires. The expiry of a limited bonus program has had a cost-reducing effect here, which compensates for the planned increase in costs.

Depreciation increased by €29k in the fiscal year compared to the previous year.

Other operating expenses increased in the financial year by €300k or 23.6% to €1,571k. This increase resulted primarily from the increased expenses for research and development and the associated costs for third-party work.

Earnings before profit transfer fell by -13.9% to €3,854 thousand due to increased personnel costs and other expenses for the modernization and sustainability of the software solutions.

The profit is transferred in full to the parent company on the basis of the control and profit transfer agreement concluded between the parent company GMS Holding GmbH, Paderborn, and GMS Development on June 10, 2016 and entered in the commercial register in the

same year. There is also an income tax group between the two companies, so that the company does not report any corporation or trade tax.

b. financial position

The financial situation is assessed as very good.

The positive cash flow from current business activities amounts to T€ 4,388 in the financial year. The negative cash flow from investing activities amounts to €109k and results entirely from investments in property, plant and equipment. The negative cash flow from financing activities results primarily from payments to the parent company in connection with the profit and loss transfer agreement.

The investments planned for the next financial year can be financed from the current cash flow. In addition, there is currently no need for financing.

Funds at the end of the period increased by a total of €1,891k compared to the end of the previous period. It should be noted here that a fixed-term deposit with an insurance company is reported under other assets, but is allocated to cash and cash equivalents.

c. financial position

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	fiscal year	Previous year	change	
	€	€	€	%
Significant balance sheet items ASSETS				
Capital assets				
Intangible VG	7,353	9,262	-1,909	-20.6
Property, plant and equipment	398,807	423,945	-25,139	-5.9
financial assets	21,995	20,395	+1,600	+7.8
current assets				
Stocks	5,000	62,000	-57,000	-91.9
Current Assets	2,071,954	1,683,376	+388,578	+23.1
(of which: receivables L+L)	1,163,466	1,457,842	-294,376	-20.2
Shares in affiliated companies	247,798	578,196	-330,398	-57.1
liquid funds	5,495,821	4,105,191	+1,390,629	+33.9
prepaid expenses	90,168	47,862	+42,306	+88.4
total assets	8,338,896	6,930,226	+1,408,669	+20.3
LIABILITIES				
Equity capital	3,577,330	3,577,330	+0	+0.0
accruals	971,300	1,082,450	-111,150	-10.3
Liabilities to banks/ Advance payments received/ Liabilities L+L/ Other liabilities	3,581,194	1,906,614	+1,674,580	+87.8
prepaid expenses	209,072	363,832	-154,760	-42.5
total assets	8,338,896	6,930,226	+1,408,669	+20.3

Property, plant and equipment fell by T€ -25 or 5.9% compared to the previous year. The reason for this is the overall high level of office equipment and capacities, which means that only minor new investments were required compared to the scheduled depreciation.

Cash and cash equivalents increased by €1,391k compared to the previous year to €5,496k.

The shares in affiliated companies have changed as a result of the transfer or sale of corresponding shares to employees (increase in shares and the admission of new shareholders) of GMS ArbeiterBeteiligungs-Gesellschaft.

Trade accounts receivable decreased by €294 thousand or 20.2% from €1,458 thousand in the previous year to €1,163 thousand.

Other assets increased by €683 thousand to €908 thousand compared to the previous year. The reason for this was an investment of €500k to avoid penalty interest on bank balances and a sale of shares in GMS ArbeiterBeteiligungsGesellschaft to one of the managing directors with corresponding purchase price financing by GMS Development. Repayments of loans to employees had the opposite effect.

Equity at the end of the year under review was €3,577 thousand. Due to the existing profit transfer agreement, this is unchanged compared to the previous year. The equity ratio is thus 42.9% (previous year: 51.6%). According to Statista, the average equity ratio of medium-sized companies with more than 50 employees was 34.8% in 2018.

The liabilities to affiliated companies shown in the balance sheet result from profits that have not yet been transferred.

Other liabilities include loans to finance shares in the employee investment company.

4. Financial performance indicators

With the financial performance indicators, our focus is on the development of sales, costs and earnings, which we observe and evaluate in comparison to the industry.

For internal corporate management, we rely on weekly updated liquidity plans, monthly sales, cost and earnings calculations including planned balance sheet and cash flow, quarterly reporting on product sales and customer sales as well as forecast and business plan with target/actual comparison.

5. Overall statement

We rate our asset, financial and earnings situation as good and as above average compared to the industry.

Despite the transformation process from an on-premise (one-time license) to an on-demand (subscription) remuneration model, sales development is continuously growing.

With a result before profit transfer of € 3,854 thousand with a total performance of € 10,663 thousand, the earnings situation can also be rated as above average in comparison to the industry.

Our liabilities of €3,581k (which essentially include profits still to be transferred and a loan) include cash and cash equivalents of €5,496k (bank deposits), receivables of €1,163k and other assets of €k that are due at any time 500 vs.

GMS Development fully achieved its financial and strategic goals in 2018. Both the overall performance and the result were above plan and confirmed our forecast.

The transformation process towards a subscription-based SaaS model could be further implemented and sales for this segment increased as planned. The adjustments in the area of organization and product development necessary for the further expansion of the SaaS business also took place according to plan and will be continued in 2019.

III. forecast report

Thanks to the new developments in mobile service, scheduling/route optimization and artificial intelligence, we are able to provide our customers with state-of-the-art solutions for current and future requirements in after sales and field service.

Within the target sectors we address (medical technology, household appliances, air conditioning and heating technology, equipment and plant construction, energy technology and automotive), we cover between 80% and 95% of the company-specific requirements of a service organization with standard functions and their configuration. This results in a number of decisive competitive advantages for our customers: Security, being able to achieve the advantages associated with the introduction of a new FSM solution within a short time (ROI), short implementation and introduction times (usually

The solutions of GMS Development are highly scalable and internationalizable. Service1 is currently used in more than 60 countries and by organizations with several thousand users worldwide.

Our range of solutions and services corresponds to the current market requirements and anticipates future technological as well as market and competitive changes through continuous further developments.

We therefore believe that GMS Development is well positioned and equipped for further growth with regard to the new product launches planned for 2020.

Overall, we consider the planned sales and earnings expectations (business plan and forecast) for the 2019 financial year to be realistic and secure. Due to the ongoing transformation from an "on premise" to an "on demand" business model, we expect a shift in the area of license and support income and an overall constant level of sales for the next year. For the years from 2020 we are aiming for sustainable sales increases. Due to the investments in the future viability of the company presented, we expect a lower annual result for the 2019 financial year compared to the current financial year.

IV. Opportunity and risk report

Risks from operational activities

The projects handled by GMS Development in the reporting period were carried out as planned (on time and on budget). Resource bottlenecks were compensated for by additional work and the use of external experts. Due to the new hires made in 2018, we assume that we will have sufficient resources for the project business, new product development, quality assurance and support in 2019.

The support was further improved by expanding our monitoring and, despite the growing number of systems and users, we were able to guarantee the performance and availability of the systems at a high level (> 99%). The processes and tools for ticket management, which we use to ensure compliance with SLAs, have also been improved.

GMS Development is certified according to DIN EN ISO 9001 / ISO 27001 and carries out regular management reviews (quality policy, risk management and opportunities, process and product quality, internal and external GDPR audits, improvement opportunities, resource planning and management, customer satisfaction, innovations and emergency plans), which are checked annually by an external auditor. Sales for the SaaS business is still under construction. A pipeline with high potential for future projects could be generated here, the realization of which depends on customer decisions made within the next 12 to 24 months.

In general, companies like GMS Development are exposed to the usual market risks (in the areas of personnel and customers, technology, competition and market changes), which we counteract with various measures.

The loss of highly qualified key personnel represents a fundamental risk, which we try to counter by appropriate competence sharing, regular exchange of information and, where economically possible or necessary, by double staffing and/or deputy regulations. We offer our staff interesting tasks and a team-oriented work environment in modern offices, internal and external further training as well as social benefits and a company participation for executives and management trainees.

Our customers usually have long-term contracts and are continuously looked after by our support as well as regular software updates and our success management. Changes in provider at short notice are not to be expected due to the complexity and the impact on our customers' service business. From a financial point of view, most of our customers are among the market leaders in their industries and have a corresponding credit rating.

Technologically, we develop and operate our software solutions on the platforms of the world market leaders, which offer the highest level of operational and data security and also guarantee future viability and competitiveness through continuous innovations and further developments.

Legal Risks

All recognizable (contractual or other legal) risks are weighed up on an ongoing basis and have been incorporated into this report and/or our corporate planning (management assessment, strategy plan, business plan, forecast and roadmap). The management assesses the risks as manageable and assumes that they will not have any recognizable negative effects on the development of the company.

There are no risks from pending and/or anticipated legal disputes.

opportunities

With its broad and very powerful product portfolio (all-in-one), GMS Development has the option of being able to implement customer-specific FSM solutions within a very short time. In addition, the know-how and project experience of our experts contributes to being able to implement our customers' processes comprehensively, consistently and highly integrated and thus to sustainably improve service performance. We offer our customers an all-round range of services, from consulting and conception to implementation and dedicated life-cycle support with an operating concept, monitoring and success management for the entire period of use.

The range of services, which is unique in this way, offers a number of competitive advantages, especially for the SaaS business and the associated customer expectations.

The ongoing internationalization and/or digitization of many companies and the associated need for flexible and quickly scalable FSM solutions (SaaS) ensure continued above-average market growth.

assessment

Against the background of the situation described in this report and the market growth forecast for the next few years, the management expects the company to continue to develop positively. There are currently no apparent risks that could jeopardize the existence of the company.

V. Risk reporting on the use of financial instruments

The company is solidly financed and has always been able to meet its financial obligations in the past without having to take out any loans. Likewise, the receivables from our customers have always been settled in the past and have never exceeded the value adjustments planned by us as a precaution.

From our point of view, our liquidity and financial planning fulfills the necessary planning, management and control functions in full.

Paderborn, February 28th, 2020

Bernhard Hildebrandt, CEO

Norbert Armbruster, COO

balance sheet

assets

	12/31/2018	12/31/2017
	EUR	EUR
A. Fixed assets	428,154.02	453,601.52
I. Intangible assets	7,353.00	9,262.00
1. other intangible assets	7,353.00	9,262.00
II. Tangible assets	398,806.50	423,945.00
1. Other facilities, factory and office equipment	398,806.50	423,945.00
III. financial assets	21,994.52	20,394.52
1. other financial assets	21,994.52	20,394.52
B. Current Assets	7,820,573.09	6,428,762.93
I. Inventories	5,000.00	62,000.00
II. Receivables and other assets	2,071,954.13	1,683,375.89
1. other assets	2,071,954.13	1,683,375.89
thereof with a remaining term of more than one year	500,214.74	0.00
III. securities	247,798.10	578,195.60
1. other securities	247,798.10	578,195.60
IV. Cash on hand, Bundesbank balances, bank balances and checks	5,495,820.86	4,105,191.44
C. Prepaid expenses	90,168.39	47,861.92
Total assets, total assets	8,338,895.50	6,930,226.37

liabilities

	12/31/2018	12/31/2017
	EUR	EUR
A. Equity	3,577,330.10	3,577,330.10
I. Drawn capital	26,000.00	26,000.00
II. Retained Earnings	247,798.10	578,195.60
III. retained profit	3,303,532.00	2,973,134.50
B. Provisions	971,300.00	1,082,450.00
C. Liabilities	3,581,193.67	1,906,614.07
1. Liabilities to affiliated companies	2,353,975.89	677,949.59
thereof with a remaining term of up to one year	2,353,975.89	677,949.59
2. other liabilities	1,227,217.78	1,228,664.48
thereof with a remaining term of up to one year	1,227,217.78	1,228,664.48
D. Accruals and Accruals	209,071.73	363,832.20
Balance sheet total, total liabilities	8,338,895.50	6,930,226.37

Profit and Loss Account

	12/31/2018	12/31/2017
	EUR	EUR

	1/1/2018 - 12/31/2018 EUR	1/1/2017 - 12/31/2017 EUR
1. Raw Score	10,743,147.21	10,469,762.09
2. Personnel expenses	5,107,921.67	4,524,624.83
a) Wages and salaries	4,474,316.17	3,914,300.86
b) social security contributions and expenses for pensions and for assistance	633,605.50	610,323.97
3. Depreciation	136,074.08	106,818.71
a) Depreciation of intangible assets and property, plant and equipment	136,074.08	106,818.71
4. other operating expenses	1,664,788.42	1,355,325.49
of which expenses from currency translation	14.55	36.90
5. Income from other securities and loans classified as financial assets	17,489.72	0.00
thereof from affiliated companies	17,489.72	0.00
6. other interest and similar income	14,992.68	11,151.23
7. Interest and Similar Expenses	11,059.98	14,064.83
8. Income Taxes	81.57	13.87
9. Earnings after tax	3,855,703.89	4,480,065.59
10. other taxes	1,728.00	2,116.00
11. Profits transferred on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement	3,853,975.89	4,477,949.59
12. Net Income/Loss	0.00	0.00

Appropriation of earnings

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	1/1/2018 - 12/31/2018 EUR	1/1/2017 - 12/31/2017 EUR
12. Net Income/Loss	0.00	0.00
13. Withdrawals from retained earnings	330,397.50	0.00
a) from other revenue reserves	330,397.50	0.00
14. Allocations to retained earnings	0.00	208,392.42
a) to other revenue reserves	0.00	208,392.42
15. Profit carried forward to new account (unless a public limited company)	-2,973,134.50	-3,181,526.92
16. Retained Earnings	3,303,532.00	2,973,134.50

Notes to the annual accounts

GMS Development - Society for Software Development Ltd., An der Talle 89, 33102 Paderborn

General Information

The company is registered in the commercial register of the district court of Paderborn under number HRB 1422 as GMS Development - Gesellschaft für Software - Entwicklung mbH.

The annual financial statements of GMS Development - Gesellschaft für Software-Entwicklung mbH were prepared on the basis of the accounting and valuation regulations of the German Commercial Code, as well as the supplementary provisions of the GmbHG and the articles of association.

Details that can be made either in the balance sheet, in the profit and loss account or in the appendix are listed in their entirety in the appendix.

The nature of expense method was chosen for the income statement.

According to the size classes specified in § 267 HGB, the company is a medium-sized corporation. These annual financial statements were prepared in accordance with the regulations for medium-sized corporations. The accounting and valuation methods were retained unchanged compared to the previous year, unless new findings required a different valuation.

Accounting and valuation principles as well as information on the balance sheet and income statement

The order in which the accounting and valuation principles are presented follows the statutory classification scheme.

Intangible assets are acquired for a fee, capitalized at cost and amortized on a straight-line basis.

Property, plant and equipment were valued at acquisition or production cost and, where depreciable, reduced by scheduled depreciation.

Depreciation was carried out on a straight-line basis according to the expected useful life of the assets, pro rata temporis in the year of

acquisition.

Low-value assets with an individual acquisition value of up to €800.00 were written off in full.

Low-value assets with an individual acquisition value of up to €1,000.00 from previous years were depreciated on a straight-line basis over 5 years.

Loans and cooperative shares were recognized at acquisition cost.

Work in progress was valued without losses at the costs incurred up to the balance sheet date.

Trade receivables were valued taking into account all identifiable risks.

The remaining receivables and other assets are stated at their nominal value or the lower applicable value.

The remaining term of receivables and other assets is less than one year.

The securities were accounted for at acquisition cost.

Cash and cash equivalents were stated at nominal values.

Accruals and deferrals were recognized pro rata temporis at face value.

Equity was accounted for at nominal value.

The other provisions were created for all contingent liabilities.

All recognizable risks were taken into account with the settlement amount.

The other provisions essentially relate to:

Bonus and premium payments to employees T€ 520, vacation not taken by employees T€ 250, anniversary provision T€ 70, flat-rate warranties T€ 51, services still to be provided T€ 45, consulting and audit costs T€ 30, as well as remaining €5k, disclosures in accordance with **Section 285 No. 12**

Liabilities were recognized at the settlement amount.

The remaining term of the liabilities of up to one year is €3,581,193.67.

Liabilities to shareholders amount to €2,353,975.89.

Social security liabilities amount to €51,632.07.

Tax liabilities amount to €115,574.33.

Other Information

§ 251 and 268 No. 7 - Contingent liabilities: Guarantee to GMS Holding GmbH for loans in the amount of 7.5 million. These loans are to be repaid through profit transfers by GMS Development GmbH. Due to the positive earnings situation, the company assumes that no utilization is to be expected.

The bank accounts of the company in the amount of T€ 5,495 are pledged to the financing banks of GMS Holding GmbH, and all current and future claims of the company from trade accounts receivable are assigned to the financing banks.

§ 285 No. 3 - other financial obligations Obligations from rental, leasing and service contracts € 742 thousand

Section 285 No. 7 - The company employed an average of 62 people.

§ 285 No. 9 - total remuneration of the management T€ 990

§ 285 No. 10 - Members of the Management

Managing directors in the financial year were:

Mr. Dipl.-Kfm. Bernhard Hildebrandt, Paderborn

Mr. Dipl.-Ing. Norbert Armbruster, Paderborn

Mr. Frank Duscheck, Cologne

2. Proposal for the use of results

The profit for the financial year will be transferred to the controlling company, GMS Holding GmbH, Paderborn, on the basis of the control and profit transfer agreement concluded on June 10, 2016.

Paderborn, February 28th, 2020

Bernhard Hildebrandt, Managing Director

Norbert Armbruster, Managing Director

fixed asset schedule

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	acquisition cost			
	01/01/2018	Additions	departures	12/31/2018
	€	€	€	€
A. Fixed assets				
I. Intangible assets				
1. purchased concessions, industrial property rights and similar rights and values, as well as licenses to such rights and values	28,177.43	0.00	0.00	28,177.43
Total intangible VG	28,177.43	0.00	0.00	28,177.43
II. Tangible assets				
1. Other facilities, factory and office equipment	832,487.80	109,331.51	-114,026.59	827,792.72
Total tangible assets	832,487.80	109,331.51	-114,026.59	827,792.72
III. financial assets				
1. other loans	20,394.52	1,600.00	0.00	21,994.52
total financial assets	20,394.52	1,600.00	0.00	21,994.52

	acquisition cost			12/31/2018
	01/01/2018	Additions	departures	
	€	€	€	€
total fixed assets	881,059.75	110,931.51	-114,026.59	877,964.67

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	depreciation			book value	
	01/01/2018	Additions	departures	12/31/2018	12/31/2017
	€	€	€	€	€
A. Fixed assets					
I. Intangible assets					
1. purchased concessions, industrial property rights and similar rights and values, as well as licenses to such rights and values	18,915.43	1,909.00	0.00	20,824.43	9,262.00
Total intangible VG	18,915.43	1,909.00	0.00	20,824.43	9,262.00
II. Tangible assets					
1. other equipment, operating and stationery	408,542.80	134,165.08	-113,721.59	428,986.29	423,945.00
Total tangible assets	408,542.80	134,165.08	-113,721.59	428,986.29	423,945.00
III. financial assets					
1. other loans	0.00	0.00	0.00	0.00	20,394.52
total financial assets	0.00	0.00	0.00	0.00	20,394.52
total fixed assets	427,458.23	136,074.08	-113,721.59	449,810.72	453,601.52

other report components

Information on the determination:

The annual financial statements were approved on March 23, 2020.

INDEPENDENT AUDITOR'S REPORT

To GMS Development - Society for Software Development Ltd., Paderborn
audit opinions

We have the annual financial statements of GMS Development - Gesellschaft für Software-Entwicklung mbH, Paderborn, - consisting of the balance sheet as of December 31, 2018 and the income statement for the financial year from January 1, 2018 to December 31, 2018 as well as the appendix, including the presentation of the accounting and valuation methods. In addition, we have audited the management report of GMS Development - Gesellschaft für Software-Entwicklung mbH, Paderborn, for the fiscal year from January 1, 2018 to December 31, 2018.

According to our assessment based on the knowledge gained during the audit

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The attached annual financial statements correspond in all material respects to the German commercial law regulations applicable to corporations and, in compliance with the German principles of proper accounting, convey a true and fair view of the assets and financial position of the company as of December 31, 2018 and its earnings position for the financial year from January 1, 2018 to December 31, 2018 and

the attached management report as a whole provides an accurate picture of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with § 322 Para. 3 Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis for the test results

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 of the German Commercial Code, taking into account the German generally accepted auditing principles established by the Institute of Public Auditors in Germany (IDW). Our responsibility under those regulations and standards is further described in the "Auditor's responsibility for the audit of the financial statements and management report" section of our auditor's report. We are independent of the company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

Responsibility of the legal representatives for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the German commercial law provisions applicable to corporations in all material respects, and for the fact that the annual financial statements, in compliance with

the German principles of proper accounting, give a true and fair view of the assets, financial - and results of operations of the company. Furthermore, the legal representatives are responsible for the internal controls which they have determined to be necessary in accordance with the German principles of proper accounting in order to enable the preparation of annual financial statements, In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

In addition, the legal representatives are responsible for preparing the management report, which as a whole provides a suitable view of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development . Furthermore, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions and to be able to provide sufficient suitable evidence for the statements in the management report .

Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material - intentional or unintentional - misstatements and whether the management report as a whole provides a suitable view of the company's position and, in all material respects, with the annual financial statements and with the is consistent with the knowledge gained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report which contains our audit opinions on the annual financial statements and on the management report.

Adequate assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with § 317 HGB, taking into account the German principles of proper annual auditing established by the Institute of Public Accountants (IDW), will always uncover a material misstatement. Misstatements may 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 made on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

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We identify and assess the risks of material - intentional or unintentional - misstatements in the annual financial statements and in the management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is greater than that arising from error, as fraud involves collusion, forgery, intentional omissions, misrepresentations or

We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit procedures that are appropriate in the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these systems of society.

We evaluate the appropriateness of the accounting methods used by the legal representatives and the justifiability of the estimated values presented by the legal representatives and the related disclosures.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that cast significant doubt on the Company's ability to continue as a going concern can raise. If we conclude that there is a material uncertainty, we are required to draw attention to the related disclosures in the financial statements and management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We base our conclusions on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

We evaluate the overall presentation, the structure and the content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements, in compliance with the German principles of proper accounting, give a true and fair view of the assets, financial and earnings situation of the company.

We assess the consistency of the management report with the annual financial statements, its compliance with the law and the view it conveys of the company's situation.

we perform audit procedures on the future-oriented information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not provide a separate audit opinion on the future-oriented information and the underlying assumptions. There is a significant unavoidable risk

We discuss with those charged with governance, among other things, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Dusseldorf, February 28, 2020

NHS GmbH
accounting firm

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