

# Intec Telecom Systems Denmark A/S

c/o TMF Denmark A/S, Bredgade 6, 1., 1260 Copenhagen K

CVR no. 15 99 09 88



## Annual report 2016

Approved at the Company's annual general meeting on 30 May 2017

Chairman:



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## Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Intec Telecom Systems Denmark A/S for the financial year 1 January 2016 - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January 2016 - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 30 May 2017  
Executive Board:



Darren Parkinson

Board of Directors:

Fiona Mary O'Connor  
Chairman

David Neil Schaaf



Darren Parkinson



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Copenhagen, 30 May 2017  
Executive Board:

Darren Parkinson

Board of Directors:

Fiona Mary O'Connor  
Chairman



David Neil Schaaf



Darren Parkinson

## Independent auditors' report on the compilation of financial statements

### To the general management of Intec Telecom Systems Denmark A/S

We have compiled the financial statements of Intec Telecom Systems Denmark A/S for the financial year 1 January - 31 December 2016 based on the Company's bookkeeping and other information you have provided.

The financial statements comprise income statement, balance sheet and notes, including accounting policies.

We performed this compilation engagement in accordance with ISRS 4410 *Compilation engagements*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the financial statements in accordance with the Danish Financial Statements Act. We have complied with relevant ethical requirements in the Danish on Auditors Act and FSR - Danish Auditors' Code of Ethics, including principles of integrity, objectivity, professional competence and due care.

The financial statements and the accuracy and completeness of the information used to compile the financial statements are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether the financial statements are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 30 May 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 78



Claus Tanggaard Jacobsen  
State Authorised  
Public Accountant



## Management' review

### Company details

Name	Intec Telecom Systems Denmark A/S
Address, zip code, city	c/o TMF Denmark A/S, Bredgade 6, 1., 1260 Copenhagen K
CVR no.	15 99 09 88
Established	1 February 1992
Registered office	Copenhagen
Financial year	1 January - 31 December
Executive Board	Fiona Mary O'Connor David Neil Schaaf Darren Alexander Parkinson
Auditors	Ernst & Young, Godkendt Revisionspartnerselskab Osvold Helmuhs Vej 4, 2000 Frederiksberg, Denmark

## **Management' review**

### **Principal activities of the Company**

The main activity of the Intec Denmark Group in the past was the sale of license rights for billing software and related consultancy services. The Group's activities have ceased, and all entities within the Group are non-trading with minimal levels of administration overheads.

Intec Denmark is primarily an investment holding company.

### **Development in activities and financial matters**

Through 2016, the activity level of the Company has been in line with the expectations of management.

The Company's income statement for the period shows a net profit of DKK 7,195 thousand and the balance sheet shows a negative equity of DKK 175,663 thousand.

### **Foreign activities**

The Company has two remaining subsidiaries, both of which are non-trading. The process to liquidate the subsidiary in Singapore has commenced. The Company will continue with the exercise to simplify the Group structure in 2017.

### **Capital resources**

It is the intention of the Parent to run the Company with only a small level of trading activity until all subsidiaries have either been closed or merged into other Group companies.

We refer to Note 2 of the financial statements, in which the capital resources are outlined.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date that would have influenced the evaluation of this annual report.



## Financial statements 1 January 2016 - 31 December 2016

### Income statement

Note	DKK'000	2016	2015
	<b>Gross profit</b>	113	930
	Research and development costs	0	-622
	Administrative expenses	-41	-176
	<b>Profit/loss before net financials</b>	72	132
	Results from subsidiaries	10,308	-42
	Financial income	0	87
	Financial expenses	-3,185	-145
	<b>Profit/loss before tax</b>	7,195	32
	Tax for the year	0	-35
	<b>Profit/loss for the year</b>	7,195	-3
	<b>Recommended appropriation of profit/loss</b>		
	Transferred to reserves under equity	7,195	-3
		7,195	-3



## Financial statements for the period 1 January 2016 - 31 December 2016

### Balance sheet

Note	DKK'000	2016	2015
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
	<b>Financial assets</b>		
3	Investments in subsidiaries	720	0
		<u>720</u>	<u>0</u>
	<b>Total fixed assets</b>	<u>720</u>	<u>0</u>
	<b>Non-fixed assets</b>		
	<b>Receivables</b>		
	Income tax receivable	84	0
	Receivables from subsidiaries	4	6
	Other receivables	44	0
		<u>132</u>	<u>6</u>
	<b>Cash</b>	<u>46</u>	<u>152</u>
	<b>Total non-fixed assets</b>	<u>178</u>	<u>158</u>
	<b>TOTAL ASSETS</b>	<u><u>898</u></u>	<u><u>158</u></u>

## Financial statements for the period 1 January 2016 - 31 December 2016

### Balance sheet

Note	DKK'000	2016	2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
4	Share capital	14,585	14,585
	Retained earnings	-190,248	-200,578
	<b>Total equity</b>	<b>-175,663</b>	<b>-185,993</b>
	<b>Provisions</b>		
	Provisions for investments in group entities	1,357	10,814
	<b>Total provisions</b>	<b>1,357</b>	<b>10,814</b>
	<b>Liabilities</b>		
5	<b>Non-current liabilities other than provisions</b>		
	Subordinate loan capital	172,806	172,806
		<b>172,806</b>	<b>172,806</b>
	<b>Current liabilities other than provisions</b>		
	Payables to group entities	2,338	1,272
	Income taxes	0	941
	Other payables	60	318
		<b>2,398</b>	<b>2,531</b>
	<b>Total liabilities</b>	<b>175,204</b>	<b>175,337</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>898</b>	<b>158</b>

- 1 Accounting policies
- 2 Capital resources
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties



## Financial statements 1 January 2016 - 31 December 2016

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
<b>Equity at 1 January 2016</b>	14,585	-200,578	-185,993
Currency transaction adjustments related to investments	0	709	709
Currency transaction adjustments related to loans	0	2,329	2,329
Tax on equity adjustments	0	97	97
Transfer, see "Recommended appropriation of profit/loss"	0	7,195	7,195
<b>Equity at 31 December 2016</b>	<b>14,585</b>	<b>-190,248</b>	<b>-175,663</b>

## Financial statements 1 January 2016 - 31 December 2016

### Notes

#### 1 Accounting policies

The annual report of Intec Telecom Systems Denmark A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. The new act have no impact on the financial statement. The accounting policies are consistent with those of last year.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Foreign exchange adjustments of balances with separate foreign subsidiaries which are considered part of the total investment in the subsidiary are taken directly to equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates.

Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

#### Income statement

##### Revenue

With effect from 1 January 2013 the company agreed to act as an agent of another group company based in the UK. Under this agreement, the company is now an agent for the group company and all customer revenue is passed in full to the group company. The group company is responsible for all risk associated with revenue and the underlying contracts.

The group company also agreed to reimburse all costs of the company plus an appropriate mark-up.

##### Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment. This category also includes gains and losses on disposal of capital assets.

## Financial statements 1 January 2016 - 31 December 2016

### Notes

#### 1 Accounting policies (continued)

##### Gross profit or loss

Gross profit or loss comprises revenue and other operating income.

##### Research and development costs

Research and development costs primarily comprise salaries incurred for research and development.

##### Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses for intangible assets and property, plant and equipment used for administration of the Entity.

##### Results from subsidiaries

Results from subsidiaries comprises the pro rata share of the individual subsidiaries' profit/loss after full elimination of internal profits or losses.

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### Tax for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The parent company is the management company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax charge is allocated between the jointly taxed enterprises in proportion to their taxable income.

Enterprises with tax losses receive joint taxation contributions from enterprises that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current corporation tax, joint taxation contributions for the year and changes in deferred tax for the year - including changes resulting from changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

## Financial statements 1 January 2016 - 31 December 2016

### Notes

#### 1 Accounting policies (continued)

##### Balance sheet

###### Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down in so far as the amount receivable is considered irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity where the carrying amount exceeds cost.

###### Receivables

Receivables are measured at amortised cost.

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

###### Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years. Prepayments are measured at cost.

###### Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent is liable for the subsidiaries' income taxes vis-à-vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivables are recognised in the balance sheet as income tax receivable or payable.



## Financial statements 1 January 2016 - 31 December 2016

### Notes

#### 1 Accounting policies (continued)

##### Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.



## Financial statements 1 January 2016 - 31 December 2016

### Notes

#### 2 Capital resources

In recent years the Company has had negative earnings. The Company therefore has a negative equity of DKK -175,663 thousand. During the year, the Parent has provided the required financial support for the Company.

To ensure that the Company has sufficient cash for continuing operations in the foreseeable future, Management has received a "Letter of Support" from the Parent that will provide the required financial liquidity as requirements arise.

Based on the "Letter of Support" and that the required cash will be provided as the need occurs. Management has prepared the financial statements on the going concern assumption. It is management's opinion that the Company will have sufficient cash to continue as a going concern in the foreseeable future at least until 30 May 2018.

#### 3 Investments in subsidiaries

Key figures for the Company's subsidiary at 31 December 2016:

Name and registered office (DKK'000)	Ownership interest	Equity	Profit/loss for the year
Digiquant Inc., USA	100,0%	-120,322	57
Intec Singapore Pte Ltd.	100,0%	720	9,878

#### 4 Share capital

DKK'000	2016	2015
The share capital comprises:		
Class A shares, 214,205,863 of DKK 0,05 nominal value each	10,710	10,710
Class D shares, 77,507,677 of DKK 0,05 nominal value each	3,875	3,875
	<u>14,585</u>	<u>14,585</u>

There has been no changes in the share capital over the past five years.

In the event of a liquidation or the change of ownership of the Company, the class D-shares have a preference and will rank ahead of the class A-shares. Beside this there are no differences between the share classes.

#### 5 Non-current liabilities other than provisions

	Total liabilities at 31/12 2016	Repayment, next year	Non-current portion	Outstanding debt after 5 years
Subordinate loan capital	<u>172,806</u>	<u>0</u>	<u>172,806</u>	<u>172,806</u>
	<u>172,806</u>	<u>0</u>	<u>172,806</u>	<u>172,806</u>

**6 Contractual obligations and contingencies, etc.**

The Company is jointly taxed with a sistercompany, Volubill Danmark ApS. As management company, the Company has joint and several unlimited liability with Volubill Danmark ApS for payment of Danish income taxes. The jointly taxed entities' known net income tax liability totals DKK 0 thousand at 31 December 2016. Any subsequent corrections of the joint taxation income may entail that the Company's liability will increase.

**7 Related parties**

Intec Telecom Systems Denmark A/S' related parties comprise the following:

**Parties exercising control**

Independent Technology Systems Ltd., Wells Court, Albert Drive, Woking, Surrey, UK, which controls the Company.

**Ownership**

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Independent Technology Systems Ltd.  
Wells Court  
Albert Drive  
Woking  
Surrey  
UK

CSG Systems International Inc. (Ultimate parent company)  
9555 Maroon Circle  
Englewood  
USA

The consolidated financial statements of CSG Systems International Inc. are available at the Company's address or on the Company's website [www.csgi.com](http://www.csgi.com).