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Safecom A/S
Høffdingsvej 34
2500 Valby
Central Business Registration No
26786878

Annual report 2016

The Annual General Meeting adopted the annual report on 14.08.2017

Chairman of the General Meeting

Name: Caroline Curtis

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Entity details

Entity

Safecom A/S
Høffdingsvej 34
2500 Valby

Central Business Registration No: 26786878

Registered in: København

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Caroline Curtis, Chairman
George David Carroll
Adam Bruce Bowden II

Executive Board

Ruth Stuart, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Safecom A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Dublin, 14.08.2017

Executive Board

Ruth Stuart
Chief Executive Officer

Board of Directors

Caroline Curtis
Chairman

George David Carroll

Adam Bruce Bowden II

Independent auditor's reports

To the shareholders of Safecom A/S

Report on extended review of the financial statements

We have performed an extended review of the financial statements of Safecom A/S for the financial year 01.01.2016 - 31.12.2016. The financial statements, which comprise the income statement, balance sheet, statement of changes in equity, notes and accounting policies, are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Violation of the Danish Financial Statements Act's provisions on submission of the annual report

The company has submitted the annual report for the period 1 January to 31 December 2016 too late in relation to the provisions of section 138 of the Danish Financial Statements Act, whereby management can assume responsibility.

Independent auditor's reports

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 14.08.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Sten Peters
State Authorised Public Accountant

Management commentary

Primary activities

Safecom is providing services for the Nuance Communications group of companies and as a result it receives a corresponding agreed compensation via cost plus agreements. These services, which support the Professional Sales and Marketing along with the Research and Development within the Nuance Communications group, involve the imaging and related business solutions.

A royalty agreement was also put in place at 1 July, 2013 based on the Safecom product sales by the Nuance Communications group.

Development in activities and finances

The profit for the year amounts to 7,460k against a profit of DKK 4,242k in 2015. The profit for the year is considered satisfactory.

Outlook

SafeCom A/S (The company) receives a guaranteed income for all services provided to the Nuance Communications group companies (the Group).

The company is dependent on the economic success of the Group which is exposed to various market and economic risks. There are significant uncertainties faced by the Group due to the highly competitive nature of the market and the pricing of similar products that our competitors sell in our targeted markets.

The company provides its services exclusively to other Nuance Communications Group companies. Risks for the future development are primarily due to necessary adaptations within the Group as a result of the increasing competitive pressure and evolving industry standards on the Nuance Group. The expansion of the business activities by creating and developing new markets by the Group is therefore of considerable importance for the economic situation of the company.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Gross profit		16.769.723	15.408.912
Staff costs	1	-5.897.325	-9.228.365
Depreciation, amortisation and impairment losses	2	-232.692	-126.631
Operating profit/loss		10.639.706	6.053.916
Income from investments in group enterprises		-889.950	-499.980
Other financial income	3	39.461	46.780
Other financial expenses	4	25.248	-101.462
Profit/loss before tax		9.814.465	5.499.254
Tax on profit/loss for the year	5	-2.354.168	-1.257.603
Profit/loss for the year		7.460.297	4.241.651
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		-2.914.893	-499.980
Retained earnings		10.375.190	4.741.631
		7.460.297	4.241.651

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Other fixtures and fittings, tools and equipment		6.154	238.846
Property, plant and equipment	6	6.154	238.846
Investments in group enterprises		0	889.950
Deposits		296.422	251.422
Fixed asset investments	7	296.422	1.141.372
Fixed assets		302.576	1.380.218
Receivables from group enterprises		51.275.438	36.658.404
Deferred tax		87.344	106.607
Other receivables		65.648	392.117
Receivables		51.428.430	37.157.128
Cash		11.676.083	17.804.470
Current assets		63.104.513	54.961.598
Assets		63.407.089	56.341.816

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	8	1.000.000	1.000.000
Reserve for net revaluation according to the equity method		0	2.914.893
Retained earnings		<u>57.809.905</u>	<u>47.434.715</u>
Equity		<u>58.809.905</u>	<u>51.349.608</u>
Bank loans		0	575.324
Income tax payable		3.713.060	1.958.150
Other payables		<u>884.124</u>	<u>2.458.734</u>
Current liabilities other than provisions		<u>4.597.184</u>	<u>4.992.208</u>
Liabilities other than provisions		<u>4.597.184</u>	<u>4.992.208</u>
Equity and liabilities		<u>63.407.089</u>	<u>56.341.816</u>
Unrecognised rental and lease commitments	9		

Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	2.914.893	47.434.715	51.349.608
Profit/loss for the year	0	-2.914.893	10.375.190	7.460.297
Equity end of year	1.000.000	0	57.809.905	58.809.905

Notes

	2016	2015
	DKK	DKK
1. Staff costs		
Wages and salaries	5.738.739	8.698.105
Pension costs	187.460	229.040
Other social security costs	-28.874	71.264
Other staff costs	0	229.956
	5.897.325	9.228.365
Average number of employees	6	9

Special incentive programmes

Following the acquisition of the Company by Equitrac Inc a number of the Company's employees were able to participate in equity incentive schemes operated by the ultimate parent company, Nuance Communications Inc. Details of the schemes are set out below:

Restricted Awards

Nuance is authorised to issue equity incentive awards in the form of Restricted Awards, including Restricted Units. Restricted Awards which have not vested may not be sold transferred or assigned. The fair value of the Restricted Awards is measured based upon the market price of the underlying common stock as of the date of grant, reduced by the purchase price of \$0.001 per share of the awards. The Restricted Awards generally are subject to a vesting period of two to four years. Nuance also issues certain Restricted Awards with vesting solely dependent on the achievement of specified performance targets. The fair value of the Restricted Awards is amortised to expense over the awards' applicable requisite service periods using the straight-line method. In the event that the employees' employment with the Company terminates, or in the case of awards with only performance goals, if those goals are not met, any shares not vested are forfeited and revert to Nuance.

	2016	2015
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	232.692	587.128
Profit/loss from sale of intangible assets and property, plant and equipment	0	-460.497
	232.692	126.631

Notes

	2016	2015
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	39.461	0
Exchange rate adjustments	0	46.780
	39.461	46.780

	2016	2015
	DKK	DKK
4. Other financial expenses		
Interest expenses	-51.781	101.462
Exchange rate adjustments	26.533	0
	-25.248	101.462

	2016	2015
	DKK	DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	2.334.904	650.269
Change in deferred tax for the year	19.264	607.334
	2.354.168	1.257.603

	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment	
Cost beginning of year	2.049.599
Cost end of year	2.049.599
Depreciation and impairment losses beginning of the year	-1.810.753
Depreciation for the year	-232.692
Depreciation and impairment losses end of the year	-2.043.445
Carrying amount end of year	6.154

Notes

	Investments in group enterprises DKK	Deposits DKK
7. Fixed asset investments		
Cost beginning of year	201.269	251.422
Additions	0	45.000
Disposals	-201.269	0
Cost end of year	0	296.422
Revaluations beginning of year	688.681	0
Reversal regarding disposals	-688.681	0
Revaluations end of year	0	0
Carrying amount end of year	0	296.422
	Par value DKK	Nominal value DKK
	Number	
8. Contributed capital		
Ordinary shares	1.000	1.000.000
	1.000	1.000.000
	2016 DKK	2015 DKK
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	180.000	0

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Accounting policies

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax