Zen Systems A/S

Ejby Industrivej 1, 2600 Glostrup

CVR no. 26 92 01 67

Annual report 2018

Approved at the Company's annual general meeting on ~~31 May~~ 6 June 2019

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Zen Systems A/S for the financial year 1 January - 31 December 2018.

The annual report is 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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.

Glostrup, 23 May 2019
Executive Board:

Peter Stig Andersen
CEO

Board of Directors:

Jacob Kjær
Chairman

Mette Slesvig

Carsten Bryder Thejls

Independent auditor's report

To the shareholders of Zen Systems A/S

Opinion

We have audited the financial statements of Zen Systems A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities 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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based 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 continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 23 May 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed	Thomas Legarth
State Authorised Public Accountant	State Authorised Public Accountant
mne28677	mne44099

Management's review

Company details

Name	Zen Systems A/S
Address, Postal code, City	Ejby Industrivej 1, 2600 Glostrup
CVR no.	26 92 01 67
Established	16 December 2002
Registered office	Glostrup
Financial year	1 January - 31 December
Telephone	+45 70 20 87 30
Board of Directors	Jacob Kjær, Chairman Mette Slesvig Carsten Bryder Thejls
Executive Board	Peter Stig Andersen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

Zen Systems A/S offers secure high-speed network solutions and hosting services exclusively for the professional market. The Company's services include consulting, design, installation and operation of complete and secure network solutions, primarily for small and medium-sized companies in Denmark.

The Company provides solutions for a number of best-in-class companies within a number of different segments among other lawyers, accountants, advertising agencies, content hosting providers and manufacturing companies.

Financial review

In 2018, the Company's revenue amounted to DKK 33,024,542 against DKK 45,828,776 last year. The income statement for 2018 shows a profit of DKK 3,589,973 against a profit of DKK 6,335,738 last year, and the balance sheet at 31 December 2018 shows equity of DKK 19,888,931.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

Zen Systems A/S anticipates a positive financial result for 2019.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018	2017
	Revenue	33,024,542	45,828,776
	Cost of sales	-20,865,265	-25,366,002
	Other external expenses	-748,266	-1,101,541
	Gross margin	11,411,011	19,361,233
2	Staff costs	-5,316,742	-8,146,336
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-1,918,276	-3,349,534
	Profit before net financials	4,175,993	7,865,363
4	Financial income	490,944	303,223
	Financial expenses	-29,638	-34,592
	Profit before tax	4,637,299	8,133,994
5	Tax for the year	-1,047,326	-1,798,256
	Profit for the year	3,589,973	6,335,738
	Recommended appropriation of profit		
	Retained earnings	3,589,973	6,335,738
		3,589,973	6,335,738

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Acquired intangible assets	0	26,581
		0	26,581
7	**Property, plant and equipment**		
	Plant and machinery	361,209	2,128,049
	Fixtures and fittings, other plant and equipment	65,095	155,068
		426,304	2,283,117
	Investments		
	Deposits	0	358,706
		0	358,706
	Total fixed assets	426,304	2,668,404
	Non-fixed assets		
	Receivables		
	Trade receivables	4,535,751	4,207,221
	Receivables from group enterprises	16,184,699	20,696,338
	Deferred tax assets	621,943	365,234
	Other receivables	65,057	0
	Prepayments	2,679,023	2,118,717
		24,086,473	27,387,510
	Cash	8,101,679	3,931,109
	Total non-fixed assets	32,188,152	31,318,619
	TOTAL ASSETS	32,614,456	33,987,023

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	500,000	500,000
	Retained earnings	19,388,931	15,798,958
	Total equity	19,888,931	16,298,958
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	0	21,695
	Trade payables	2,727,231	4,130,121
	Payables to group enterprises	474,309	0
	Joint taxation contribution payable	1,289,552	2,254,527
	Other payables	1,168,480	4,120,032
	Deferred income	7,065,953	7,161,690
		12,725,525	17,688,065
	Total liabilities other than provisions	12,725,525	17,688,065
	TOTAL EQUITY AND LIABILITIES	32,614,456	33,987,023

1 Accounting policies
9 Contractual obligations and contingencies, etc.
10 Collateral
11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2018	500,000	15,798,958	16,298,958
Transfer through appropriation of profit	0	3,589,973	3,589,973
Equity at 31 December 2018	500,000	19,388,931	19,888,931

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Zen Systems A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Income from the rendering of services is recognised as revenue as the services are rendered.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	3-5 years
Fixtures and fittings, other plant and equipment	3-5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, 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

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights, including software licenses.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of receivables.

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.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Payables to credit institutions

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2018	2017
2	**Staff costs**		
	Wages/salaries	4,808,879	7,303,958
	Pensions	468,265	782,224
	Other social security costs	39,598	60,154
		5,316,742	8,146,336
	Average number of full-time employees	8	14
3	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	26,581	89,974
	Depreciation of property, plant and equipment	1,891,695	3,259,560
		1,918,276	3,349,534
4	**Financial income**		
	Interest receivable, group entities	470,302	303,185
	Other financial income	20,642	38
		490,944	303,223
5	**Tax for the year**		
	Estimated tax charge for the year	1,289,552	2,254,530
	Deferred tax adjustments in the year	-271,888	-472,780
	Tax adjustments, prior years	29,662	16,506
		1,047,326	1,798,256

6 **Intangible assets**

DKK	Acquired intangible assets
Cost at 1 January 2018	317,000
Disposals	-317,000
Cost at 31 December 2018	0
Impairment losses and amortisation at 1 January 2018	290,419
Amortisation for the year	26,581
Reversal of accumulated amortisation and impairment of assets disposed	-317,000
Impairment losses and amortisation at 31 December 2018	0
Carrying amount at 31 December 2018	0

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2018	20,729,852	475,836	21,205,688
Additions	34,880	0	34,880
Disposals	-10,346,915	-12,180	-10,359,095
Cost at 31 December 2018	10,417,817	463,656	10,881,473
Impairment losses and depreciation at 1 January 2018	18,601,803	320,768	18,922,571
Depreciation	1,801,720	89,973	1,891,693
Reversal of accumulated depreciation and impairment of assets disposed	-10,346,915	-12,180	-10,359,095
Impairment losses and depreciation at 31 December 2018	10,056,608	398,561	10,455,169
Carrying amount at 31 December 2018	361,209	65,095	426,304

8 Share capital

The Company's share capital has remained DKK 500,000 in the past year.

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its Parent Company, Skynet Invest Holding A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2018 onwards as well as withholding taxes on interest and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

DKK	2018	2017
Rent and lease liabilities	1,683,000	2,300,000

10 Collateral

The Company has issued mortgage deeds registered to the owner, totalling DKK 3,500 thousand, which provide security in property, plant and equipment with a carrying amount of DKK 426 thousand. In addition, a indemnity for claim pledge has been registered, nom. DKK 2,500 thousand. Finally, the Company has provided a guarantee to third parties of DKK 600 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Related parties

Zen Systems A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Nianet A/S	Taastrup, Denmark	Principal shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Broadnet Group Holding AS	Norway	Tjuvholmen allé 1, 0252 Oslo, Norway

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.