

SpecTec ApS

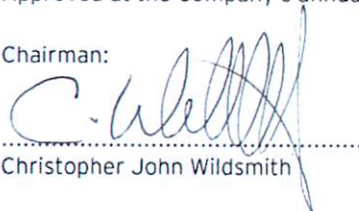
Bagergade 4, st., 5700, Svendborg

CVR no. 29 80 08 63

Annual report 2017

Approved at the Company's annual general meeting on 13 June 2018

Chairman:



Christopher John Wildsmith





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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 SpecTec ApS for the financial year 1 January - 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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.

Manchester, 13 June 2018

Executive Board:

Christopher John Wildsmith

Board of Directors:

Mark Robert Miller
Chairman

Ateet Patel

Brian Beattle

Independent auditor's report

To the shareholders of SpecTec ApS

Opinion

We have audited the financial statements of SpecTec ApS for the financial year 1 January - 31 December 2017, 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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.

Svendborg, 13 June 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Andy Philipp Götting

State Authorised Public Accountant

MNE no.: mne36186

Management's review

Company details

Name	SpecTec ApS
Address, Postal code, City	Bagergade 4, st., 5700, Svendborg
CVR no.	29 80 08 63
Established	21 November 2006
Registered office	Svendborg
Financial year	1 January - 31 December
Telephone	+45 63 21 04 04
Board of Directors	Mark Robert Miller, Chairman Ateet Patel Brian Beattle
Executive Board	Christopher John Wildsmith
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Fåborgvej 44, 5700 Svendborg, Denmark
Bankers	Nordea Bank Danmark A/S Centrumpladsen 8, 5700 Svendborg

Management's review

Business review

According to the articles of association, the company's purpose is to trade and sell consultancy within the IT area.

Financial review

The income statement for 2017 shows a loss of DKK 717,537 against a profit of DKK 59,162 last year, and the balance sheet at 31 December 2017 shows a negative equity of DKK 235,952.

The year's development and performance are considered unsatisfactory.

Management is aware of the capital loss rules in section 119 of the Danish Companies Act.

Management expects that in the coming financial year, the company will achieve a better result. The company has received a letter of support from the parent company which will ensure going-concern including necessary liquidity to pay all liabilities as they fall due in 2018.

Events after the balance sheet date

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

Financial statements 1 January - 31 December

Income statement

Note	DKK	2017	2016
	Gross margin	1,745,060	1,371,974
3	Staff costs	-2,394,196	-1,228,743
	Depreciation of property, plant and equipment	-11,831	-3,640
	Profit/loss before net financials	-660,967	139,591
	Financial income	0	46
	Financial expenses	-44,146	-2,514
	Profit/loss before tax	-705,113	137,123
4	Tax for the year	-12,424	-77,961
	Profit/loss for the year	-717,537	59,162
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-717,537	59,162
		-717,537	59,162

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	17,293	29,124
		<u>17,293</u>	<u>29,124</u>
	Investments		
	Deposit rental	75,000	75,000
		<u>75,000</u>	<u>75,000</u>
	Total fixed assets	<u>92,293</u>	<u>104,124</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	584,128	367,755
	Receivables from group entities	0	167,842
	Deferred tax assets	0	12,424
	Other receivables	476,428	0
	Prepaid Dexpenses	435,665	0
		<u>1,496,221</u>	<u>548,021</u>
	Cash	74,809	184,838
	Total non-fixed assets	<u>1,571,030</u>	<u>732,859</u>
	TOTAL ASSETS	<u>1,663,323</u>	<u>836,983</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	150,000	150,000
	Retained earnings	-385,952	331,585
	Total equity	<u>-235,952</u>	<u>481,585</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Prepayments received from customers	713,787	0
	Trade payables	46,946	76,989
	Payables to group entities	413,306	0
	Income taxes payable	0	16,616
	Joint taxation contribution payable	0	55,869
	Other payables	725,236	205,924
		<u>1,899,275</u>	<u>355,398</u>
	Total liabilities other than provisions	<u>1,899,275</u>	<u>355,398</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>1,663,323</u></u>	<u><u>836,983</u></u>

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

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2017	150,000	331,585	481,585
Transfer through appropriation of loss	0	-717,537	-717,537
Equity at 31 December 2017	150,000	-385,952	-235,952

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SpecTec ApS for 2017 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.

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time limited software licences is accrued and recognised on a straight line basis over the term of the licence according to the terms of the licence agreement.

Sale of indefinite software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

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

Gross margin

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include expenses relating to the company's primary activity held during the year, including disbursement costs, sales, advertising, administration, premises, 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.

Depreciation

The item comprises depreciation of 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:

Other fixtures and fittings, tools and equipment	3 years
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Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-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).

Balance sheet

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.

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

Cash

Cash and cash equivalents comprise bank deposits.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base 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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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.

2 Capital and financing

As mentioned in the management's review, the company is subject to the capital loss rules in section 119 of the Danish Companies Act and reference is made to management's review.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2017	2016
3 Staff costs		
Wages/salaries	1,972,718	918,199
Pensions	374,555	216,099
Other social security costs	17,136	25,173
Other staff costs	29,787	69,272
	2,394,196	1,228,743
 Average number of full-time employees	 5	 2
 4 Tax for the year		
Estimated tax charge for the year	0	72,485
Deferred tax adjustments in the year	12,424	5,476
	12,424	77,961
 5 Property, plant and equipment		
DKK		Other fixtures and fittings, tools and equipment
Cost at 1 January 2017		32,764
Cost at 31 December 2017		32,764
Impairment losses and depreciation at 1 January 2017		3,640
Amortisation/depreciation in the year		11,831
Impairment losses and depreciation at 31 December 2017		15,471
Carrying amount at 31 December 2017		17,293
 6 Contractual obligations and contingencies, etc.		
Other financial obligations		
Rent and leasing obligations comprise rent commitments totaling 500 t.kr. In non-contractual leases with a remaining contract period of 1 years and 8 months.		
 7 Collateral		
The Company has not provided any security or other collateral in assets at 31 December 2017.		



Financial statements 1 January - 31 December

Notes to the financial statements

8 Related parties

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Constellation Software Inc.	Canada	20 Adelaide Street East, Toronto, ON M5C 2T6, Canada