

Blip Systems A/S

Hækken 2
DK-9310 Vodskov

CVR no. 30 50 07 41

Annual report 2017

The annual report was presented and approved at the
Company's annual general meeting

on 22 May 20 18


chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Blip Systems A/S for the financial year 1 January – 31 December 2017.

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 Company's assets, liabilities and financial position 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.

Vodskov, 22 March 2018
Executive Board:



Peter Christian Knudsen
CEO

Board of Directors:



John Patrick Clifford

Chairman



Christopher Lloyd
Warrington



Ian Clive Black



Peter Christian Knudsen



Lars Tørholm



Independent auditor's report

To the shareholders of Blip Systems A/S

Opinion

We have audited the financial statements of Blip Systems A/S for the financial year 1 January – 31 December 2017, comprising income statement, balance sheet 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 Company's assets, liabilities and financial position 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that 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 in Denmark will always detect a material misstatement when it exists. 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 financial statement users made on the basis of these 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 company 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



Independent auditor's report

- 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
- 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 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.

Aalborg, 22 March 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Steffen S. Hansen
State Authorised
Public Accountant
MNE no. 32737

Blip Systems A/S
Annual report 2017
CVR no. 30 50 07 41

Management's review

Company details

Blip Systems A/S
Hækken 2
DK-9310 Vodskov

CVR no.	30 50 07 41
Established:	1 January 2007
Registered office:	Aalborg
Financial year:	1 January – 31 December

Executive Board

Peter Christian Knudsen

Board of Directors

John Patrick Clifford
Christopher Lloyd Warrington
Ian Clive Black
Peter Christian Knudsen
Lars Tørholm

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Øster Havnegade 18
DK-9000 Aalborg

Bank

Nordea

Annual general meeting

The annual general meeting will be held on 22 May 2018

Management's review

Operating review

Principal activities

BLIP Systems A/S is a Danish software development company founded in July 2003 as a management buyout from L.M. Ericsson A/S.

BLIP Systems A/S is currently executing a planned growth strategy with Gentrack Holdings Denmark as main shareholder. All business areas of BLIP Systems have shown growth in 2017.

Development in the Company's activities and financial position

The income statement of the Company for 2017 shows a profit of DKK 3,851,168, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 14,656,154

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2017	2016
Gross profit		17,678,810	16,336,366
Staff costs	2	-16,228,292	-12,361,211
Depreciation on property, plant and equipment		-180,485	-253,077
Operating profit		1,270,031	3,722,078
Other financial income		64,652	90,396
Other financial expenses		-167,473	-209,982
Profit before tax		1,167,212	3,602,492
Tax on profit for the year	3	2,683,956	0
Profit for the year		<u>3,851,168</u>	<u>3,602,492</u>
Proposed profit appropriation			
Retained earnings		<u>3,851,168</u>	<u>3,602,492</u>
		<u>3,851,168</u>	<u>3,602,492</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment	4		
Fixtures and fittings, tools and equipment		262,816	244,789
		<u>262,816</u>	<u>244,789</u>
Total fixed assets		<u>262,816</u>	<u>244,789</u>
Current assets			
Inventories			
Finished goods and goods for resale		1,563,252	1,334,805
Receivables			
Trade receivables		7,733,126	13,790,662
Deferred tax asset	3	2,683,956	0
Other receivables		232,904	441,301
Prepayments		1,835,492	1,111,659
		<u>12,485,478</u>	<u>15,343,622</u>
Cash at bank and in hand		<u>5,740,069</u>	<u>1,596,750</u>
Total current assets		<u>19,788,799</u>	<u>18,275,177</u>
TOTAL ASSETS		<u>20,051,615</u>	<u>18,519,966</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Contributed capital		2,476,530	2,476,530
Retained earnings		12,179,624	8,328,456
Total equity		<u>14,656,154</u>	<u>10,804,986</u>
Current liabilities			
Trade payables		328,588	639,922
Other payables		2,282,033	1,894,635
Deferred income		2,784,840	5,180,423
		<u>5,395,461</u>	<u>7,714,980</u>
Total liabilities		<u>5,395,461</u>	<u>7,714,980</u>
TOTAL EQUITY AND LIABILITIES		<u>20,051,615</u>	<u>18,519,966</u>

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2017	2,476,530	8,328,456	10,804,986
Transferred over the profit appropriation	0	3,851,168	3,851,168
Equity at 31 December 2017	2,476.530	12,179,624	14,656,154

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Financial Statements of BLIP Systems A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as 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 rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. 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.

Income statement

Gross profit

With reference to section 32 of Danish Financial Statements Act revenue, cost of sales and other external costs are aggregated in the financial statement caption Gross profit

Revenue

Income from the sale of goods, comprising the sale of 2017, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Income from agreements from maintenance is recognised on a straight-line basis over the period of the agreement.

Engineering and consultancy services are recognised as work is performed.

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

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding, 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 on profit for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over its useful life.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3 - 5 years
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Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries. Indirect production overheads and borrowing costs are not recognised in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation 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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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 as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

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

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

	2017	2016
DKK		
2 Staff costs		
Wages and salaries	13,590,701	10,557,327
Pensions	1,974,400	1,568,753
Other social security costs	162,777	129,734
Other staff expenses	500,414	105,397
	<u>16,228,292</u>	<u>12,361,211</u>
Average number of full-time employees	<u>22</u>	<u>17</u>
3 Tax on profit for the year		
Deferred tax adjustment for the year	-2,683,956	0
	<u>-2,683.956</u>	<u>0</u>

A deferred tax asset, which previously was written down, has been recognised in the financial statements, as Management assesses that the deferred tax asset can be utilised in the coming years.

4 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment
Cost at 1 January 2017	1,983,195
Additions	198,512
Cost at 31 December 2017	<u>2.181,707</u>
Depreciation and impairment losses at 1 January 2017	-1,738,406
Depreciation for the year	-180,485
Depreciation and impairment losses at 31 December 2017	<u>-1,918,891</u>
Carrying amount at 31 December 2017	<u>262,816</u>

Financial statements 1 January – 31 December

Notes

5 Contractual obligations, contingencies, etc.

Contractual obligations

The Company has rental commitments for a total of DKK 222 thousand on the current leases property.

Lease obligations

The Company has entered into operating leases at the following amounts:

The remaining term of the leases is three months with an average monthly lease payment of DKK 15 thousand, totalling DKK 45 thousand.

Other contingent liabilities

The Company has issued a floating charge on inventories, receivables and equipment of DKK 2,000 thousand, which has been provided as collateral for undrawn credit facilities.

6 Related parties

Control

Gentrack Holdings Denmark ApS is part of the consolidated financial statements of Gentrack Group Limited, 17 Hargreaves Street, St.Marys Bay, Auckland 1011, New Zealand, which is the smallest group in which the Company is included as a subsidiary.

Related parties transactions

Pursuant to section 98c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as these have been carried out on an arm's length basis.