

Volubill Danmark ApS

c/o TMF Denmark A/S, Bredgade 6, 1., 1260 Copenhagen K
CVR no. 31 06 13 50

Annual report 2016

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

Chairman:


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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Volubill Danmark ApS for the financial year 1 January - 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 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:


Fiona Mary O'Connor

Darren Alexander Parkinson

David Neil Schaaf

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Copenhagen, 30 May 2017
Executive Board:

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Darren Alexander Parkinson


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Independent auditors' report

To the shareholders of Volubill Danmark ApS

Report on extended review of the financial statements

We have performed an extended review of the financial statements of Volubill Danmark ApS for the financial year 1 January - 31 December 2016. The financial statements, comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, have been 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. Management is also responsible 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.

Auditors' responsibility

Our responsibility is to express a conclusion on the financial statements. We have conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act.

This requires us to comply with the ethical requirements of the Danish Auditors Act and FSR - Danish Auditors and plan and perform procedures to obtain limited assurance for our conclusion on the financial statements and in addition perform specifically required additional procedures to obtain further assurance for our conclusion.

An extended review comprises procedures that primarily consist of making inquiries of Management and others within the Company, as appropriate, analytical procedures and specifically required additional procedures as well as evaluation of the evidence obtained.

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

Conclusion

Based on the work performed, in our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of its operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Management is responsible for Management's review.

Our conclusion on the financial statements does not cover Management's review, 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 Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Independent auditors' report

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

Based on the work we have performed, we conclude that 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 Management's review.

Copenhagen, 30 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 07 28



Claus Tanggaard Jacobsen
State Authorised
Public Accountant



Management's review

Company details

Name	Volubill Danmark ApS
Address, zip code, city	c/o TMF Denmark A/S, Bredgade 6, 1., 1260 Copenhagen K
CVR no.	31 06 13 50
Established	14 November 2007
Registered office	Copenhagen
Financial year	1 January - 31 December
Executive Board	Fiona Mary O'Connor Darren Alexander Parkinson David Neil Schaaf
Auditors	Ernst & Young, Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, 2000 Frederiksberg, Denmark

Management's review

Operating review

Principal activities of the Company

The Company continues to act as an agent for the parent company, whereby customer revenue is passed in full to the parent company. The parent company is responsible for all risks associated with the revenue and the underlying contracts. The parent company also agrees to reimburse all costs of the Company plus an appropriate mark-up.

Unusual circumstances

The annual report of the Company has not been influenced by any other unusual circumstances.

Development in activities and financial matters

In October 2015, a decision was made to discontinue new sales of the Volubill products and to limit the activity in Volubill to providing support and maintenance services for existing customers. This reduced activity continued in 2016, and the activity level of the Company has been in line with expectations of management.

The loss for the year amounted to DKK -241 thousand (2015: DKK 1,892 thousand). At 31 December 2016, the Company had positive equity of DKK 11,511 thousand. The Company will continue to realise a profit in future years due to its intercompany agreement with its parent company.

Events after the balance sheet date

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

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Revenue	5,789	28,999
2	Cost of sales	-2,304	-3,090
	Gross profit	3,485	25,909
2	Research and development costs	-1,660	-18,516
2	Sales and marketing costs	-7	-1,045
2	Administrative expenses	-1,522	-4,593
	Profit before net financials	296	1,755
	Financial income	32	140
	Financial expenses	-11	-3
	Profit before tax	317	1,892
3	Tax on profit/loss for the year	-558	0
	Profit for the year	-241	1,892
	Proposed profit appropriation/distribution of loss		
	Dividends for the financial year	0	0
	Retained earnings	-241	1,892
		-241	1,892

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
4	Property, plant and equipment		
	Equipment and fixtures	7	13
		<u>7</u>	<u>13</u>
	Investments in non-current assets		
	Deposits	41	200
		<u>41</u>	<u>200</u>
	Total non-current assets	<u>48</u>	<u>213</u>
	Current assets		
	Receivables		
	Amounts owed by group enterprises	10,197	15,668
	Deferred tax asset	0	0
	Other receivables	185	237
	Prepayments	68	91
		<u>10,450</u>	<u>15,996</u>
	Cash at hand and in bank	<u>2,089</u>	<u>3,126</u>
	Total current assets	<u>12,539</u>	<u>19,122</u>
	TOTAL ASSETS	<u><u>12,587</u></u>	<u><u>19,335</u></u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
5	Equity		
	Share capital	600	600
	Share premium	0	9,197
	Retained earnings	10,911	1,892
	Total equity	11,511	11,689
	Liabilities		
	Non-current liabilities other than provisions		
	Payables to related parties	0	0
		0	0
	Current liabilities other than provisions		
	Trade payables	217	146
	Other payables	859	7,500
		1,076	7,646
	Total liabilities	1,076	7,646
	TOTAL EQUITY AND LIABILITIES	12,587	19,335

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Related party disclosures

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment.

None of the above changes affects the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, 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 rates at the transaction date and 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 the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at 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.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transactions date.

Income statement

Revenue

Revenue comprises services rendered to the parent company in accordance with intercompany arrangements with group companies.

Cost of sales

Cost of sales comprises direct and indirect costs incurred to earn revenue. Cost of sales concerning delivery of software services is recognised as incurred.

Research and development costs

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Sales and marketing costs

Sales and marketing costs comprise costs for distribution of goods sold and also costs for sales campaigns, including costs for sales and distribution staff, advertising costs as well as depreciation and amortisation.

Administrative expenses

Administrative expenses comprise expenses incurred for Management and administration of the Company, including expenses for the administrative staff and Management, stationery and office supplies, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on 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. 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.

Balance sheet

Property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost. Leasehold improvements and equipment and fixtures are subsequently measured at cost less accumulated depreciation.

The basis of depreciation is cost less expected residual value at the end of the useful life.

Costs comprise the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Equipment and fixtures 3-5 years

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Company. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs 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 comprise costs incurred concerning subsequent financial years. Prepayments are measured at cost.

Corporation 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.

Liabilities

Financial liabilities comprising amounts owed to 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.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
2 Staff costs		
Wages and salaries	3,452	20,907
Pensions	153	1,124
Other social security costs	31	272
	<u>3,636</u>	<u>22,303</u>
Average number of full-time employees	<u>4</u>	<u>24</u>
Staff costs are booked as follows:		
Cost of services	1,706	2,698
Research and development costs	1,450	17,787
Sales and marketing costs	0	911
Administrative expenses	480	907
	<u>3,636</u>	<u>22,303</u>
3 Tax for the year		
Estimated tax on the taxable income for the year	0	0
Adjustment of prior-year taxes	558	0
	<u>558</u>	<u>0</u>
4 Property, plant and equipment		
DKK'000		Equipment and fixtures
Cost at 1 January 2016		17
Additions		0
Disposals		0
Cost at 31 December 2016		<u>17</u>
Impairment and depreciation at 1 January 2016		4
Depreciation		6
Disposals		0
Impairment and depreciation at 31 December 2016		<u>10</u>
Carrying amount at 31 December 2016		<u>7</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Equity

DKK'000	Share capital	Share Premium	Retained earnings	Total
Balance at 1 January 2016	600	9,197	1,892	11,689
Transfer	0	-9,197	9,197	0
Changes in share program	0	0	63	63
Profit appropriation/distribution of loss	0	0	-241	-241
Balance at 31 December 2016	600	0	10,911	11,511

Changes in share capital for the past five years can be specified as follows:

DKK	2016	2015	2014	2013	2012
Balance at 1 January	600	500	500	500	500
Capital increase	0	100	0	0	0
	600	600	500	500	500

The share capital is nominally DKK 600,000, denominated into 6,000 shares of nominal DKK 100 each. The share capital is not divided into different classes of share. No share shall confer special rights.

6 Contractual obligations and contingencies, etc.

The Company has put up security for its debt to the parent company totaling DKK 0 at 31 December 2016

The Company is jointly taxed with a sistercompany, Intec Telecom System Denmark A/S. As the Company has joint and several unlimited liability with Intec Telecom System Denmark A/S 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 party disclosures

Related party transactions

According to the Danish Financial Statement Act section 98 c transactions with related parties are not disclosed as all transactions have been affected at arm's length.

Volubill Danmark ApS' 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.
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.