

ARPEDIO SOLUTIONS ApS

Svanemøllevej 41, st.
2900 Hellerup
Business Registration No
34219591

Annual report 2018

The Annual General Meeting adopted the annual report on 25.06.2019

Chairman of the General Meeting

Name: Torben Frigaard Rasmussen

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Entity details

Entity

ARPEDIO SOLUTIONS ApS

Svanemøllevej 41, st.

2900 Hellerup

Central Business Registration No (CVR): 34219591

Founded: 31.01.2012

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Torben Frigaard Rasmussen

Ulrik Monberg

Executive Board

Ulrik Monberg

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ARPEDIO SOLUTIONS ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Copenhagen, 25.06.2019

Executive Board

Ulrik Monberg

Board of Directors

Torben Frigaard Rasmussen

Ulrik Monberg

Independent auditor's report

To the owners of ARPEDIO SOLUTIONS ApS

Opinion

We have audited the financial statements of ARPEDIO SOLUTIONS ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 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 audit 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 audit 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.

Independent auditor's report

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, 25.06.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Henrik Hartmann Olesen
State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

Primary activities

The company's activity consists in the development of software and related services.

Development in activities and finances

The income statement of the Company for 2018 shows a loss of DKK 1,868k which is below expectations for the year. For 2019 the Company expects a positive increase in operating profit.

The Company has seen an increase in the interest for their products in the market, and has secured significant GTM Partners, especially in the growing Salesforce.com Ecosystem in the Nordic Countries, Benelux and UK. To pursue the growth in revenue and focus significantly on marketing of the SaaS combined with new AI capabilities the Company wants to secure more capital to grow the business in 2019. However, 2018's cost-cutting efforts ensures that the Company is stable with the established current cash flow from Software annual recurring revenue and related services. Securing more capital will enable the Company to develop and marketing its products with a focus on EMEA and the US marked. Management expects that the necessary financing for future activities, including completion of new AI development projects and marketing, will be provided in line with the capital requirements. Moreover, Professional services agreement expects to generate an increase in Annual revenue, which will support the capital foundation for increasing market development activities, marketing and a larger sales force in line with the increasing activities. Current resource situation can be adjusted to fit the revenue stream and available capital as needed.

Uncertainty relating to recognition and measurement

At 31 December 2018, the Company had total development cost in terms of software developed of DKK 571k which has been recognised as an asset on the balance sheet. The Company expects this software to contribute significantly to future profits.

Events after the balance sheet date

The company's ownership has in December 2018 agreed to increase the share capital in two stages primo and medio 2019, a total of 3 million. DKK, furthermore the entity TBAC ApS has been contributed with effect from 1 January 2019 including value of existing customer contracts, which are expected to support the company's growth strategy. Additionally, no events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross loss		(331.243)	(23.672)
Staff costs	1	(601.346)	(465.829)
Depreciation, amortisation and impairment losses		<u>(922.901)</u>	<u>(1.089.609)</u>
Operating profit/loss		(1.855.490)	(1.579.110)
Income from investments in group enterprises		5.567	19.566
Other financial income	2	5.429	152.213
Other financial expenses	3	<u>(286.274)</u>	<u>(149.587)</u>
Profit/loss before tax		(2.130.768)	(1.556.918)
Tax on profit/loss for the year	4	<u>262.709</u>	<u>35.117</u>
Profit/loss for the year		<u>(1.868.059)</u>	<u>(1.521.801)</u>
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		5.567	19.566
Retained earnings		<u>(1.873.626)</u>	<u>(1.541.367)</u>
		<u>(1.868.059)</u>	<u>(1.521.801)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Completed development projects		570.770	1.354.709
Intangible assets	5	570.770	1.354.709
Investments in group enterprises		143.610	136.245
Deposits		59.400	42.300
Fixed asset investments	6	203.010	178.545
Fixed assets		773.780	1.533.254
Trade receivables		14.328	0
Other receivables		0	110.525
Income tax receivable	7	30.572	30.676
Joint taxation contribution receivable		232.137	0
Receivables		277.037	141.201
Current assets		277.037	141.201
Assets		1.050.817	1.674.455

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital	8	205.763	152.506
Revaluation reserve		75.156	73.358
Reserve for net revaluation according to the equity method		61.373	55.806
Reserve for development expenditure		278.735	474.266
Retained earnings		<u>(3.047.110)</u>	<u>(2.815.790)</u>
Equity		<u>(2.426.083)</u>	<u>(2.059.854)</u>
Payables to shareholders and management		<u>350.000</u>	<u>350.000</u>
Non-current liabilities other than provisions		<u>350.000</u>	<u>350.000</u>
Bank loans	9	1.475.248	2.033.152
Trade payables		403.561	637.621
Payables to group enterprises		523.832	366.418
Payables to shareholders and management		11.206	12.810
Other payables		302.368	123.508
Deferred income		<u>410.685</u>	<u>210.800</u>
Current liabilities other than provisions		<u>3.126.900</u>	<u>3.384.309</u>
Liabilities other than provisions		<u>3.476.900</u>	<u>3.734.309</u>
Equity and liabilities		<u>1.050.817</u>	<u>1.674.455</u>

Contingent liabilities

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Statement of changes in equity for 2018

	Contributed capital DKK	Share premium DKK	Revaluation reserve DKK	Reserve for net revaluation according to the equity method DKK
Equity beginning of year	152.506	0	73.358	55.806
Increase of capital	53.257	1.446.775	0	0
Transferred from share premium	0	(1.446.775)	0	0
Exchange rate adjustments	0	0	1.798	0
Transfer to reserves	0	0	0	0
Profit/loss for the year	0	0	0	5.567
Equity end of year	205.763	0	75.156	61.373

	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	474.266	(2.815.790)	(2.059.854)
Increase of capital	0	0	1.500.032
Transferred from share premium	0	1.446.775	0
Exchange rate adjustments	0	0	1.798
Transfer to reserves	(195.531)	195.531	0
Profit/loss for the year	0	(1.873.626)	(1.868.059)
Equity end of year	278.735	(3.047.110)	(2.426.083)

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	603.759	555.782
Pension costs	0	12.000
Other social security costs	5.782	10.023
Other staff costs	55.185	27.462
Staff costs classified as assets	(63.380)	(139.438)
	601.346	465.829
 Average number of employees	 2	 2
	2018	2017
	DKK	DKK
2. Other financial income		
Other interest income	3	0
Exchange rate adjustments	5.426	152.213
	5.429	152.213
	2018	2017
	DKK	DKK
3. Other financial expenses		
Other interest expenses	286.274	149.587
	286.274	149.587
	2018	2017
	DKK	DKK
4. Tax on profit/loss for the year		
Current tax	(30.572)	(30.676)
Adjustment concerning previous years	0	(4.441)
Refund in joint taxation arrangement	(232.137)	0
	(262.709)	(35.117)

Current tax represents tax credit provided on the tax value of the Company's development activities.

Notes

	Completed develop- ment projects DKK
5. Intangible assets	
Cost beginning of year	4.705.518
Additions	<u>138.962</u>
Cost end of year	<u>4.844.480</u>
Amortisation and impairment losses beginning of year	(3.350.809)
Amortisation for the year	<u>(922.901)</u>
Amortisation and impairment losses end of year	<u>(4.273.710)</u>
Carrying amount end of year	<u>570.770</u>

The Arpedio software and related features are significant intangible assets. The cost price of development projects is derived from time spent by developers and management expressed in cost of man hours and external development cost. On an ongoing basis Management assess the value of the assets. This assessment consist of a number of elements covering the future market potential and business case for Arpedio future operations and growth expectations. The value of the software has been reviewed for impairment but no need for write down has been identified.

	Invest- ments in group enterprises DKK	Deposits DKK
6. Fixed asset investments		
Cost beginning of year	7.081	42.300
Additions	0	59.400
Disposals	<u>0</u>	<u>(42.300)</u>
Cost end of year	<u>7.081</u>	<u>59.400</u>
Revaluations beginning of year	129.164	0
Exchange rate adjustments	1.798	0
Share of profit/loss for the year	<u>5.567</u>	<u>0</u>
Revaluations end of year	<u>136.529</u>	<u>0</u>
Carrying amount end of year	<u>143.610</u>	<u>59.400</u>

Notes

	Equity inte- rest %
Investments in group enterprises comprise:	
Arpedio Solutions US, INC.	100,0

7. Income tax receivable

Tax receivable represents tax credit provided on the value of the Company's development activities.

	Number	Par value DKK	Nominal value DKK
8. Contributed capital			
A-kapitalandele	183.976	1	183.976
B-kapitalandele	21.787	1	21.787
	205.763		205.763

9. Bank loans

The Company's bank loan has been secured by way of a growth guarantee. This guarantee is written down on a straight-line and annual basis – initially effective from July 2016.

Furthermore, the Company's owners have provided a limited pro rata surety guarantee.

10. Contingent liabilities

For the security of the company's bank debt, a mortgage of DKK 2,000k has been given in trade receivables, other fixtures and fittings, tool and equipment and developed intangible assets.

The Entity participates in a Danish joint taxation arrangement where Ulrik Monberg Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

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 for 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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, own work capitalised, other operating income, cost of sales, consumables 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 costs of sales for the financial year measured at cost.

Accounting policies

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 write-downs of receivables recognised in current assets.

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 intangible assets 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 intangible assets.

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 internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, payables and transactions in foreign currencies, amortisation of financial liabilities 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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Accounting policies

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 3 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects 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 plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Receivables

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

Income tax payable or receivable

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

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Other financial liabilities

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

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.