

Annual Report 2016

Zybersafe ApS

Erik Husfeldts Vej 7
2630 Taastrup

CVR-no. 36 44 77 53

The Annual Report was presented and adopted at the
Annual General Meeting of the company on 30 May 2017



Trine Bøgelund

Chairman of the meeting

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Company Information

The Company

Zybersafe ApS
Erik Husfeldts Vej 7
DK-2630 Taastrup

CVR-no. 36 44 77 53
Established: 28 November 2014
Registered Office: Høje Taastrup
Financial Year: 1 January - 31 December

Board of Directors

Niels Erik Blangstrup Zibrandtsen (Chairman)
Christian Læsø Jensen
Michael Allen Potter
Peter Bredgaard
Henrik Otto Engqvist

Executive Board

Nils Mandrup

Auditor

BDO Statsautoriseret revisionsaktieselskab
Havneholmen 29
DK-1561 Copenhagen V

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Zybersafe ApS for the financial year 1 January - 31 December 2016.

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 at 31 December 2016 of the Company and of the results of the Company operations for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

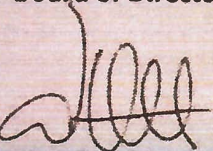
Høje Taastrup 30 May 2017

Executive Board

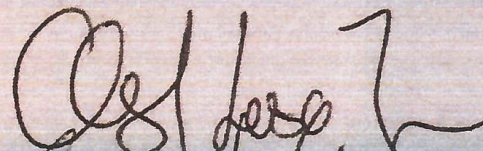


Nils Mandrup

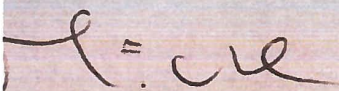
Board of Directors



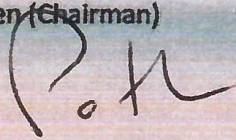
Niels Erik Blangstrup Zibrandtsen (Chairman)



Christian Læsø Jensen



Michael Allan Potter



Peter Bredgaard



Henrik Otto Engqvist

Independent Auditor's Report

To the Shareholder of Zybersafe ApS

Opinion

We have audited the Financial Statements of Zybersafe ApS for the financial year 1 January 2016 - 31 December 2016, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared under 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 2016, and of the results of the Company operations for the financial year 1 January 2016 - 31 December 2016 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 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 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 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 judgment and maintain professional skepticism 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, mis-representations, 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.

- 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 Management's Review

Management is responsible for Management's Review.

Our opinion 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 audit 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 audit, or otherwise appears to be materially misstated.

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 Statements Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 30 May 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-no. 20 22 26 70


Torben Bjerre-Poulsen
State Authorised Public Accountant

Management's Review

Main activity

The company focuses on producing own unique encryption hardware IT security solution and selling IT security solutions to its clients.

Development in the year

The income statement of the Company for 2016 shows a loss of TDKK -3.008, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 686.

The organization have focused on teaching the market about the risk in network and why encryption products are seen as a necessity to ensure a sufficient security level. The company has targeted several segments in Denmark and abroad and a very positive trend has been seen in building our pipeline. GDPR is getting more attention and this was seen as one of the drivers in the market in 2016.

The company has signed on several resellers and partners both in Denmark and abroad. Our main focus abroad has been on the Middleeast where we see an increased demand for solutions like the products Zybersafe provides.

The result is acceptable. Zybersafe is still in a start-up phase and is evaluating different product to bring to the market. It is our expectation that 2017 will show an increase in sold solutions to end clients. We are currently working with both clients in Denmark and abroad, and an increased demand in the market for security products will automatically generated a higher demand for last line of defence products like encryption hardware and services. We will continue building own products as well as focusing on strategic partnerships with suppliers of products that will fit into our encryption eco-system.

The parent company has in the financial year injected funds of TDKK 4.745 in order for the activities to continue to evolve and to secure that the company could meet its financial obligations.

Subsequent events

After the reporting period the company has secured access to funds to carry through the budgeted activities in 2017.

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

Income Statement 1 January - 31 December

	Note	2016	2014/15
		TDKK	TDKK
		(12 mth)	(14 mth)
Gross loss		-730	-912
Staff costs	1	2.310	548
Depreciation, amortisation and write-down		701	117
Operating loss		-3.741	-1.577
Other financial costs	2	80	122
Loss before tax		-3.821	-1.699
Tax on loss for the year	3	-813	-443
Net loss for the year		-3.008	-1.256

Distribution of loss

Proposed distribution of loss

Reserves for development costs	624	0
Retained earnings	-3.632	-1.256
	-3.008	-1.256

Balance Sheet 31 December

	Note	2016	2015
		TDKK	TDKK
Assets			
Development cost	4	3.269	3.334
Intangible fixed assets		3.269	3.334
Other fixtures and fittings, tools and equipment		38	48
Tangible fixed assets		38	48
Fixed assets		3.307	3.382
Inventories		280	280
Trade receivables		56	0
Other receivables		31	26
Joint tax contribution		811	1.179
Prepayments		6	8
Receivables		904	1.213
Cash and cash equivalents		238	208
Current assets		1.422	1.700
Assets		4.729	5.082

Balance Sheet 31 December

	Note	2016	2015
		TDKK	TDKK
Liabilities and equity			
Share capital		179	50
Reserves for development costs		624	0
Retained earnings		-117	-1.230
Equity	5	686	-1.180
Provision for deferred tax		721	736
Provision for liabilities		721	736
Amounts due to group companies		3.003	5.398
Trade payables		61	45
Other liabilities		258	83
Current liabilities		3.322	5.526
Liabilities		3.322	5.526
Liabilities and equity		4.729	5.082
Contingencies etc.	6		
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Notes to the Financial Statements

	<u>2016</u>	<u>2014/15</u>
	TDKK	TDKK
	(12 mth)	(14 mth)
1 Staff costs		
Wages and salaries	2.025	519
Pensions	103	26
Other social security costs	18	1
Other staff costs	165	3
	<u>2.311</u>	<u>548</u>
Average number of employees:	<u>3</u>	<u>1</u>
2 Other financial costs		
Interest expence to group enterprises	78	122
Exchange adjustment	2	0
	<u>80</u>	<u>122</u>
3 Tax on loss for the year		
Calculated tax on taxable income of the year	-824	-1.179
Adjustment of deferred tax	-14	736
Tax adjustment relating to prior years	26	0
	<u>-813</u>	<u>-443</u>
4 Development cost		

Zybersafe has treated certain cost as Development cost in this Annual Report. The development costs are related to the development of the company's unique core basic encryption hardware products along with add on applications, test of the platform, documentation etc.

Management expects the value of the development cost will carry value for many years as the business model is centered around the sale of these hardware encryption boxes. The development can be used worldwide and is future proofed for capacities up to 10 Gbit.

Notes to the Financial Statements

5 Equity	Share capital	Reserves for development costs	Retained earnings	Proposed dividend for the financial year
Equity at 1 January	50	0	-1.230	0
Capital increase	129	0	4.745	0
Proposed distribution of loss	0	624	-3.632	0
Equity at 31 December	<u>179</u>	<u>624</u>	<u>-117</u>	<u>0</u>

6 Contingencies etc.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of ZS Holding ApS, which is the management company of the joint taxation purposes.

Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

7 Information on principal activities and accounting and financial matters

The company has secured access to funds to carry through the budgeted activities in 2017.

8 Consolidated financial statements

Zybersafe ApS is included in the consolidated financial statements of:

ZS Holding ApS
Høveltevej 67
DK-3460 Birkerød

Accounting Policies

Financial Statements of Zybersafe ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with the adoption of rules from reporting class C.

The accounting policies applied remain unchanged from last year.

The comparison figures in this Financial Statement covers a different period than this years figures.

Financial Statements are presented in DKK.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

INCOME STATEMENT

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods and services is recognised when the risks and rewards relating to the goods and services sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and tangible fixed assets.

Accounting Policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

BALANCE SHEET

Intangible assets

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

		Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0%

Depreciation period and residual value are reassessed annually.

Profit or loss on disposal of tangible fixed assets is stated at the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Accounting Policies

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price. The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.