

**Redknee Solutions Inc.**  
Interim Consolidated Financial Statements  
(Unaudited)

**December 31, 2010 and 2009**  
(Expressed in Canadian dollars)

# Redknee Solutions Inc.

## Interim Consolidated Balance Sheets

(Unaudited)

(Expressed in Canadian dollars)

	December 31, 2010 \$	September 30, 2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	16,626,228	18,738,958
Short-term investments	-	22,186
Trade accounts and other receivables	14,752,041	14,959,777
Unbilled revenue	6,408,867	7,196,714
Prepaid expenses	1,533,809	1,371,960
Goods in transit	190,920	256,709
	<u>39,511,865</u>	<u>42,546,304</u>
<b>Restricted cash</b> (notes 10(b))	1,885,865	811,979
<b>Property and equipment</b>	573,219	635,526
<b>Future income taxes and investment tax credits</b>	1,019,139	795,196
<b>Other assets</b>	498,560	518,655
<b>Intangible assets</b>	5,447,495	5,861,248
<b>Goodwill</b> (notes 2 and 3)	7,854,531	7,668,157
	<u>56,790,674</u>	<u>58,837,065</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	3,141,782	2,624,339
Accrued liabilities	3,819,600	3,703,055
Income taxes payable	2,736,502	2,730,670
Deferred revenue	4,565,910	6,031,551
Current portion of loans payable (note 4)	2,957,436	3,071,885
Current portion of obligations under capital leases	18,811	24,197
	<u>17,240,041</u>	<u>18,185,697</u>
<b>Other long-term liabilities</b>	479,677	468,505
<b>Long-term portion of loans payable</b> (note 4)	6,613,827	7,094,087
<b>Obligations under capital leases</b>	25,887	32,178
<b>Future income taxes</b>	1,185,397	1,265,159
	<u>25,544,829</u>	<u>27,045,626</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> , net of employee share purchase loans (note 5)	47,788,794	47,662,953
<b>Contributed surplus</b>	4,484,787	4,345,128
<b>Deficit</b>	(20,954,906)	(20,050,301)
<b>Accumulated other comprehensive loss</b>	(72,830)	(166,341)
	<u>(21,027,736)</u>	<u>(20,216,642)</u>
	<u>31,245,845</u>	<u>31,791,439</u>
	<u>56,790,674</u>	<u>58,837,065</u>

Approved by the Board of Directors

(signed) "Terry Nickerson" Director

(signed) "Lucas Skoczkowski" Director

See accompanying notes to unaudited interim consolidated financial statements.

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# Redknee Solutions Inc.

## Interim Consolidated Statements of Operations (unaudited) For the three months ended December 31,

(expressed in Canadian dollars)

	2010 \$	2009 \$
<b>Revenue</b>		
Software, services and other	8,558,671	7,003,612
Support	5,569,273	4,776,465
	<u>14,127,944</u>	<u>11,780,077</u>
<b>Cost of revenue</b>	<u>5,198,602</u>	<u>2,719,296</u>
<b>Gross profit</b>	<u>8,929,342</u>	<u>9,060,781</u>
<b>Operating expenses</b>		
Sales and marketing	3,519,257	3,156,571
General and administrative	2,075,999	1,660,581
Research and development (note 7)	3,044,295	2,743,323
Amortization of property and equipment and intangible assets	478,173	158,721
Foreign exchange loss	545,566	493,131
	<u>9,663,290</u>	<u>8,212,327</u>
<b>(Loss) income from operations</b>	(733,949)	848,454
<b>Interest income</b>	38,328	1,674
<b>Interest expense</b>	<u>(143,988)</u>	<u>(12,796)</u>
<b>(Loss) income before income taxes</b>	(839,609)	837,332
<b>Income taxes</b>		
Current	174,758	273,027
Future	<u>(109,762)</u>	<u>-</u>
<b>Net (loss) income for the period</b>	<u>(904,605)</u>	<u>564,305</u>
<b>Net income per common share (note 5)</b>		
Basic	(0.01)	0.01
Diluted	(0.01)	0.01
<b>Weighted average number of common shares (note 5)</b>		
Basic	63,941,381	58,800,461
Diluted	63,941,381	60,923,165

See accompanying notes to unaudited interim consolidated financial statements

# Redknee Solutions Inc.

Interim Consolidated Statements of Comprehensive (Loss) Income (unaudited)  
For the three months ended December 31,

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(expressed in Canadian dollars)

	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Net (loss) income for the period</b>	(904,605)	564,305
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustment	93,511	(9,233)
<b>Comprehensive (loss) income for the period</b>	<u>(811,094)</u>	<u>555,072</u>

See accompanying notes to unaudited interim consolidated financial statements.

## Redknee Solutions Inc.

Interim Consolidated Statements of Shareholders' Equity (unaudited)

For the three months ended December 31,

(expressed in Canadian dollars)

	Share capital		Employee share purchase loans \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive loss \$	Total shareholders' equity \$
	Number	Amount \$					
<b>Balance - September 30, 2010</b>	63,866,604	47,668,197	(5,244)	4,345,128	(20,050,301)	(166,341)	31,791,439
Stock-based compensation (note 5)				139,659			139,659
Net loss for the period					(904,605)		(904,605)
Stock options exercised	112,000	125,841					125,841
Other comprehensive income for the period						93,511	93,511
<b>Balance - December 31, 2010</b>	<b>63,978,604</b>	<b>47,794,038</b>	<b>(5,244)</b>	<b>4,484,787</b>	<b>(20,954,906)</b>	<b>(72,830)</b>	<b>31,245,845</b>
<b>Balance - September 30, 2009</b>	58,808,751	41,237,082	(492,602)	4,572,737	(21,144,555)	(149,290)	24,023,372
Stock-based compensation (note 5)	-	-	-	162,984	-	-	162,984
Net income for the period	-	-	-	-	564,305	-	564,305
Collection of employee share purchase loans	2,750	-	434,108	-	-	-	434,108
Restricted share units vested and exercised	165,000	204,600	-	(204,600)	-	-	-
Other comprehensive income for the period	-	-	-	-	-	(9,233)	(9,233)
<b>Balance - December 31, 2009</b>	<b>58,976,501</b>	<b>41,441,682</b>	<b>(58,494)</b>	<b>4,531,121</b>	<b>(20,580,250)</b>	<b>(158,523)</b>	<b>25,175,536</b>

See accompanying notes to unaudited interim consolidated financial statements.

# Redknee Solutions Inc.

## Interim Consolidated Statements of Cash Flows (unaudited) For the three months ended December 31,

(expressed in Canadian dollars)

	2010 \$	2009 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net (loss) income for the period	(904,605)	564,305
Items not involving cash		
Amortization of property and equipment	113,890	99,311
Amortization of intangible assets	364,283	59,410
Unrealized foreign exchange loss	407,247	501,505
Stock-based compensation	139,659	162,984
Future income taxes and investment tax credits	(303,705)	-
Change in non-cash operating working capital (note 8)	(185,142)	(3,885,860)
	<u>(368,373)</u>	<u>(2,498,345)</u>
<b>Financing activities</b>		
Collection of employee share purchase loans	-	434,108
Proceeds from exercise of stock options	125,841	-
Repayment of obligations under capital leases	(11,677)	-
Net repayment of loans payable	(312,141)	-
	<u>(197,977)</u>	<u>434,108</u>
<b>Investing activities</b>		
Proceeds from (purchase of) short-term investments	22,186	(171,161)
Purchase of property and equipment	(15,041)	(30,983)
(Increase) decrease in other assets	40,021	(1,469)
(Increase) decrease in restricted cash	(1,073,886)	171,051
Acquisition of Nimbus Systems, net of cash acquired (note 2 and 3)	(187,737)	-
	<u>(1,214,457)</u>	<u>(32,562)</u>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u>(331,923)</u>	<u>(332,683)</u>
<b>(Decrease) increase in cash and cash equivalents during the period</b>	(2,112,730)	(2,429,482)
<b>Cash and cash equivalents - Beginning of period</b>	<u>18,738,958</u>	<u>25,663,047</u>
<b>Cash and cash equivalents - End of period</b>	<u>16,626,228</u>	<u>23,233,565</u>
<b>Supplemental cash flow information</b>		
Interest paid	143,988	1,674
Interest received	38,328	12,796
Income taxes paid	137,268	84,575

See accompanying notes to unaudited interim consolidated financial statements.

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements December 31, 2010 and 2009

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(expressed in Canadian dollars, except as otherwise indicated)

### **Nature of operations**

Redknee Solutions Inc. (the Company or Redknee) commenced operations on March 29, 1999. Redknee is a leading provider of revenue generating software products, solutions and services to some of the largest network operators throughout the world, including wireless, wireline, broadband and satellite. Redknee delivers solutions in the areas of converged billing, interconnect billing, customer care, real-time rating, charging and policy management for voice, messaging and next generation data services to over 90 network operators in over 50 countries. The Company's software products allow its wireless telecommunications network operator customers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue through the introduction of network-based services, including call and subscriber management, multimedia messaging information services and location aware services. In addition, the Company's software products also manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, as well as provide real-time rating, charging and billing.

### **1 Summary of significant accounting policies**

#### **a) Basis of presentation**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and have been prepared on a basis consistent with the audited financial statements for the year ended September 30, 2010, except as described below.

The preparation of these interim consolidated financial statements requires management to make assumptions and estimates that affect the figures within these interim consolidated financial statements and notes. Actual results could differ significantly from those assumptions and estimates. Furthermore, the operating results for the interim periods presented are not necessarily indicative of the results anticipated for the full year. In the opinion of management, these interim consolidated financial statements reflect adjustments necessary to state fairly the results for the periods presented

#### **b) Principle of consolidation**

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary companies, of which the principal subsidiaries are Redknee (Ireland) Ltd., Redknee (Germany) GmbH, Redknee (UK) Ltd., Redknee (ME) FZ-LLC (Dubai), Redknee (US) Ltd., Redknee (India) Technologies Pvt. Ltd., Redknee Solutions (UK) Limited, Redknee (Lebanon) MEA SAL, Redknee Singapore PTE Ltd., Redknee Spain SAL Ltd., and Nimbus Systems S.L. and NMB Lda (collectively Nimbus or Nimbus Systems). All significant intercompany balances and transactions have been eliminated on consolidation.

#### **c) Future changes in accounting standards**

In October 2008, the CICA issued Section 1582, Business Combinations (Section 1582), concurrently with Sections 1601, Consolidated Financial Statements (Section 1601), and 1602, Non-controlling Interests (Section 1602). Section 1582, which replaces Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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(expressed in Canadian dollars, except as otherwise indicated)

and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual periods commencing on January 1, 2011, with earlier adoption permitted as at the beginning of a fiscal year. The Company is currently assessing the impact of the new standards on its consolidated financial statements.

In December 2009, the CICA issued Emerging Issues Committee Abstract 175 (EIC 175), replacing EIC 142. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have VSOE or third party evidence of selling price, that the entity allocate revenue in an arrangement using the estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the entity's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its consolidated financial statements and has not yet determined the timing and method of their adoption.

## 2 Business acquisition

On August 12, 2010, the Company acquired 100% of the shares of Nimbus. Established in 2001, Nimbus has been engaged in analysis, control and management solutions, with a particular focus on customer relationship management systems and billing, rating and partner relationship management. Nimbus currently supports group operators and non-telecommunications clients engaged in one of the world's leading transaction credit and loyalty card infrastructure companies. The acquisition was accounted for by the purchase method and the results of operations of Nimbus since the date of acquisition have been consolidated.

The total purchase price, net of cash acquired, of \$12,962,104 consists of cash paid on closing of \$8,053,600, 3,628,044 common shares issued, including 1,814,022 common shares placed in escrow, valued at \$4,473,378 and acquisition costs of \$709,026. The fair value of the common shares was determined to be \$1.37 per common share. The fair value of the common shares held in escrow (which are subject to the terms and conditions of an escrow agreement) was determined to be \$1.10 per common share. The 20% discount takes into consideration the length of the escrow period, the volatility of the share prices during the period and the inability to transact with these shares during this time. The purchase agreement also contains an earn-out provision, which outlines that the aggregate amount of up to €1,050,000 will be paid by the Company to the sellers in cash if certain future criteria are met. The earn-out has not been accrued at either the date of purchase or the reporting date. Management has determined that the earn-out is non-compensatory in nature and will be accrued as part of the purchase equation once the likelihood of payment can be reasonably determined.

The purchase price was allocated to the assets and liabilities as follows:



# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements December 31, 2010 and 2009

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(expressed in Canadian dollars, except as otherwise indicated)

	<b>Preliminary allocation \$</b>
Net assets acquired	
Stocks/investments	63,950
Trade accounts and other receivables	4,122,736
Unbilled receivables	1,831,000
Prepaid expenses	102,341
Property and equipment	421,499
Future income taxes	134,208
Indebtedness	(1,939,473)
Accounts payable and accrued liabilities	(1,888,893)
Long-term debt	(512,614)
Deferred revenue	(236,868)
Other liabilities	(345,000)
Taxes payable	(124,685)
Future income tax liabilities	(1,491,159)
	<u>137,042</u>
Intangible assets	
Customer relationships	2,841,649
Technology	1,326,192
Backlog	802,690
Goodwill	7,854,531
	<u>12,825,062</u>
Total purchase consideration, net of cash acquired	<u>12,962,104</u>
The purchase was financed by:	\$
Cash	188,038
Loans payable	8,300,688
Common shares issued	4,473,378
	<u>12,962,104</u>

Redknee expects to finalize the allocation of the purchase price during fiscal 2011 and the preliminary allocation may change. The customer relationships and technology arising from this acquisition will be amortized into income over their estimated useful lives of ten years. The backlog will be amortized over its estimated useful life of one year.

### 3 Goodwill

The changes in the carrying amount of goodwill during the period are as follows:

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars, except as otherwise indicated)

	Balance September 30, 2010	Additions (a)	Balance December 31, 2010
Goodwill	\$7,668,157	186,374	\$7,854,531
	<u>\$7,668,157</u>	<u>186,374</u>	<u>\$7,854,531</u>

(a) The additions of \$186,374 recorded in the period are acquisition costs \$66,374 and \$120,000 in future tax liabilities.

### 4 Loans payable

	December 31, 2010 \$	September 30, 2010 \$
Term loan, bearing interest at LIBOR plus 4%, due in August 2015	8,059,148	8,247,432
Term loan, denominated in euros, €53,200, bearing interest at Euribor six months plus 0.65%, due in April 2013	70,857	74,512
Term loan, denominated in euros, €80,976, bearing interest at 4.95%, due in November 2012	107,852	134,803
Term loan, denominated in euros, €8,827, bearing interest at 6.63%, due in October 2011	11,757	19,453
Term loan, denominated in euros, €13,889, bearing interest at nil%, due in December 2011	18,499	21,907
Term loan, denominated in euros, €150,997, bearing interest at 3.99%, due in February 2013	201,114	210,090
Term loan, denominated in euros, €75,000 bearing interest at 6.41%, due in June 2012	99,893	140,060
Term loan, denominated in euros, €20,000, bearing interest at Euribor three months plus 3%, renewable on a six-month cycle	26,638	28,012
Bank indebtedness, denominated in euros, €730,164, face value discount of 2%-4%, due on demand	975,509	1,289,703
Total loans payable	<u>9,571,263</u>	<u>10,165,972</u>
Less: Current portion of loans payable	<u>2,957,436</u>	<u>3,071,885</u>
Long-term loans payable	<u>6,613,827</u>	<u>7,094,087</u>

As at September 30, 2010, the Company has a credit facility with Export Development Canada for up to an aggregate principal amount of US\$10,000,000 to assist in financing (i) one or more acquisitions and/or (ii) working capital requirements.

The Company borrowed against this credit facility for the Nimbus acquisition. As at December 31, 2010, US\$8,059,148 (CA\$8,102,903) remains outstanding and is repayable semi-annually over five years. Interest on this facility is LIBOR plus 4% and is payable semi-annually after the first specified repayment date. Accounts

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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(expressed in Canadian dollars, except as otherwise indicated)

receivable, chattel paper, documents of title, equipment, intangible assets, inventory and securities are pledged as security for the credit facility.

Certain non-financial covenants exist under the agreement, which, if interpreted to be violated by the lender, could result in the amounts borrowed being due and payable to the lender on demand. Management has determined that no covenants are in breach as of the reporting date.

As a result of the acquisition of Nimbus, the Company currently holds several bank loans through its wholly owned subsidiary, Redknee Spain SAL Ltd. These loans are secured by shareholder guarantees.

Interest of \$122,625 in connection with loans payable has been charged to the consolidated statements of operations for the period ended December 31, 2010 (2009 - \$nil).

### 5 Net income per common share

For the period ended December 31, 2010, all potentially dilutive instruments in the amount of 2,057,486 have been excluded because the impact would be anti-dilutive.

For the period ending December 31, 2009, the diluted weighted average shares outstanding include unvested restricted share units and dilutive outstanding stock options. Shares relating to outstanding employee share purchase loans and the remainder of outstanding stock options in the amount of 6,491,947 (2009 – 6,517,580) common shares have been excluded because the impact would be anti-dilutive.

A reconciliation of the number of common shares used for purposes of calculating basic and diluted net income per common share for the period ended December 31 is as follows:

	2010	2009
Weighted average number of common shares outstanding	63,941,381	58,921,501
Less: Shares associated with outstanding common share purchase loans	-	121,040
Basic weighted average number of common shares outstanding	63,941,381	58,800,461
Add: Dilutive stock options outstanding (based on the share price of \$1.39 (2009 - \$1.00) at the balance sheet dates)	-	1,957,704
Add: Unvested restricted common share units	-	165,000
Diluted weighted average number of common shares outstanding	63,941,381	60,923,165

### 6 Stock-based compensation

During the three months ended December 31, 2010, 648,125 stock options were granted and issued to employees with a weighted fair value of \$ 0.93 per common share (2009 – Nil). The fair value of the stock options was determined using a Black-Scholes option pricing model with the following assumptions:

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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(expressed in Canadian dollars, except as otherwise indicated)

	<b>2010</b>
Risk free interest rate	2.86%
Expected volatility	64.0%
Expected life	7 years
Expected dividends	Nil

The stock-based compensation expense during the period was \$98,887 (2009 - \$111,834) relating to the Company's stock options.

The Company also recorded a stock-based compensation expense of \$40,772 (2009 - \$51,150) relating to the Company's restricted share plan. No restricted shares were granted during the period, and no further shares will be granted under the plan as the plan was cancelled in November 2006.

### 7 Research and development expenses

	<b>2010</b>	<b>2009</b>
	\$	\$
Gross research and development expenses	3,294,295	3,368,337
Less: Investment tax credits recognized	(250,000)	(25,000)
	<u>3,044,295</u>	<u>3,343,337</u>

In 2010 and 2009, the Company continues to earn investment tax credits related to research and development expenses.

### 8 Change in non-cash operating working capital

The changes in non-cash working capital are as follows:

	<b>2010</b>	<b>2009</b>
	\$	\$
Trade accounts and other receivables	9,025	(1,677,088)
Unbilled revenue	707,363	(486,681)
Prepaid expenses	(173,763)	87,680
Accounts payable	551,839	(120,065)
Accrued liabilities	136,052	(1,167,211)
Deferred revenue	(1,529,115)	(617,335)
Income taxes payable	47,668	(7,140)
Goods in transit	65,789	101,980
	<u>(185,142)</u>	<u>(3,885,860)</u>

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

December 31, 2010 and 2009

(expressed in Canadian dollars, except as otherwise indicated)

### 9 Segmented reporting

The Company reviewed its operations and determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware. The following information provides the required enterprise-wide disclosures.

The Company's revenue by geographic area is as follows:

	<b>2010</b>	<b>2009</b>
	\$	\$
Europe, Middle East and Africa	6,224,009	5,234,704
North America, Latin America and Caribbean	5,053,039	3,957,255
Asia and Pacific Rim	2,850,896	2,588,118
	<u>14,127,944</u>	<u>11,780,077</u>

Revenue is attributed to geographic locations, based on the location of the external customer. Sales related to Canadian customers were \$136,379 and \$347,281 for each of 2010 and 2009, respectively.

	<b>2010</b>	<b>2009</b>
	\$	\$
Revenue by type		
Software and services	6,774,525	6,742,792
Third party software and hardware	1,784,145	260,820
Support	5,569,274	4,776,465
	<u>14,127,944</u>	<u>11,780,077</u>

The Company's property and equipment by geographic area are as follows:

	<b>December 31,</b>	<b>September 30,</b>
	<b>2010</b>	<b>2010</b>
	\$	\$
Canada	103,986	126,091
India	11,228	12,544
Lebanon	63,819	64,088
Spain	348,393	418,019
United Kingdom	836	8,931
Other	44,957	5,853
	<u>573,219</u>	<u>635,526</u>

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements December 31, 2010 and 2009

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(expressed in Canadian dollars, except as otherwise indicated)

The Company's goodwill arises as a result of the Company's acquisition of Nimbus which is primarily based in Spain.

In the period ended December 31, 2010, one customer accounted for 13% of revenue (2009, one customer accounted for 12.5%).

### 10 Commitments, guarantees and contingencies

#### a) Line of credit

As at December 31, 2010, the Company has a credit facility with Export Development Corporation for up to an aggregate principal amount of US\$10,000,000, to assist in financing (i) one or more acquisitions or (ii) working capital. A commitment fee is payable equal to 1% per annum of all amounts that have been allocated but not drawn. As at December 31, 2010, there were US\$8,059,148 (C\$8,102,903) drawn.

#### b) Letters of credit

As at December 31, 2010, the Company had \$1,885,865 in outstanding letters of credit (September 30, 2010 - \$811,979) relating to customer contracts, which are secured by restricted cash in the consolidated balance sheets.

#### c) Guarantees

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees. The Company has never been called to perform its obligations under these indemnifications and the Company is not subject to any pending litigation in these matters.

#### d) Litigation and claims

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable. The Company is not currently a party to, or has any of its property as the subject of, legal proceedings, which would be material to the Company's financial condition or results of operations.

#### e) Earn-out agreement

The Nimbus purchase agreement contains an earn-out provision, which outlines that an aggregate amount of up to €1,050,000 will be paid by the Company to the sellers in cash if certain future criteria are met.