

Stibo Systems A/S

Axel Kiers Vej 11, DK-8270 Højbjerg

CVR No. 35 82 26 90

Annual report 2017/18

Approved at the Company's annual general meeting on 16 August 2018

Chairman:



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Stibo Systems A/S for the financial year 1 May 2017 - 30 April 2018.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 30 April 2018 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 May 2017 - 30 April 2018

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Højbjerg, 19 June 2018
Executive Board:



Jesper Ejlersen
CEO (interim)

Board of Directors:



Hans O. Damgaard
Chairman



Jesper Ejlersen (interim)



Carsten Christensen

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Independent auditors' report

To the shareholders of Stibo Systems A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Stibo Systems A/S for the financial year 1 May 2017 - 30 April 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2018 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 May 2017 - 30 April 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 19 June 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28


Jens Weierløbe Jakobsen
State Authorised
Public Accountant
MNE no.: mne30152


Søren Jensen
State Authorised
Public Accountant
MNE no.: mne34132

Management's review

Company details

Name	Stibo Systems A/S
Address	Axel Kiers Vej 11, DK-8270 Højbjerg
CVR no.	35 82 26 90
Registered office	Aarhus
Financial year	1 May - 30 April
Website	www.stibosystems.com
Telephone	+45 89 39 11 11
Board of Directors	Hans O. Damgaard, Chairman Jesper Ejlersen (interim) Carsten Christensen
Executive Board	Jesper Ejlersen, CEO (interim)
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vaerkmestergade 25, DK-8100 Aarhus C

Management's review

Financial highlights for the Group

DKK'000	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	607,595	647,566	735,419	623,985	488,583
Gross profit	440,525	462,030	545,334	487,035	362,023
Operating profit	44,302	24,943	115,217	121,077	64,861
Profit from financial income and expenses, net	267	-713	2,565	4,007	1,670
Profit before tax	44,569	24,230	117,782	125,084	66,531
Profit for the year	31,139	15,697	87,419	93,820	48,033
Non-current assets	2,370	1,377	2,842	2,710	3,933
Current assets	521,206	469,967	591,303	559,257	352,568
Total assets	523,576	471,344	594,145	561,967	356,501
Share capital	50,000	50,000	50,000	50,000	50,000
Equity	274,938	249,695	285,256	246,943	150,738
Provisions	2,751	4,167	15,070	17,030	15,331
Current liabilities	245,887	217,482	293,819	297,994	190,432
Investments in property, plant and equipment	2,452	238	1,637	1,372	1,820
Financial ratios					
Operating margin	7.3	3.9	15.7	19.4	13.3
Return on invested capital	14.1	8.0	39.5	55.2	54.1
Gross margin	72.5	71.3	74.2	78.1	74.1
Solvency ratio	52.5	53.0	48.0	43.9	42.3
Return on equity	11.9	5.9	32.9	47.5	38.0
Average number of employees	439	498	470	430	387

For terms and definitions, please see the accounting policies.

Management's review

Operating review

What we do

Stibo Systems is an important partner for global companies as they digitize their business models. Our company is a leading international vendor within the Master Data Management market (MDM). Master Data Management is fundamentally about bringing structure to the vast amount of information about customers, products, suppliers, etc. that companies hold. The goal of Stibo Systems is to create competitive advantages for our customers at all times.

Operating review

In the fiscal year 2017/18, Stibo Systems got a record number of new customers and achieved a record number of license sales to new customers while investing heavily in the development of our software product portfolio. At the end of the fiscal year, our pipeline of potential new orders had doubled compared to the previous year, which gives us a strong foundation for continued growth in 2018/19.

The year can be summarized in four main headings:

1. Starting transition from a business model where the core is selling perpetual licenses to a software rental base model.
2. A high level of investment in product and people to maintain long-term competitiveness in a market undergoing radical change.
3. Record number of new customers
4. Following an increasing market penetration in China and Latin America, we now consider ourselves firmly established in these markets and expect that the business will grow in the coming year.

Key figures

Revenue	DKK 608M (DKK 647M in 2016/17)
Profit before tax	DKK 45M (DKK 24M in 2016/17)
Equity	DKK 275M (DKK 250M in 2016/17)
Number of employees	439 (498 in 2016/17)

The decrease in revenue is primarily due to the implementation and expansion of an extensive partner strategy where more and more of the professional services related to the deployment of software licences now are performed by external partners. On top of that, customers in recent years increasingly wish to switch from buying software to renting software - consequently 40 percent of the total revenue is now subscription-based revenue being recurring to a very large extent.

In 2017/18, we experienced that a significant share of our customers is choosing to rent our software on multi-year contracts instead of buying it. This is a general tendency in the market and one that our competitors are experiencing as well. Stibo Systems continues to have the resources needed to support this change in business model. We are confident that over the years the visibility and predictability of our earnings will continue to increase as we grow the backlog of recurring revenue.

Stibo Systems continues to be recognized as a leading vendor in the MDM market. Stibo Systems received the highest scores of any vendor in this Magic Quadrant for its ability to support business initiatives as well as for the number of customers who would personally recommend Stibo Systems MDM solution.

Management's review

Operating review

Fueled by strong mega trends such as 'digitization', 'IOT', and 'Big Data,' the global MDM market will experience strong growth in the coming years - only to be further accelerated from the emergence of new verticals and geographical markets. Thus maintaining a strong position in the future MDM market calls for major investments. Stibo Systems is privileged to have a strong forward-thinking ownership that allow investments in software and associated services to be made continuously as part of the operation and have grown the investments in product and market positioning by +10% compared to the previous year.

Customers

Management is pleased to report that the positive trend of increased sales that was reported for the second half of the previous year continued throughout 2017/18 adding a total of 44 new customers to the base. With a total of 15 new customers in Asia and Latin America, management no longer considers these regions "new" markets, but markets to develop and expand.

Our list of customers includes approximately 400 key customers worldwide. Among our new customers are companies such as:

Bayer (D), Honda Jet (US), CLAAS (NL), City Beach (Australia), Grupo Elektra (Mexico), Julius Blum GmbH (D), LIXIL (Japan), Mason Companies (US), NGK Spark Plugs (D), Office Depot (US) and WAGO (D).

ISO 27001

Stibo Systems has achieved the ISO 27001 certification, which is the most recognized general security certification globally. It demonstrates to our customers and partners that we are committed to continuously improving our security measures and that they can trust our efforts of protecting their information. The certification relates to an information security management system that oversees the security needs of the organization based on constant risk assessments.

Outlook

The investments in product and market presence will be maintained on a very high level in the coming year. We will continue to fund the investments as part of the running operation, keeping operating costs at a distinctive level. The order backlog at the beginning of the year is satisfactory and as we expect to see the effect of the investments, the financial results for 2018/19 are expected to surpass that of 2017/18.

Particular risks

Currency risks

The Group is exposed to changes in exchange rates as the majority of the Group's revenue is settled in foreign currencies.

Interest rate risks

Due to its equity ratio and financial resources, the Group is only exposed to changes in the interest rate level to a minor extent.

Credit risks

Before new business relations are initiated, a credit rating of the customer is made, and if appropriate and possible, credit risks are hedged by means of insurances with credit insurance companies.

The Group reduces credit risks by issuing progress billings as work progresses.

Management's review

Operating review

Statutory corporate social responsibility statement under section 99a of the Danish Financial Statements Act

For a statement on corporate social responsibility, please see the annual report of the parent company, Stibo Holding A/S.

Goals and policies for the underrepresented gender under section 99b of the Danish Financial Statements Act

For goals and policies for the underrepresented gender, please see the annual report of the parent company, Stibo Holding A/S.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Income statement

Note	DKK'000	Consolidated		Parent company	
		2017/18	2016/17	2017/18	2016/17
	Revenue	607,595	647,566	607,595	647,566
2	Other operating income	250	0	13,112	12,737
		607,845	647,566	620,707	660,303
	Raw materials and consumables	-28,283	-37,946	-426,182	-506,092
	Other external costs	-139,037	-147,590	-56,850	-55,163
	Gross profit	440,525	462,030	137,675	99,048
3	Staff costs	-392,598	-433,161	-119,813	-105,744
4	Depreciation, amortisation and impairment losses	-3,625	-3,926	-1,292	-1,841
	Operating profit	44,302	24,943	16,570	-8,537
9	Profit of group enterprises after tax	0	0	18,331	22,406
5	Financial income	1,016	938	528	464
6	Financial expenses	-749	-1,651	-83	-305
	Profit before tax	44,569	24,230	35,346	14,028
7	Tax on profit for the year	-13,430	-8,533	-4,207	1,669
	Profit for the year	31,139	15,697	31,139	15,697

Proposed profit allocation

DKK'000			
	Proposed dividends	35,000	0
	Transfer to reserve for net revaluation according to the equity method	18,331	22,406
	Retained earnings	-22,192	-6,709
		31,139	15,697

Consolidated financial statements and parent company financial statements 1 May - 30 April

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		30 April 2018	30 April 2017	30 April 2018	30 April 2017
	ASSETS				
	Non-current assets				
8	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	2,370	1,377	44	311
	Investments				
9	Investments in group enterprises	0	0	96,134	74,815
	Total non-current assets	2,370	1,377	96,178	75,126
	Current assets				
	Receivables				
	Trade receivables	172,613	179,084	21,634	38,011
10	Contract work in progress	5,965	1,456	3,093	581
	Receivables from group enterprises	133,250	102,714	168,262	128,784
11	Deferred tax asset	414	882	0	0
	Corporation tax	980	784	0	0
	Other receivables	8,394	6,123	2,709	2,230
	Prepayments	5,825	4,756	2,830	1,436
		327,441	295,799	198,528	171,042
	Cash	193,765	174,168	76,361	84,971
	Total current assets	521,206	469,967	274,889	256,013
	TOTAL ASSETS	523,576	471,344	371,067	331,139

Consolidated financial statements and parent company financial statements 1 May - 30 April

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		30 April 2018	30 April 2017	30 April 2018	30 April 2017
		EQUITY AND LIABILITIES			
12	Equity				
	Share capital	50,000	50,000	50,000	50,000
	Net revaluation acc. to the equity method	0	0	60,816	39,497
	Retained earnings	189,938	199,695	129,122	160,198
	Proposed dividends	35,000	0	35,000	0
	Total equity	274,938	249,695	274,938	249,695
	Provisions				
11	Deferred tax	2,751	4,167	2,751	4,167
	Total provisions	2,751	4,167	2,751	4,167
	Liabilities				
	Current liabilities				
10	Prepayments from customers	164,823	145,503	43,741	37,651
	Trade payables	2,242	4,624	785	2,385
	Payables to group enterprises	422	0	15,786	7,727
	Corporation tax	8,831	9,238	5,223	8,927
	Other payables	69,569	58,117	27,843	20,587
		245,887	217,482	93,378	77,277
	Total liabilities	245,887	217,482	93,378	77,277
	TOTAL EQUITY AND LIABILITIES	523,576	471,344	371,067	331,139

- 1 Accounting policies
- 13 Mortgages, collateral and contingent liabilities
- 14 Lease obligations
- 15 Related parties

Consolidated financial statements and parent company financial statements 1 May - 30 April

Statement of changes in equity - Consolidated

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 May 2017	50,000	199,695	0	249,695
Profit for the year	0	-3,861	35,000	31,139
Foreign exchange adj. on the translation of foreign entities	0	-5,896	0	-5,896
Distributed dividends	0	0	0	0
Equity at 30 April 2018	50,000	189,938	35,000	274,938

Statement of changes in equity - Parent company

DKK'000	Share capital	Retained earnings	Net revaluation acc. to the equity method	Proposed dividends	Total
Equity at 1 May 2017	50,000	160,198	39,497	0	249,695
Profit for the year	0	-22,192	18,331	35,000	31,139
Foreign exchange adj. on the translation of foreign entities	0	0	-5,896	0	-5,896
Transfer	0	-8,884	8,884	0	0
Distributed dividends	0	0	0	0	0
Equity at 30 April 2018	50,000	129,122	60,816	35,000	274,938

Consolidated financial statements and parent company financial statements 1 May - 30 April

Cash flow statement

Note	DKK'000	Consolidated	Consolidated
		2017/18	2016/17
	Operating profit	44,302	24,943
	Depreciation	1,233	1,033
	Cash generated from operations (operating activities) before changes in working capital	45,535	25,976
	Changes in working capital	27,013	-38,737
	Cash flows from operating activities	72,548	-12,761
5	Financial income	1,016	938
6	Financial expenses	-749	-1,651
	Other adjustments	-2,547	-35
	Cash generated from operations (ordinary activities)	70,268	-13,509
	Corporation tax paid	-14,552	-34,857
	Cash flows from operating activities	55,716	-48,366
8	Acquisition of property, plant and equipment	-2,452	-238
8	Disposal of property, plant and equipment	436	687
	Cash flows from investing activities	-2,016	449
	Changes in receivables from group enterprises	-30,544	1,313
	Dividends paid	0	-50,000
	Cash flows from financing activities	-30,544	-48,687
	Cash flows for the year	23,156	-96,604
	Cash and cash equivalents at 1 May	174,168	269,850
	Exchange gains/losses on cash and cash equivalents	-3,559	922
	Cash and cash equivalents at 30 April	193,765	174,168

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 Accounting policies

The annual report of Stibo Systems A/S for 2017/18 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Pursuant to section 96(3) of the Danish Financial Statements Act, please see the annual report of Stibo Holding A/S for 2017/18 regarding auditors' fee.

The financial statements have been prepared in accordance with the same accounting policies as last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Stibo Systems A/S, and subsidiaries in which Stibo Systems A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date. Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not restated for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

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.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 Accounting policies (continued)

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity. Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. Income and expenses related to such hedges are transferred from equity by realisation of the hedged item and recognised in the same financial statement item as the hedged item.

Income statement

Revenue

Revenue from the sale of goods and services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Contract work in progress in respect of delivery of large systems is recognised in revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method). Revenue is recognised when total income and expenses relating to the construction contract and the stage of completion at the balance sheet date can be reliably measured, and when it is probable that future economic benefits, including payments, will flow to the Group.

Other operating income

Other operating income comprises items secondary to the primary activities of the Company.

Other external costs

Other external costs comprise items primary to the activities of the Company for the year.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other costs regarding the Company's employees, including members of the Executive Board and the Board of Directors.

Development costs regarding new products are expensed as incurred as the conditions for capitalisation are not considered to have been met. In practice, the development of new products cannot be separated from the continued maintenance of the Group's other products.

Depreciation and amortisation

Comprises depreciation of property, plant and equipment.

Profits/losses from investments in group enterprises

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses and amortisation of goodwill.

The proportionate share of the results after tax of the associates is recognised in the income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Interest expenses are not capitalised.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Stibo Group's Danish companies. Subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Stibo Holding A/S is the management company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year, comprising current tax and changes in deferred tax for the year, is recognised in the income statement. The tax expense relating to changes in equity is recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprises 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:

Fixtures and fittings, tools and equipment 3-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

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. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in group enterprises

Investments in group enterprises and associates are measured according to the equity method.

Investments in group enterprises are measured in the balance sheet at the proportionate share of the enterprises' net asset value determined in accordance with the parent company's accounting policies less or plus unrealised intra-group gains and losses.

Group enterprises with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the subsidiary's deficit.

Net revaluation of investments in group enterprises is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected losses.

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Notes

1 Accounting policies (continued)

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the work.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual work in progress is recognised in the balance sheet under either receivables or payables depending on the net value of the sales amount less progress billings and prepayments.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Payable and receivable joint taxation contributions are recognised in the balance sheet under balances with group companies.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities other than provisions

Amounts owed to mortgage credit institutions and banks are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

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Notes

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Segment information

The Group only operates within one segment.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on capital employed	$\frac{\text{Operating profit/loss} \times 100}{\text{Average operating assets}}$
Operating assets	Operating assets are total assets less cash
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

2 Other operating income

The financial statement item substantially comprises income from management fee and other services. Furthermore gains from sales of property, plant and equipment.

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
3 Staff costs				
Wages and salaries	358,424	393,823	112,904	99,397
Pensions	14,790	16,606	6,526	6,024
Other social security costs	19,384	22,732	383	323
	<u>392,598</u>	<u>433,161</u>	<u>119,813</u>	<u>105,744</u>
Average number of full-time employees	<u>439</u>	<u>498</u>	<u>144</u>	<u>141</u>
Pursuant to sections 98b (3) of the Danish Financial Statements Act, there is no information about remuneration to the Executive Board.				
4 Depreciation and impairment losses				
Fixtures and fittings, other plant and equipment	1,233	1,033	267	386
Minor new acquisitions	2,392	2,893	1,025	1,455
	<u>3,625</u>	<u>3,926</u>	<u>1,292</u>	<u>1,841</u>
5 Financial income				
Interest income from group enterprises	0	0	0	53
Other financial income	1,016	938	528	411
	<u>1,016</u>	<u>938</u>	<u>528</u>	<u>464</u>
6 Financial expenses				
Interest expense to group enterprises	0	0	0	299
Other financial expenses	749	1,651	83	6
	<u>749</u>	<u>1,651</u>	<u>83</u>	<u>305</u>
7 Tax on profit for the year				
Current tax for the year	14,455	19,318	5,623	8,824
Adjustment of deferred tax	-1,025	-10,785	-1,416	-10,493
	<u>13,430</u>	<u>8,533</u>	<u>4,207</u>	<u>-1,669</u>

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

8 Property, plant and equipment

	Consoli- dated	Parent company
	Fixtures and fittings other plant etc.	Fixtures and fittings other plant etc.
DKK'000		
Cost at 1 May 2017	13,488	10,536
Foreign exchange adjustments in foreign enterprises	-66	0
Additions	2,452	0
Disposals	-5,345	-3,856
Cost at 30 April 2018	10,529	6,680
Depreciation charges at 1 May 2017	-12,111	-10,225
Foreign exchange adjustments in foreign enterprises	26	0
Depreciation charges	-1,233	-267
Disposals	5,159	3,856
Depreciation charges and impairment losses at 30 April 2018	-8,159	-6,636
Carrying amount at 30 April 2018	2,370	44
Depreciated over	<u>3-10 years</u>	<u>3-10 years</u>

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

DKK'000	Parent company	
	2017/18	2016/17
9 Investments in subsidiaries		
Cost at 1 May	35,318	33,534
Additions	0	1,784
Cost at 30 April	35,318	35,318
Value adjustments at 1 May	39,497	33,297
Foreign exchange adjustments, foreign group enterprises	-5,896	-806
Profit before tax	27,554	32,608
Tax on profit for the year	-9,223	-10,202
Dividends	0	-15,400
Disposals	8,884	0
Adjustments at 30 April	60,816	39,497
Carrying amount at 30 April	96,134	74,815

Name	Registered office	Voting rights and ownership
Stibo Systems Inc.	USA	100%
Stibo Systems Healthcare Inc.	USA	100%
Stibo Systems Ltd.	England	100%
Stibo Systems GmbH	Germany	100%
Stibo Systems S.A.S	France	100%
Stibo Systems Asia Ltd.	Hong Kong	100%
Stibo Systems Korea Ltd.	South Korea	100%
Stibo Systems Japan	Japan	100%
Stibo Systems Hong Kong Ltd	Hong Kong	100%
Stibo Systems China Ltd.	Hong Kong	100%
Stibo Software Ltd.	China	100%
Stibo Systems China Ltd.	China	100%
Stibo Systems Pty. Ltd.	Australia	100%
Stibo Systems B.V.	Holland	100%
Stibo Systems Sàrl	Switzerland	100%
Stibo Systems Inc.	Canada	100%
Stibo Systems Do Brazil Ltda.	Brazil	100%
Stibo Systems AB	Sweden	100%
Stibo Systems Columbia	Columbia	100%
Stibo Systems Spain S.L.	Spain	100%

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
10 Contract work in progress				
Recognised as follows:				
Contract work in progress	5,965	1,456	3,093	581
Prepayments	-164,823	-145,503	-43,741	-37,651
	-158,858	-144,047	-40,648	-37,070

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

DKK'000	Consolidated		Parent company	
	2017/18	2016/17	2017/18	2016/17
11 Deferred tax				
Deferred tax at 1 May	3,285	14,406	4,167	15,027
Value adjustments for the year	77	31	0	0
Changes for the year, see note 7	-1,025	-10,785	-1,416	-10,493
Changes for the year relating to changes in equity	0	-367	0	-367
Deferred tax at 30 April	2,337	3,285	2,751	4,167
Deferred tax asset	-414	-882	0	0
Deferred tax liability	2,751	4,167	2,751	4,167
	2,337	3,285	2,751	4,167

12 Equity

The share capital comprises 50,000 shares of DKK 1,000 nominal value each. All shares rank equally. The share capital has remained unchanged since establishment.

Proposed profit allocation

	2017/18	2016/17
Proposed dividends	35,000	0
Transfer to reserve for net revaluation according to the equity method	18,331	22,406
Retained earnings	-22,192	-6,709
	35,346	15,697

13 Mortgages, collateral and contingent liabilities

Parent company

The Company is jointly taxed with other Danish group companies. As group company, together with the other group companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

The jointly taxed companies known net liabilities to SKAT are recognised in the financial statements of the administrative company, Stibo Holding A/S. Any subsequent corrections to the joint taxation income and withholding taxes, etc. may imply that the Company's liabilities increase.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

14 Lease obligations

Parent company

The Company has entered into rent obligations with a term of 1 year totalling DKK 4.4 million (2016/17: DKK 8.4 million).

Other lease obligations (operating leases) falling due within five years total DKK 2.9 million (2016/17: DKK 6.0 million).

Consolidated

The Group has entered into rent obligations falling due within five years and totalling DKK 26.8 million (2016/17: DKK 22.0 million).

Other lease obligations (operating leases) falling due within five years total DKK 3.3 million (2016/17: DKK 6.1 million).

15 Related parties

Parties exercising control

The Stibo-Foundation, Axel Kiers Vej 11, 8270 Højbjerg.

Stibo Systems A/S is wholly-owned by Stibo A/S, Aarhus, whose ultimate parent company is the Stibo-Foundation, Aarhus.

Related party transactions

Related parties comprise the Stibo-Foundation and subsidiaries in which Stibo-Foundation directly or indirectly controls.

Transactions in 2017/18 with related parties:

DKK'000	Consolidated	Parent company
Income ¹	0	491,746
Expenses ¹	22,859	441,996
Net financial income and expenses ²	0	0
Receivables from group enterprises ³	133,250	168,262
Payables to group enterprises ³	422	15,786

¹ Includes sales and purchases of goods and services.

² Includes financial items related to intercompany financing.

³ Includes receivables and payables related to sales and purchases of goods and services and intercompany financing.