



CCI Europe A/S

Axel Kiersvej 11, DK-8270 Højbjerg

CVR No. 41 91 58 11

Annual report 2016/17

Approved at the Company's annual general meeting on 14 August 2017

Chairman:

A handwritten signature in blue ink, reading "Carsten Andersen", written over a dotted line.

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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 CCI Europe A/S for the financial year 1 May 2016 - 30 April 2017.

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 2017 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 May 2016 - 30 April 2017.

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, 9 August 2017
Executive Board:



Dan Korsgaard
CEO

Board of Directors:



Hans O. Damgaard
Chairman



Dan Korsgaard



Carsten Christensen

Independent auditors' report

To the shareholders of CCI Europe A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of CCI Europe A/S for the financial year 1 May 2016 - 30 April 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. 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 2017 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 2016 - 30 April 2017 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" section of our report. 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. 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 consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company 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 skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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 our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 9 August 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28


Jens Weiersøe Jakobsen
State Authorised
Public Accountant


Søren Jensen
State Authorised
Public Accountant

Management's review

Company details

Name	CCI Europe A/S
Address	Axel Kiers Vej 11, DK-8270 Højbjerg
CVR no.	41 91 58 11
Established	25 February 1927
Registered office	Aarhus
Financial year	1 May - 30 April
Website	www.ccieurope.com
Telephone	+45 8733 5588
Board of Directors	Hans O. Damgaard, Chairman Dan Korsgaard Carsten Christensen
Executive Board	Dan Korsgaard, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vaerkmestergade 25, DK-8100 Aarhus C

Management's review

Financial highlights for the Group

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	169,002	205,180	199,011	189,337	178,112
Gross profit	120,458	147,696	149,041	139,235	126,331
Operating profit	6,136	16,971	18,257	21,535	10,036
Profit/loss from financial income and expense, net	463	-1,609	851	-560	-4
Profit before tax	6,599	15,362	19,108	20,975	10,032
Profit for the year	7,266	10,362	11,365	14,955	7,828
Non-current assets	7,932	9,644	17,429	15,807	15,556
Current assets	120,161	130,575	122,813	113,778	153,693
Total assets	128,093	140,219	140,242	129,585	169,249
Share capital	30,000	30,000	30,000	30,000	30,000
Equity	71,842	75,502	58,487	51,301	36,355
Provisions	0	0	0	0	16,200
Non-current liabilities	0	0	0	0	2,376
Current liabilities	56,251	64,717	81,755	78,284	114,318
Investments in property, plant and equipment for the year	595	335	1,225	491	68
Financial ratios					
Operating margin	3.6	8.3	9.2	11.4	5.6
Return on capital employed	14.4	24.4	20.7	20.3	-
Gross margin	71.3	72.0	74.9	73.5	70.9
Solvency ratio	56.1	53.8	41.7	39.6	21.5
Return on equity	9.9	15.5	20.7	34.1	-
Average number of employees	186	215	220	182	162

For terms and definitions, please see the accounting policies.

Management's review

Operating review

CCI comprises CCI Europe, which is headquartered in Denmark, the Norwegian web CMS developer Escenic and the US consulting services business Red Badge.

In the past year, CCI has entered into an agreement with A.H. Belo Corporation in the USA to establish NewsGate as a cloud installation. The project was completed to everyone's satisfaction and CCI expects an increase in the number of sold cloud installations.

CCI has been active in Asia for years, and this year has seen projects involving local languages at both The Hindu and The Times of India. At The Times of India, more than 60 publications are added to NewsGate.

For some time, CCI has supported newspaper customers in their efforts to produce magazines out of NewsGate. This year, we have continued the development of magazine capabilities in cooperation with Bonnier Publications. This includes a new InDesign-based solution.

CCI is investing in the development of CUE, a new technology platform as a solution to the changed demands for digital storytelling and agile business development. The first versions have been released during this year. Amedia in Norway and RTL in Germany are some of the customers now using CUE. Further, Ringier in Switzerland has started a project to establish a complete new infrastructure and website implementation based on the CUE technology.

For more than thirty years, CCI has been a leading technology partner for large media groups all over the world. CCI's strategy is to support media groups and other businesses in respect of their content and publishing needs. This implies the development of software solutions as well as the supply of professional services.

Financial ratios

Revenue:	DKK 169 million
Profit before tax:	DKK 7 million
Number of employees:	186

Because of the challenging market conditions, revenue and profit before tax are reduced both compared to 2015/16 and are lower than the expectations at the start of the year.

Outlook

Revenue and results for the coming financial year are expected to be in line with 2016/17.

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. The Group hedges the part of the concluded contracts that is not hedged by costs in the currency in question.

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	
		2016/17	2015/16	2016/17	2015/16
	Revenue	169,002	205,180	162,935	172,628
	Raw materials and consumables	-11,440	-16,562	-69,499	-44,322
	Other external costs	-37,104	-40,922	-23,311	-28,441
	Gross profit	120,458	147,696	70,125	99,865
2	Staff costs	-110,892	-126,267	-69,108	-81,110
3	Depreciation, amortisation and impairment losses	-3,430	-4,458	-859	-1,277
	Operating profit	6,136	16,971	158	17,478
9	Profit of group enterprises after tax	0	0	7,174	-2,854
4	Financial income	1,351	409	782	795
5	Financial expenses	-888	-2,018	-519	-1,065
	Profit before tax	6,599	15,362	7,595	14,354
6	Tax on profit for the year	667	-5,000	-329	-3,992
	Profit for the year	<u>7,266</u>	<u>10,362</u>	<u>7,266</u>	<u>10,362</u>

Proposed profit allocation

DKK'000			
	Proposed dividends	0	10,000
	Transfer to reserve for net revaluation according to the equity method	0	0
	Retained earnings	7,266	362
		<u>7,266</u>	<u>10,362</u>

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

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		30 April 2017	30 April 2016	30 April 2017	30 April 2016
	ASSETS				
	Non-current assets				
7	Intangible assets				
	Other intangible assets	6,928	8,818	0	0
		<u>6,928</u>	<u>8,818</u>	<u>0</u>	<u>0</u>
8	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	1,004	826	196	268
		<u>1,004</u>	<u>826</u>	<u>196</u>	<u>268</u>
	Investments				
9	Investments in group enterprises	0	0	43,924	12,046
		<u>0</u>	<u>0</u>	<u>43,924</u>	<u>12,046</u>
	Total non-current assets	<u>7,932</u>	<u>9,644</u>	<u>44,120</u>	<u>12,314</u>
	Current assets				
	Receivables				
	Trade receivables	11,875	18,392	5,428	8,316
	Contract work in progress	860	0	714	0
	Receivables from group enterprises	6,864	5,503	12,795	18,338
10	Deferred tax asset	4,471	1,895	533	216
	Corporation tax	0	0	896	0
	Other receivables	3,558	4,057	2,984	3,259
	Prepayments	4,452	5,559	3,835	4,885
		<u>32,080</u>	<u>35,406</u>	<u>27,185</u>	<u>35,014</u>
	Cash	<u>88,081</u>	<u>95,169</u>	<u>43,577</u>	<u>75,030</u>
	Total current assets	<u>120,161</u>	<u>130,575</u>	<u>70,762</u>	<u>110,044</u>
	TOTAL ASSETS	<u>128,093</u>	<u>140,219</u>	<u>114,882</u>	<u>122,358</u>

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

Balance sheet

Note	DKK'000	Consolidated		Parent company	
		30 April 2017	30 April 2016	30 April 2017	30 April 2016
		EQUITY AND LIABILITIES			
11	Equity				
	Share capital	30,000	30,000	30,000	30,000
	Retained earnings	41,842	35,502	41,842	35,502
	Proposed dividends	0	10,000	0	10,000
	Total equity	71,842	75,502	71,842	75,502
	Liabilities				
	Current liabilities				
	Prepayments from customers	33,902	32,522	11,146	23,108
	Trade payables	2,392	3,044	1,098	1,508
	Payables to group enterprises	540	2,920	17,737	2,173
	Corporation tax	51	2,597	0	2,550
	Other payables	19,366	23,634	13,059	17,517
	Total liabilities	56,251	64,717	43,040	46,856
	TOTAL EQUITY AND LIABILITIES	128,093	140,219	114,882	122,358

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

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

Statement of changes in equity

DKK'000	Consolidated			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 May 2016	30,000	35,502	10,000	75,502
Profit for the year	0	7,266	0	7,266
Foreign exchange adj. on the translation of foreign entities	0	202	0	202
Value adjustments for the year of hedging instruments	0	-1,128	0	-1,128
Distributed dividends	0	0	-10,000	-10,000
Equity at 30 April 2017	30,000	41,842	0	71,842

DKK'000	Parent company				
	Share capital	Retained earnings	Net revaluation acc. to the equity method	Proposed dividends	Total
Equity at 1 May 2016	30,000	35,502	0	10,000	75,502
Profit for the year	0	7,266	0	0	7,266
Foreign exchange adj. on the translation of foreign entities	0	202	0	0	202
Value adjustments for the year of hedging instruments	0	-1,128	0	0	-1,128
Distributed dividends	0	0	0	-10,000	-10,000
Equity at 30 April 2017	30,000	41,842	0	0	71,842

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

Cash flow statement

Note	DKK'000	Consolidated	
		2016/17	2015/16
	Operating profit	6,136	16,971
3	Depreciation	2,311	2,853
	Cash generated from operations (operating activities) before changes in working capital	8,447	19,824
	Changes in working capital	-103	515
	Cash flows from operating activities	8,344	20,339
4	Financial income	1,351	409
5	Financial expenses	-888	-2,018
	Other adjustments	8	1,661
	Cash generated from operations (ordinary activities)	8,815	20,391
	Corporation tax paid	-4,137	-5,728
	Cash flows from operating activities	4,678	14,663
8	Acquisition of property, plant and equipment	-595	-335
	Acquisition of investments	0	3,313
	Cash flows from investing activities	-595	2,978
	Changes in receivables from group enterprises	-1,361	31,498
	Dividend distributed	-10,000	0
	Cash flows from financing activities	-11,361	31,498
	Cash flows for the year	-7,278	49,139
	Cash and cash equivalents at 1 May	95,169	46,094
	Exchange gains/losses on cash and cash equivalents	190	-64
	Cash and cash equivalents at 30 April	88,081	95,169

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 CCI Europe A/S for 2016/17 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, reference is made to the annual report of Stibo Holding A/S for 2016/17 regarding auditors' fee.

Effective 1 May 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement regarding yearly reassessment of residual values of property, plant and equipment.

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. This change has no impact on the income statement or the balance sheet for 2016/17 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, CCI Europe A/S, and subsidiaries in which CCI Europe 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.

Raw materials and consumables

Raw materials and consumables comprise purchases of goods and services for the year.

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 amortisation of intangible assets and depreciation of property, plant and equipment.

Profits/losses from investments in group enterprises and associates

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 administrative 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.

Balance sheet

Other intangible assets

Other intangible assets comprise patents, rights and customer data bases, etc. acquired.

Other intangible assets are measured at cost less accumulated depreciation and amortisation. Other intangible assets are amortised on a straight-line basis over the expected useful lives, which are 3-7 years.

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

Notes

1 Accounting policies (continued)

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 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 value 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.

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.

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Notes

1 Accounting policies (continued)

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

Receivables

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

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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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 as well as the Group's cash and cash 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

CCI Europe 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	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

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DKK'000	Consolidated		Parent company	
	2016/17	2015/16	2016/17	2015/16
2 Staff costs				
Wages and salaries	99,645	113,007	63,585	75,006
Pensions	5,339	5,883	4,810	5,301
Other social security costs	5,908	7,377	713	803
	<u>110,892</u>	<u>126,267</u>	<u>69,108</u>	<u>81,110</u>
Average number of employees	186	215	103	118

Pursuant to sections 98b, part 3, of the Danish Financial Statements Act, there is no information about the remuneration to the Executive Board.

DKK'000	Consolidated		Parent company	
	2016/17	2015/16	2016/17	2015/16
3 Depreciation, amortisation and impairment losses				
Other intangible assets	1,890	2,159	0	0
Fixtures and fittings, other plant and equipment	421	694	72	237
	<u>2,311</u>	<u>2,853</u>	<u>72</u>	<u>237</u>
Minor new acquisitions	1,119	1,605	787	1,040
	<u>3,430</u>	<u>4,458</u>	<u>859</u>	<u>1,277</u>
4 Financial income				
Interest income from group enterprises	0	75	268	482
Other financial income	1,351	334	514	313
	<u>1,351</u>	<u>409</u>	<u>782</u>	<u>795</u>
5 Financial expenses				
Interest expense to group enterprises	12	0	12	0
Other financial expenses	876	2,018	507	1,065
	<u>888</u>	<u>2,018</u>	<u>519</u>	<u>1,065</u>
6 Tax on profit for the year				
Current tax	1,629	4,575	328	3,585
Deferred tax	-2,296	425	1	407
	<u>-667</u>	<u>5,000</u>	<u>329</u>	<u>3,992</u>

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

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7 Intangible assets

	<u>Consolidated</u>
	<u>Other intangible assets</u>
DKK'000	
Cost at 1 May 2016	13,734
Additions	0
Disposals	0
Cost at 30 April 2017	<u>13,734</u>
Amortisation charges at 1 May 2016	-4,916
Amortisation charges	-1,890
Disposals	0
Amortisation charges and impairment losses at 30 April 2017	<u>-6,806</u>
Carrying amount at 30 April 2017	<u>6,928</u>
Amortised over	<u>5-7 years</u>

8 Property, plant and equipment

	<u>Consoli- dated</u>	<u>Parent company</u>
	<u>Fixtures and fittings other plant, etc.</u>	<u>Fixtures and fittings other plant, etc.</u>
DKK'000		
Cost at 1 May 2016	5,127	3,197
Foreign exchange adjustments in foreign enterprises	-7	0
Additions	595	0
Disposals	-19	0
Cost at 30 April 2017	<u>5,696</u>	<u>3,197</u>
Depreciation charges at 1 May	-4,301	-2,929
Foreign exchange adjustments in foreign enterprises	12	0
Depreciation charges	-422	-72
Disposals	19	0
Depreciation charges and impairment losses at 30 April	<u>-4,692</u>	<u>-3,001</u>
Carrying amount at 30 April	<u>1,004</u>	<u>196</u>
Depreciated over	<u>3-10 years</u>	<u>3-10 years</u>

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

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9 Investments in group enterprises

DKK'000	Parent company	
	2016/17	2015/16
Cost at 1 May	23,310	26,784
Additions	25,000	0
Disposals	-498	-3,474
Cost at 30 April	47,812	23,310
Adjustments at 1 May	-11,264	-7,927
Foreign exchange adjustments, foreign group enterprises	202	-483
Profit before tax	6,178	-1,670
Tax on profit for the year	996	-1,184
Adjustments at 30 April	-3,888	-11,264
Carrying amount at 30 April	43,924	12,046

Name	Registered office	Voting rights and ownership
CCI Europe, Inc	USA	100%
CCI Europe GmbH	Germany	100%
CCI Japan Ltd.	Japan	100%
Escenic AS	Norway	100%
Escenic Asia Ltd.	Bangladesh	100%
CCI Asia ApS	Denmark	100%
Escenic A/S	Denmark	100%

10 Deferred tax asset

DKK'000	Consolidated	Parent company
	2016/17	2016/17
Deferred tax at 1 May (asset)	1,895	216
Value adjustments for the year	-38	0
Changes for the year, see note 6	2,296	-1
Changes for the year relating to changes in equity	318	318
Deferred tax at 30 April	4,471	533
Deferred tax asset	4,471	533
Deferred tax liability	0	0
	4,471	533

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11 Equity - Parent company

In connection with the demerger in 2014, the share capital was reduced from DKK 76 million to DKK 30 million. The share capital has not been subject to changes in the preceding three years.

The share capital comprises 30,000 shares of DKK 1,000 nominal value each. All shares rank equally.

Proposed profit allocation

DKK'000	2016/17	2015/16
Proposed dividends	0	10,000
Transfer to reserve for net revaluation according to the equity method	0	0
Retained earnings	7,266	362
	<u>7,266</u>	<u>10,362</u>

12 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 management 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.

13 Currency risks and use of derivative financial instruments

The Group uses hedging instruments such as forward exchange contracts.

Recognised transactions

As of 30 April 2017, the Group has entered into forward exchange contracts related to receivables and payables in USD for a net amount of USD 1.6 million.

Forecast transactions

The Company uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of goods in the coming year.

As of 30 April 2017, the Group has entered into forward exchange contracts for future transactions in USD amounting to USD 9.7 million. The value of the contracts as of 30 April 2017 amounted to DKK 0.7 million before taxes, which is recognized in equity.

Moreover, the Group has entered into forward exchange contracts at a smaller scale in AUD and GBP.

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

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14 Lease obligations

Parent company

The Company has entered into rent obligations with a term of 1 year totalling DKK 3.4 million (2015/16: DKK 4.5 million).

Other lease obligations (operating leases) falling due within five years total DKK 0.6 million (2015/16: DKK 0.7 million).

Consolidated

The Group has entered into rent obligations falling due within five years and totalling DKK 8.3 million (2015/16: DKK 11.4 million).

Other lease obligations (operating leases) falling due within five years total DKK 0.6 million (2015/16: DKK 0.7 million).

15 Related parties

Parties exercising controls

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

CCI Europe 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 2016/17 with related parties:

DKK'000	Consolidated	Parent company
Income ¹	0	87,587
Expenses ¹	13,588	67,965
Net financial income and expenses ²	12	256
Receivables from group enterprises ³	6,864	12,795
Payables to group enterprises ³	540	17,737

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.