Stibo DX A/S

Axel Kiers Vej 11, DK-8270 Højbjerg

CVR No. 41 91 58 11

Annual report 2019/20

Approved at the Company's annual general meeting on 25 June 2020

Chairman:

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Contents

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 DX A/S for the financial year 1 May 2019 – 30 April 2020.

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 2020 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 May 2019 – 30 April 2020.

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, 25 June 2020
Executive Board:

Dan Korsgaard
CEO

Board of Directors:

Carsten Christensen Chairman	Dan Korsgaard	Torben Bedsted

Independent auditor's report

To the shareholders of Stibo DX A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Stibo DX A/S for the financial year 1 May 2019 – 30 April 2020, 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 2020 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 2019 – 30 April 2020 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, 25 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Morten Friis
State Authorised
Public Accountant
mne32732

Søren Jensen
State Authorised
Public Accountant
mne34132

Management's review

Company details

Name	Stibo DX 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.stibodx.com
Telephone	+45 8733 5588
Board of Directors	Carsten Christensen, Chairman Dan Korsgaard Torben Bedsted
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	2019/20	2018/19	2017/18	2016/17	2015/16
Key figures					
Revenue	195,678	157,237	161,170	169,002	205,180
Gross profit	141,563	113,510	117,936	120,458	147,696
Operating profit	19,908	11,018	13,796	6,136	16,971
Profit/loss from financial income and expense, net	546	-376	382	463	-1,609
Profit before tax	20,454	10,642	14,178	6,599	15,362
Profit for the year	**15,673**	**8,473**	**10,753**	**7,266**	**10,362**
Non-current assets	25,072	29,472	5,840	7,932	9,644
Current assets	148,057	124,005	135,225	120,161	130,575
Total assets	**173,129**	**153,477**	**141,065**	**128,093**	**140,219**
Share capital	30,000	30,000	30,000	30,000	30,000
Equity	**101,066**	**85,884**	**83,607**	**71,842**	**75,502**
Non-current liabilities	4,272	7,465	0	0	0
Current liabilities	64,541	56,514	57,458	56,251	64,717
Investments in property, plant and equipment for the year	602	199	601	595	335
Financial ratios					
Operating margin	10.2	7.0	8.6	3.6	8.3
Return on capital employed	17.5	14.4	27.1	14.4	24.4
Gross margin	72.3	72.2	73.2	71.3	72.0
Solvency ratio	58.4	56.0	59.3	56.1	53.8
Return on equity	16.8	10.0	13.8	9.9	15.5
Average number of employees	180	159	170	186	215

For terms and definitions, please see the accounting policies.

Management's review

Operating review

The Stibo DX company group comprises Stibo DX, headquartered in Aarhus, Denmark, and its subsidiary company Digital Collections, based in Hamburg, Germany.

About Stibo DX

Stibo DX's mission is to support enterprises in their efforts to create and distribute high-quality multichannel content to their customers and audiences.

Stibo DX develops and delivers software solutions and professional services to companies in a wide range of industry verticals, such as media, retail, CPG, and distribution.

Stibo DX's technology platform includes solutions for content management, publishing, and digital asset management, all marketed under the CUE brand.

The CUE technology platform is designed to serve the needs and processes related to the creation and distribution of content. Today's enterprises need to be agile and effective in their launch of products and content as well as in their overall business planning. CUE offers an innovative approach to creative storytelling in digital channels, multichannel distribution capabilities, and an open architecture that enables easy integration of other systems. As such, CUE is a strong platform for driving digital transformation in enterprises.

Operating review

The fiscal year 2019/20 can be summarized in four main headings:

- 24% growth in revenue
- Successful market expansion
- Company rebranding from CCI to Stibo DX
- Company operations still effective despite the COVID-19 crisis.

Key figures

Revenue	DKK 195,7M (DKK 157,2M in 2018/19)
Profit before tax	DKK 20,5M (DKK 10,6M in 2018/19)
Equity	DKK 101,3M (DKK 85,9M in 2018/19)
Number of employees	183 (177 in 2018/19)

24% growth in revenue

During 2019/20, Stibo DX has achieved a total revenue growth of 24% compared to the previous fiscal year.

The growth is based on a strong sales performance by both Stibo DX and its subsidiary, Digital Collections.

Several new contracts have been signed for CUE installations in North America and Europe.

The merger between media companies Gannett and Gatehouse resulted in the formation of the largest news company in North America. The new Gannett company chose CUE technology for the entire company.

In Europe, CUE is further cementing its stronghold in the DACH region. Most of the largest media companies in Germany now rely on CUE as their content platform. Just before the end of the 2019/20 fiscal year, the large regional news company VRM (formerly Verlagsgruppe Rhein Main) was added to the list of CUE customers.

The success of the CUE platform is not only a confirmation of its strength as a platform for digital transformation. It also confirms that Stibo DX's strategy of investing in innovation and acquiring best-in-class technology to integrate with the CUE platform is paying off.

Management's review

Operating review

Successful market expansion

Stibo DX has initiated a strategy with the objective of establishing the company's position in new market verticals.

Together with Stibo Systems, a leading provider of master data management (MDM) solutions, Stibo DX have launched a series of joint product development and go-to-market activities with the aim of offering enterprises a 'one-stop-shop' for managing product information, digital assets, and content.

The new, integrated solution from Stibo DX and Stibo Systems enables companies to create and distribute rich, multichannel content based on master data in a seamless workflow. As such, Stibo DX and Stibo Systems are now able to cover a wider range of customer needs and offer a best-of-suite solution to enterprises in multiple verticals.

The joint Stibo DX-Stibo Systems technology offering has been very positively received in the market. Currently, Stibo DX is engaged in dialogues with leading enterprises within retail, manufacturing, and distribution in North America and Europe. New orders are expected to be closed in the coming fiscal year.

Company rebranding from CCI to Stibo DX

On February 1, 2020, CCI and its subsidiary, Escenic, merged under the new company brand, Stibo DX.

The name change to Stibo DX highlights the company's relation to its owner, the Stibo Group, and cements the strategic importance of being part of the Stibo company family. Stibo DX's customers, and the market in general, appreciate the financial stability guaranteed by the Stibo Group.

The new Stibo DX name reflects the solid foundation that the company is built upon, as well as its key value proposition:

- Digital experiences
- Digital transformation
- Digital excellence.

The rebranding has been welcomed by Stibo DX's current customers and by the market in general. Several have applauded the clearer communication of Stibo DX's family relationship with the Stibo Group and express great anticipation of the close collaboration between Stibo Systems and Stibo DX.

Company operations still effective despite the COVID-19 crisis

Like many other companies in the software industry, Stibo DX has been fortunate enough to operate largely unaffected by the COVID-19 crisis.

Most customer projects have progressed according to plan thanks to quick adjustment efforts from customers and the Stibo DX project teams. All Stibo DX locations and departments have maintained the same degree of efficiency as before the crisis.

In addition, the COVID-19 crisis has 'stress-tested' the CUE technology and CUE has proven its strength as a content platform for distributed teams. Within hours, CUE customers around the world were able to shift their organizations from being on-site to being virtual, with no or very little loss of efficiency and productivity. Several customers have emphasized that this could not have taken place without the CUE architecture and its browser-based user interface.

Management's review

Operating review

Outlook for 2020/21

Many of Stibo DX's customers, as well as the market in general, have been negatively impacted by COVID-19 crisis. As such, COVID-19 is also expected to influence Stibo DX's order intake and revenue performance in the 2020/21 fiscal year.

However, Stibo DX's outlook for 2020/21 is a year of opportunities rather than challenges. As part of executing its strategy of market expansion, Stibo DX will continue to make significant investments in innovation and new employees within R&D.

Stibo DX expects to deliver a financial result in 2020/21 in the range from DKK -5M to DKK +5M and revenue in line with 2019/20.

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.

Statutory corporate social responsibility statement

For a statement on corporate social responsibility, please see the annual report of the parent company, Stibo-Fonden.

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

Income statement

		Consolidated		Parent Company	
Note	DKK'000	2019/20	2018/19	2019/20	2018/19
	Revenue	195,678	157,237	173,253	154,983
	Raw materials and consumables	-13,729	-10,848	-68,592	-62,676
	Other external expenses	-40,386	-32,879	-24,002	-23,040
	Gross profit	141,563	113,510	80,659	69,267
2	Staff costs	-115,345	-99,482	-64,758	-63,422
3	Depreciation, amortisation and impairment losses	-6,310	-3,010	-1,229	-563
	Operating profit	19,908	11,018	14,672	5,282
9	Profit of group entities after tax	0	0	3,490	4,473
4	Financial income	1,309	363	1,171	238
5	Financial expenses	-763	-739	-413	-381
	Profit before tax	20,454	10,642	18,920	9,612
6	Tax on profit for the year	-4,781	-2,169	-3,247	-1,139
	Profit for the year	15,673	8,473	15,673	8,473

Proposed profit allocation

DKK'000		
Proposed dividends	0	0
Transfer to reserve for net revaluation according to the equity method	3,490	4,473
Retained earnings	12,183	4,000
	15,673	8,473

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

Balance sheet

		Consolidated		Parent Company	
Note	DKK'000	30 April 2020	30 April 2019	30 April 2020	30 April 2019
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Goodwill	12,447	13,840	0	0
	Other intangible assets	11,326	14,345	0	0
		23,773	28,185	0	0
8	**Property, plant and equipment**				
	Fixtures and fittings, other plant and equipment	1,299	1,287	125	180
	Investments				
9	Investments in group entities	0	0	73,874	70,875
	Total non-current assets	25,072	29,472	73,999	71,055
	Current assets				
	Receivables				
	Trade receivables	19,120	13,859	13,240	6,343
	Receivables from group entities	77,437	34,733	57,110	38,423
10	Deferred tax asset	3,310	3,592	404	336
	Corporation tax	102	577	0	0
	Other receivables	5,064	4,036	2,915	3,275
	Prepayments	5,456	5,337	4,052	4,288
		110,489	62,134	77,721	52,665
	Cash	37,568	61,871	13,619	20,038
	Total current assets	148,057	124,005	91,340	72,703
	TOTAL ASSETS	173,129	153,477	165,339	143,758

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

Balance sheet

		Consolidated		Parent Company	
Note	DKK'000	30 April 2020	30 April 2019	30 April 2020	30 April 2019
	EQUITY AND LIABILITIES				
11	**Equity**				
	Share capital	30,000	30,000	30,000	30,000
	Reserve for net revaluation according the equity method	0	0	3,653	654
	Retained earnings	71,066	55,884	67,413	55,230
	Proposed dividends	0	0	0	0
	Total equity	101,066	85,884	101,066	85,884
	Provisions				
10	Deferred tax	3,250	3,614	0	0
	Total provisions	3,250	3,614	0	0
	Liabilities				
12	**Non-current liabilities**				
	Other payables	4,272	7,465	4,272	7,465
	Total non-current liabilities	4,272	7,465	4,272	7,465
	Current liabilities				
	Prepayments from customers	27,290	25,332	11,382	10,034
13	Prepayments for contract work in progress	5,999	2,066	3,823	1,564
	Trade payables	1,065	2,285	884	1,533
	Payables to group entities	0	158	21,773	19,060
	Corporation tax	2,649	782	2,187	36
	Other payables	27,538	25,891	19,952	18,182
	Total current liabilities	64,541	56,514	60,001	50,409
	Total liabilities	68,813	63,979	64,273	57,874
	TOTAL EQUITY AND LIABILITIES	173,129	153,477	165,339	143,758

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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 2019	30,000	55,884	0	85,884
Profit for the year	0	15,673	0	15,673
Foreign exchange adj. on the translation of foreign entities	0	-491	0	-491
Equity at 30 April 2020	30,000	71,026	0	101,066

DKK'000	Parent Company				
	Share capital	Retai-ned earnings	Net reva-luation acc. to the equity method	Propo-sed divi-dends	Total
Equity at 1 May 2019	30,000	55,230	654	0	85,884
Profit for the year	0	12,183	3,490	0	15,673
Foreign exchange adj. on the translation of foreign entities	0	0	-491	0	-491
Equity at 30 April 2020	30,000	67,413	3,653	0	101,066

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

Cash flow statement

Note	DKK'000	Consolidated 2019/20	2018/19
	Operating profit	19,908	11,018
3	Depreciation	4,969	2,148
	Cash generated from operations (operating activities) before changes in working capital	24,877	13,166
	Changes in working capital	294	-1,263
	Cash flows from operating activities	25,171	11,903
4	Financial income	1,309	363
5	Financial expenses	-763	-739
	Other adjustments	258	870
	Cash generated from operations (ordinary activities)	25,975	12,397
	Corporation tax paid	-2,521	-3,836
	Cash flows from operating activities	23,454	8,561
8	Acquisition of plant and equipment	-602	-199
	Acquisition of investments	-3,735	-11,205
	Cash flows from investing activities	-4,337	-11,404
	Changes in receivables from group entities	-42,704	-10,359
	Dividend distributed	0	-5,000
	Cash flows from financing activities	-42,704	-15,359
	Cash flows for the year	-23,587	-18,202
	Cash and cash equivalents at 1 May	61,871	79,413
	Exchange gains/losses on cash and cash equivalents	-716	660
	Cash and cash equivalents at 30 April	37,568	61,871

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 DX A/S for 2019/20 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-Fonden for 2019/20 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 DX A/S, and subsidiaries in which Stibo DX 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.

Business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition.

The date of acquisition is the date when the Group actually obtains control of the acquiree.

The purchase method is applied to acquisitions of new businesses over which the Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

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.

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

Notes

1 Accounting policies (continued)

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.

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.

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 expenses

Other external expenses 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 entities 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.

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

Notes

1 **Accounting policies (continued)**

Balance sheet

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 5 and 10 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprises with strong market positions and long-term earnings profiles.

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 5-10 years.

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 entities

Investments in group entities are measured according to the equity method.

Investments in group entities 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 entities with negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the Parent Company's share of the net asset value if the amount

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

Notes

1 **Accounting policies (continued)**

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 entities 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.

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.

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

Notes

1 **Accounting policies (continued)**

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.

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

Stibo DX only operates within one segment.

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

Notes

1 **Accounting policies (continued)**

Financial ratios

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

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

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Notes

DKK'000	Consolidated 2019/20	Consolidated 2018/19	Parent Company 2019/20	Parent Company 2018/19
2 Staff costs				
Wages and salaries	105,324	89,764	59,943	58,675
Pensions	4,893	4,848	4,224	4,172
Other social security costs	5,128	4,870	591	575
	115,345	99,482	64,758	63,422
Average number of employees	180	159	83	85

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

DKK'000	Consolidated 2019/20	Consolidated 2018/19	Parent Company 2019/20	Parent Company 2018/19
3 Depreciation, amortisation and impairment losses				
Goodwill	1,384	0	0	0
Other intangible assets	3,010	1,890	0	0
Fixtures and fittings, other plant and equipment	575	258	55	7
	4,969	2,148	55	7
Minor new acquisitions	1,341	862	1,173	556
	6,310	3,010	1,229	563
4 Financial income				
Interest income from group entities	0	0	53	26
Other financial income	1,309	363	1,118	212
	1,309	363	1,171	238
5 Financial expenses				
Interest expense to group entities	0	0	308	271
Other financial expenses	763	739	105	110
	763	739	413	381
6 Tax on profit for the year				
Current tax	5,109	2,072	3,471	1,243
Change in deferred tax	-172	244	-68	43
Changes to prior year	-156	-147	-156	-147
	4,781	2,169	3,247	1,139

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

Notes

7 Intangible assets

DKK'000	Consolidated Goodwill	Consolidated Other intangible assets
Cost at 1 May 2019	13,840	24,931
Foreign exchange adjustments in foreign enterprises	-5	-6
Additions related to acquisitions	0	0
Cost at 30 April 2020	13,835	24,925
Amortisation charges at 1 May 2019	0	-10,586
Foreign exchange adjustments in foreign enterprises	-4	-3
Amortisation charges	-1,384	-3,010
Amortisation charges and impairment losses at 30 April 2020	-1,388	-13,599
Carrying amount at 30 April 2020	12,447	11,326
Amortised over	5-10 years	5-10 years

8 Property, plant and equipment

DKK'000	Consolidated Fixtures and fittings other plant, etc.	Parent Company Fixtures and fittings other plant, etc.
Cost at 1 May 2019	5,213	2,250
Foreign exchange adjustments in foreign enterprises	-33	0
Additions	602	0
Disposals	-2,560	-2,125
Cost at 30 April 2020	3,222	125
Depreciation charges at 1 May 2019	-3,926	-2,070
Foreign exchange adjustments in foreign enterprises	18	0
Depreciation charges	-575	-55
Disposals	2,560	-2,125
Depreciation charges and impairment losses at 30 April 2020	-1,923	0
Carrying amount at 30 April 2020	1,299	125
Depreciated over	3-10 years	3-10 years

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

Notes

9 Investments in group entities

	Parent Company	
DKK'000	2019/20	2018/19
Cost at 1 May	70,221	47,812
Additions	0	22,409
Disposals	0	0
Cost at 30 April	70,221	70,221
Adjustments at 1 May	654	-201
Foreign exchange adjustments, foreign group entities	-491	1,065
Dividends	0	-4.683
Profit before tax	5,024	5,503
Tax on profit for the year	-1,534	-1,030
Adjustments at 30 April	3,653	654
Carrying amount at 30 April	73,874	70,875
Hereof goodwill	12,447	13,840

Name	Registered office	Voting rights and ownership
Stibo DX, Inc	USA	100%
Red Badge Consulting, Inc.	USA	100%
Stibo DX GmbH	Germany	100%
Stibo DX AS	Norway	100%
Stibo DX Ltd.	Bangladesh	100%
CCI Asia ApS	Denmark	100%
Escenic A/S	Denmark	100%
Digital Collections Content Systems GmbH	Germany	100%

10 Deferred tax

	Consoli-dated	Parent Company
DKK'000	2019/20	2019/20
Deferred tax at 1 May	22	-336
Foreign exchange adjustments	90	0
Changes for the year, see note 6	-172	-68
Deferred tax at 30 April	-60	-404
Deferred tax asset	-3,310	-404
Deferred tax liability	3,250	0
	-60	-404

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

Notes

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	2019/20	2018/19
Proposed dividends	0	0
Transfer to reserve for net revaluation according to the equity method	3,490	4,473
Retained earnings	12,093	4,000
	15,583	8,473

12 Non-current liabilities other than provisions

The Group and parent companies non-current liabilities at 30 April 2020 comprise deffered payments related to acquisitions and holiday pay where the payment is more than 12 months from the balance sheet date. All the non-current liabilities are due within 5 years.

13 Contract work in progress

Recognised as follows:

	Consolidated		Parent Company	
DKK'000	30 April 2020	30 April 2019	30 April 2020	30 April 2019
Contract work in progress	0	0	0	0
Prepayments for contract work in progress	-5,999	-2,066	-3,823	-1,564
	-5,999	-2,066	-3,823	-1,564

14 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

15 Lease obligations

Parent Company

The Company has entered into rent obligations with a term of 1 year totalling DKK 3.5 million (2018/19: DKK 3.5 million).

Other lease obligations (operating leases) falling due within five years total DKK 0.6 million (2018/19: DKK 0.8 million).

Consolidated

The Group has entered into rent obligations falling due within five years and totalling DKK 26.2 million (2018/19: DKK 6.0 million).

Other lease obligations (operating leases) falling due within five years total DKK 0.9 million (2018/19: DKK 0.8 million).

16 Related parties

Parties exercising controls

Stibo-Fonden, Axel Kiers Vej 11, DK-8270 Højbjerg.

Stibo DX A/S is wholly-owned by Stibo A/S, Aarhus, whose ultimate parent company is Stibo-Fonden, Aarhus.

Related party transactions

Related parties comprise Stibo-Fonden and subsidiaries which Stibo-Fonden directly or indirectly controls.

Transactions in 2019/20 with related parties:

DKK'000	Consolidated	Parent Company
Income[1]	0	77,290
Expenses[1]	8,352	68,727
Net financial income and expenses[2]	0	-255
Receivables from group entities[3]	77,437	57,110
Payables to group entities[3]	0	21,773

[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.

Dan Korsgaard
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Søren Jensen
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Morten Friis
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