

Nikosax A/S


Lejrvejen 8, 6330 Padborg

CVR no. 87 21 97 12

Annual report 2018

Approved at the Company's annual general meeting on 11 June 2019

Chairman:



Indhold

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Nikosax A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Padborg, 29 May 2019
Executive Board:



Andreas Hense

Board of Directors:



Hartmut Albers
chairman



Christopher Matalou



Edit Pljakic

Independent auditor's report

To the shareholder of Nikosax A/S

Opinion

We have audited the financial statements of Nikosax A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the 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.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Sønderborg, 29 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Allen Schøne
State Authorised Public Accountant
MNE no.: mne18512



Karen Jørgensen
State Authorised Public Accountant
MNE no.: mne40029

Management's review

Company details

Name	Nikosax A/S
Address, Postal code, City	Lejrvejen 8, 6330 Padborg
CVR no.	87 21 97 12
Established	1 February 1979
Registered office	Aabenraa
Financial year	1 January - 31 December
Website	www.nikosax.dk
Telephone	+45 74 67 36 90
Board of Directors	Hartmut Albers, Chairman Christopher Matalou Edit Pljakic
Executive Board	Andreas Hense
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Nørre Havnegade 43, 6400 Sønderborg, Denmark

Business review

The Company's principal activities are mainly the administration of statements regarding VAT and financing of VAT as well as other financial services that do not fall under the Danish Bank Act.

Financial review

The income statement for 2018 shows a profit of DKK 4,095,460 against a loss of DKK 1,934,179 last year, and the balance sheet at 31 December 2018 shows equity of DKK 10,569,927.

Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Company expects to report satisfactory operating results for the financial year 2019.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018	2017
	Gross margin	24,847,756	21,354,674
3	Staff costs	-15,212,659	-13,096,958
4	Amortisation/depreciation and impairment of intangible as- sets and property, plant and equipment	-2,555,746	-2,534,021
	Other operating expenses	0	-38,964
	Profit before net financials	7,079,351	5,684,731
	Income from investments in group entities	37,776	88,888
	Financial income	5,029	4,163
5	Financial expenses	-1,868,288	-2,464,848
	Profit before tax	5,253,868	3,312,934
6	Tax for the year	-1,158,408	-5,247,113
	Profit for the year	<u>4,095,460</u>	<u>-1,934,179</u>
 Recommended appropriation of profit			
	Net revaluation reserve according to the equity method	37,776	88,888
	Other statutory reserves	-207,278	99,558
	Dividend for the financial year	4,200,000	0
	Retained earnings	64,962	-2,122,625
		<u>4,095,460</u>	<u>-1,934,179</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Fixed assets		
7	Intangible assets		
	Acquired intangible assets	4,652,568	3,774,076
		<u>4,652,568</u>	<u>3,774,076</u>
8	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	279,595	599,499
	Leasehold improvements	31,643	0
		<u>311,238</u>	<u>599,499</u>
9	Investments		
	Investments in group entities, net asset value	459,499	433,997
		<u>459,499</u>	<u>433,997</u>
	Total fixed assets	<u>5,423,305</u>	<u>4,807,572</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	217,182	555,279
	Work in progress	5,735,976	3,986,531
	Receivables from group entities	1,430,266	670,678
	Pre-financed VAT	124,439,765	101,749,376
	Income taxes receivable	288,592	0
	Other receivables	3,710,020	610,257
	Deferred income	305,896	192,251
		<u>136,127,697</u>	<u>107,764,372</u>
	Cash	<u>35,221,794</u>	<u>13,503,775</u>
	Total non-fixed assets	<u>171,349,491</u>	<u>121,268,147</u>
	TOTAL ASSETS	<u>176,772,796</u>	<u>126,075,719</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	500,000	500,000
	Net revaluation reserve according to the equity method	151,558	126,057
	Reserve for development costs	623,948	831,226
	Retained earnings	5,094,421	5,029,458
	Proposed dividend	4,200,000	0
	Total equity	<u>10,569,927</u>	<u>6,486,741</u>
	Provisions		
11	Deferred tax	2,137,000	1,486,000
	Total provisions	<u>2,137,000</u>	<u>1,486,000</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	330	0
	Trade payables	3,686,191	2,386,180
	Payables to group entities	147,070,652	106,371,420
	Income taxes payable	0	621,022
	Other payables	13,308,696	8,724,356
		<u>164,065,869</u>	<u>118,102,978</u>
	Total liabilities other than provisions	<u>164,065,869</u>	<u>118,102,978</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>176,772,796</u></u>	<u><u>126,075,719</u></u>

- 1 Accounting policies
- 2 Special items
- 12 Contractual obligations and contingencies, etc.
- 13 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Proposed dividend	Total
Equity at 1 January 2018	500,000	126,057	831,226	5,029,459	0	6,486,742
Transfer through appropriation of profit	0	37,776	-207,278	64,962	4,200,000	4,095,460
Exchange rate adjustment	0	-12,275	0	0	0	-12,275
Equity at 31 December 2018	500,000	151,558	623,948	5,094,421	4,200,000	10,569,927

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Nikosax A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Referring to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Moreover, minor reclassifications have been made to balance sheet items.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and 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 rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The company has chosen IAS 11/IAS 18 for interpretation of revenue recognition.

Revenue from the provision of services is recognised in revenue as the services are provided. Thereby, revenue corresponds to the sales value of the work performed for the year (production method).

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

External expenses

Other external expenses include costs incurred in generating the revenue for the year, including expenses relating to sale, administration, premises, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Software is amortised on a straight-line basis over the estimated useful life which is assessed at five years.

The amortisation basis is the cost.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	2-5 years
Other fixtures and fittings, tools and equipment	4-5 years
Leasehold improvements	5 years

Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost. Subsequently, intangible assets are measured at cost less accumulated amortisation.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments in subsidiaries

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any.

Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Receivables

Receivables are measured at amortised cost.

The company has chosen IAS 39 for interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

VAT lending, etc.

VAT lending is measured at amortised cost. Write-down is made for bad debt losses to net realisable value.

Work in progress

Ongoing service supplies are measured at the market value of the work performed. The market value is calculated on the basis of the total expected income from the relevant contract.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Provisions

Provisions comprise of expected expenses relating to expected expenses relating to claims regarding incorrect advice, etc. Provisions are recognised when the company has a legal obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the balance sheet liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured 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. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Equity

Dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, 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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at amortised cost.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Special items

Special items for the year are specified below just as are the items under which they are recognized in the income statement.

DKK	2018	2017
Expenses		
Interest surcharge, prior years	0	1,441,823
Tax adjustments, prior years	0	4,213,091
	<u>0</u>	<u>5,654,914</u>
Special items are recognized in the below items of the financial statements		
Financial expenses	0	1,441,823
Tax for the year	0	4,213,091
Net profit on special items	<u>0</u>	<u>5,654,914</u>

3 Staff costs

Wages/salaries	13,036,473	11,725,922
Pensions	1,347,250	771,261
Other social security costs	270,933	422,688
Other staff costs	558,003	177,087
	<u>15,212,659</u>	<u>13,096,958</u>

Average number of full-time employees	<u>41</u>	<u>36</u>
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4 Amortisation/depreciation of intangible assets and property, plant and equipment

Amortisation of intangible assets	2,427,081	2,257,314
Depreciation of property, plant and equipment	128,665	276,707
	<u>2,555,746</u>	<u>2,534,021</u>

5 Financial expenses

Interest expenses, group entities	1,061,732	839,524
Other financial expenses	806,556	1,625,324
	<u>1,868,288</u>	<u>2,464,848</u>

6 Tax for the year

Estimated tax charge for the year	507,408	1,221,022
Deferred tax adjustments in the year	651,000	-187,000
Tax adjustments, prior years	0	4,213,091
	<u>1,158,408</u>	<u>5,247,113</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK	Acquired intangible assets
Cost at 1 January 2018	19,100,992
Additions in the year	3,305,573
Cost at 31 December 2018	22,406,565
Impairment losses and amortisation at 1 January 2018	15,326,916
Amortisation/depreciation in the year	2,427,081
Impairment losses and amortisation at 31 December 2018	17,753,997
Carrying amount at 31 December 2018	4,652,568

8 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	2,342,366	34,755	2,377,121
Additions in the year	97,432	39,970	137,402
Disposals in the year	-406,398	0	-406,398
Cost at 31 December 2018	2,033,400	74,725	2,108,125
Impairment losses and depreciation at 1 January 2018	1,742,867	34,755	1,777,622
Amortisation/depreciation in the year	120,338	8,327	128,665
Reversal of amortisation/depreciation and impairment of disposals	-109,400	0	-109,400
Impairment losses and depreciation at 31 December 2018	1,753,805	43,082	1,796,887
Carrying amount at 31 December 2018	279,595	31,643	311,238

Financial statements 1 January - 31 December

Notes to the financial statements

9 Investments

	Investments in group entities, net asset value
KK	
Cost at 1 January 2018	307,941
Additions in the year	0
Cost at 31 December 2018	307,941
Value adjustments at 1 January 2018	126,057
Exchange adjustment	-12,275
Share of the profit/loss for the year	37,776
Value adjustments at 31 December 2018	151,558
Carrying amount at 31 December 2018	459,499

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
Nikosax Kft.	Budapest	100.00%	342,054	84,209
Nikosax Polska Sp. z.o.o.	Warszawa	100.00%	91,373	-46,433
Nikosax Tax Services Espana	Sociedad	100.00%	26,072	0

	2018	2017
10 Share capital		
Analysis of the share capital:		
8 shares of DKK 50,000.00 nominal value each	400,000	400,000
5 shares of DKK 10,000.00 nominal value each	50,000	50,000
10 shares of DKK 5,000.00 nominal value each	50,000	50,000
	500,000	500,000

11 Deferred tax

Deferred tax relates to:

Intangible assets	1,024,000	830,000
Property, plant and equipment	-60,000	-76,000
Receivables	1,173,000	771,000
Liabilities	0	-39,000
	2,137,000	1,486,000

Financial statements 1 January - 31 December

Notes to the financial statements

12 Contractual obligations and contingencies, etc.

Other financial obligations

The company has rent commitments totalling DKK 235 thousand during a period of interminability of 6 months.

13 Related parties

Information about consolidated financial statements

Parent company
Edenred SA

Domicile
178-180 Boulevard Gabriel Peri, Malakoff Cedex, France

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
UNION TANK Eckstein GmbH & Co KG	Heinrich-Eckstein-Str. 1, D-63801 Kleinostheim