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# ***Kantar Gallup A/S***

Rådhuspladsen 45, DK-1550 Copenhagen V

## **Annual Report for 1 January - 31 December 2017**

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CVR No 11 94 51 98

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
15/5 2018

Nicolaas Neele  
Chairman

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Kantar Gallup A/S for the financial year 1 January - 31 December 2017.

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 at 31 December 2017 of the Company and of the results of the Company operations and cash flows for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 15 May 2018

## Executive Board

Henrik J. Hansen  
CEO

Morten Kromann-Larsen

Martin Hoffmann

Nicolaas Neele

## Board of Directors

Yvonne Pernodd  
Chairman

Paul Francis Cherry

Henrik J. Hansen

# Independent Auditor's Report

To the owner of Kantar Gallup A/S

## Opinion

We have audited the Financial Statements of Kantar Gallup A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 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 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 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 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 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 about 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 these Financial Statements.

# Independent Auditor's Report

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.
- 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 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 Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

## **Independent Auditor's Report**

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

Based on the work we have performed, in our view, 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 in Management's Review.

København, 15 May 2018

**Deloitte**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 96 35 56*

Max Damborg

statsautoriseret revisor

mne33772

## **Company Information**

### **The Company**

Kantar Gallup A/S  
Rådhuspladsen 45  
DK-1550 Copenhagen V  
E-mail: skrivtil@kantargallup.dk  
Website: kantargallup.dk

CVR No: 11 94 51 98  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Yvonne Pernodd, Chairman  
Paul Francis Cherry  
Henrik J. Hansen

### **Executive Board**

Henrik J. Hansen  
Morten Kromann-Larsen  
Martin Hoffmann  
Nicolaas Neele

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 København S

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	176.238	171.858	165.489	164.195	170.508
Gross profit/loss	98.289	91.691	97.965	99.235	97.093
Operating profit/loss	18.641	12.226	23.368	22.956	22.507
Net financials	-400	-297	-203	-329	-282
Net profit/loss for the year	13.580	9.173	17.658	17.028	16.416
<b>Balance sheet</b>					
Balance sheet total	88.377	65.646	62.325	61.439	83.920
Equity	19.114	14.707	23.192	22.562	36.950
<b>Cash flows</b>					
Cash flows from:					
<b>Ratios</b>					
Gross margin	55,8%	53,4%	59,2%	60,4%	56,9%
Profit margin	10,6%	7,1%	14,1%	14,0%	13,2%
Solvency ratio	21,6%	22,4%	37,2%	36,7%	44,0%
Return on equity	80,3%	48,4%	77,2%	57,2%	38,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# **Management's Review**

## **Primary activities**

In 2017, Kantar Gallup A/S, which is the Danish part of the Kantar Group, maintained its position on the market as the leading provider of market research in Denmark. Kantar Group is part of the WPP Group.

## **Development in activities and finances**

The income statement of the Company for 2017 shows a profit of TDKK 13,580, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 19,114.

Revenue and results have lived up to the expectations for the year.

## **Outlook**

In 2018, the Company expects a limited growth both in revenue and results compared to 2017.

## **Particular risks**

### ***Business risks***

There are no business risks.

### ***Financial exposure***

The Company's results and cash flow are to a limited degree influenced by exchange rate fluctuations. Currency risks are partly hedged through opposing cash flows from the Company's activities. No currency transactions are entered into to further reduce the risks, nor are any speculative currency transactions entered into.

Changes in the interest rate levels have no significant impact on the earnings.

## **Research and development**

The Company has no research and development activities.

## **Environmental performance**

There are no material environmental impacts to take into consideration.

# **Management's Review**

## **Intellectual capital resources**

Kantar Gallup works constantly on maintaining and enhancing its position as the leading market research company in Denmark. To ensure this position, the Company's objective is to employ and retain well-educated and highly skilled employees.

Kantar Gallup is determined to remain a very attractive workplace with a strong and deeply embedded company culture.

## **Uncertainty relating to recognition and measurement**

There are no material uncertainties relating to recognition and measurement.

## **Unusual circumstances affecting recognition and measurement**

There are no unusual circumstances affecting recognition and measurement.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2017</u> TDKK	<u>2016</u> TDKK
<b>Revenue</b>		<b>176.238</b>	<b>171.858</b>
Other external expenses		-77.949	-80.167
<b>Gross profit/loss</b>		<b>98.289</b>	<b>91.691</b>
Staff expenses	3	-73.594	-78.922
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-6.054	-543
<b>Profit/loss before financial income and expenses</b>		<b>18.641</b>	<b>12.226</b>
Financial income	4	122	99
Financial expenses	5	-522	-396
<b>Profit/loss before tax</b>		<b>18.241</b>	<b>11.929</b>
Tax on profit/loss for the year	6	-4.661	-2.756
<b>Net profit/loss for the year</b>		<b>13.580</b>	<b>9.173</b>

## Balance Sheet 31 December

### Assets

	Note	2017 TDKK	2016 TDKK
Acquired licenses		2.569	3.239
<b>Intangible assets</b>	7	<b>2.569</b>	<b>3.239</b>
Other fixtures and fittings, tools and equipment		16.554	21.432
<b>Property, plant and equipment</b>	8	<b>16.554</b>	<b>21.432</b>
Deposits		2.671	2.658
<b>Fixed asset investments</b>	9	<b>2.671</b>	<b>2.658</b>
<b>Fixed assets</b>		<b>21.794</b>	<b>27.329</b>
Trade receivables		25.244	21.379
Contract work in progress	10	1.486	1.249
Receivables from group enterprises		33.927	10.816
Other receivables		51	71
Deferred tax asset		610	0
Corporation tax		0	2.328
Prepayments	11	1.941	1.016
<b>Receivables</b>		<b>63.259</b>	<b>36.859</b>
<b>Cash at bank and in hand</b>		<b>3.324</b>	<b>1.458</b>
<b>Currents assets</b>		<b>66.583</b>	<b>38.317</b>
<b>Assets</b>		<b>88.377</b>	<b>65.646</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		534	534
Retained earnings		5.000	5.000
Proposed dividend for the year		13.580	9.173
<b>Equity</b>	12	<b>19.114</b>	<b>14.707</b>
Provision for deferred tax		0	141
Provisions for pensions and similar obligations		1.797	1.905
<b>Provisions</b>		<b>1.797</b>	<b>2.046</b>
Prepayments received from customers		9.355	10.178
Trade payables		5.217	3.471
Payables to group enterprises		13.923	5.249
Corporation tax		2.627	0
Other payables	15	36.344	29.995
<b>Short-term debt</b>		<b>67.466</b>	<b>48.893</b>
<b>Debt</b>		<b>67.466</b>	<b>48.893</b>
<b>Liabilities and equity</b>		<b>88.377</b>	<b>65.646</b>
Subsequent events	1		
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## Statement of Changes in Equity

	Share capital <u>TDKK</u>	Retained earnings <u>TDKK</u>	Proposed dividend for the year <u>TDKK</u>	Total <u>TDKK</u>
Equity at 1 January	534	5.000	9.173	14.707
Ordinary dividend paid	0	0	-9.173	-9.173
Net profit/loss for the year	0	0	13.580	13.580
<b>Equity at 31 December</b>	<b>534</b>	<b>5.000</b>	<b>13.580</b>	<b>19.114</b>

## Cash Flow Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Net profit/loss for the year		13.580	9.173
Adjustments	16	11.115	3.596
Change in working capital	17	-12.280	31.872
<b>Cash flows from operating activities before financial income and expenses</b>		<b>12.415</b>	<b>44.641</b>
Financial income		122	99
Financial expenses		-522	-396
<b>Cash flows from ordinary activities</b>		<b>12.015</b>	<b>44.344</b>
Corporation tax paid		-457	-2.407
<b>Cash flows from operating activities</b>		<b>11.558</b>	<b>41.937</b>
Purchase of intangible assets		0	-3.239
Purchase of property, plant and equipment		-506	-20.406
Fixed asset investments made etc		-13	2
<b>Cash flows from investing activities</b>		<b>-519</b>	<b>-23.643</b>
Dividend paid		-9.173	-17.658
<b>Cash flows from financing activities</b>		<b>-9.173</b>	<b>-17.658</b>
<b>Change in cash and cash equivalents</b>		<b>1.866</b>	<b>636</b>
Cash and cash equivalents at 1 January		1.458	822
<b>Cash and cash equivalents at 31 December</b>		<b>3.324</b>	<b>1.458</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		3.324	1.458
<b>Cash and cash equivalents at 31 December</b>		<b>3.324</b>	<b>1.458</b>

# Notes to the Financial Statements

## 1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	2017 TDKK	2016 TDKK
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	670	0
Depreciation of property, plant and equipment	5.384	543
	<b>6.054</b>	<b>543</b>

## 3 Staff expenses

Wages and salaries	71.029	76.256
Pensions	203	200
Other social security expenses	1.244	1.173
Other staff expenses	1.118	1.293
	<b>73.594</b>	<b>78.922</b>
Including remuneration to the Executive Board of:		
Executive Board	6.695	6.831
	<b>6.695</b>	<b>6.831</b>
<b>Average number of employees</b>	<b>141</b>	<b>147</b>

The Executive Board and Seniro Officers at Kantar Gallup A/S are covered by the WPP Group's share option programmes. The Programmes that have been entered into by WPP Plc and Kantar Gallup A/S have no financial impact on these financial statements.

## 4 Financial income

Exchange adjustments	122	99
	<b>122</b>	<b>99</b>



## Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
<b>5 Financial expenses</b>		
Other financial expenses	353	295
Exchange adjustments, expenses	<u>169</u>	<u>101</u>
	<b><u>522</u></b>	<b><u>396</u></b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	4.827	812
Deferred tax for the year	-751	1.944
Adjustment of tax concerning previous years	<u>585</u>	<u>0</u>
	<b><u>4.661</u></b>	<b><u>2.756</u></b>
<b>7 Intangible assets</b>		Acquired licenses <u>TDKK</u>
Cost at 1 January		3.239
Additions for the year		<u>0</u>
Cost at 31 December		<b><u>3.239</u></b>
Impairment losses and amortisation at 1 January		0
Amortisation for the year		<u>670</u>
Impairment losses and amortisation at 31 December		<b><u>670</u></b>
<b>Carrying amount at 31 December</b>		<b><u>2.569</u></b>

# Notes to the Financial Statements

## 8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	<u>TDKK</u>
Cost at 1 January	36.897
Additions for the year	506
Disposals for the year	<u>-683</u>
Cost at 31 December	<u>36.720</u>
Impairment losses and depreciation at 1 January	15.465
Depreciation for the year	5.384
Reversal of impairment and depreciation of disposals	<u>-683</u>
Impairment losses and depreciation at 31 December	<u>20.166</u>
<b>Carrying amount at 31 December</b>	<b><u>16.554</u></b>

## 9 Fixed asset investments

	Deposits
	<u>TDKK</u>
Cost at 1 January	2.658
Additions for the year	<u>13</u>
Cost at 31 December	<u>2.671</u>
<b>Carrying amount at 31 December</b>	<b><u>2.671</u></b>

## 10 Contract work in progress

	<u>2017</u>	<u>2016</u>
	TDKK	TDKK
Contract work in progress	8.780	9.208
Progress billings regarding contract work in progress	<u>-7.294</u>	<u>-7.959</u>
	<b><u>1.486</u></b>	<b><u>1.249</u></b>

## 11 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and subscriptions.

# Notes to the Financial Statements

## 12 Equity

The share capital consists of 534 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## 13 Provisions for pensions and similar liabilities

Provisions for pensions and similar liabilities comprise anticipated costs of non-recourse pension commitments and amount to DKK 1,797 thousand at 31.12.2017.

	2017 TDKK	2016 TDKK
<b>14 Distribution of profit</b>		
Proposed dividend for the year	13.580	9.173
	<b>13.580</b>	<b>9.173</b>

## 15 Other payables

VAT and duties	2.928	3.317
Wages and salaries, personal income taxes, social security costs, etc.	2.269	1.664
Holiday pay obligation	7.975	8.100
Other costs payable	23.172	16.914
	<b>36.344</b>	<b>29.995</b>

## 16 Cash flow statement - adjustments

Financial income	-122	-99
Financial expenses	522	396
Depreciation, amortisation and impairment losses, including losses and gains on sales	6.054	543
Tax on profit/loss for the year	4.661	2.756
	<b>11.115</b>	<b>3.596</b>

## Notes to the Financial Statements

	2017 TDKK	2016 TDKK
<b>17 Cash flow statement - change in working capital</b>		
Change in receivables	-28.118	20.207
Change in other provisions	-108	-115
Change in trade payables, etc	15.946	11.780
	<b>-12.280</b>	<b>31.872</b>

## 18 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

Commitments under rental agreements or leases until expiry	56.108	4.320
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The Company participates in a Danish joint taxation arrangement in which WPP Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the joint taxed companies.

There are no security and contingent liabilities at 31 December 2017.

## 19 Related parties

### Controlling interest

Kantar Gallup A/S is 100 % owned by Taylor Nelson Sofres B.V., Laan op Zuid 167, 3072 DB Rotterdam, Netherlands and is ultimately a 100 % owned subsidiary of WPP Plc., Queensway House, Hilgrove Street, St. Helier, Jersey, JE1 1ES, a company listed on the London Stock Exchange. Kantar Gallup A/S is included in the consolidated financial statements of WPP Plc.

### Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Name	Place of registered office
WPP plc.	27 Farm Street, W17 5RJ, London, England.

The consolidated financial statements are available at [www.wpp.com/wpp/investor/](http://www.wpp.com/wpp/investor/)

# Notes to the Financial Statements

## 20 Accounting Policies

The Annual Report of Kantar Gallup A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

## Income Statement

### Revenue

Revenue from the sale of services is recognised in the income statement when performed. Revenue is recognised net of VAT, duties and sales discounts.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

### Staff expenses

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Financial income and expenses

Other financial income comprises interest income, net capital gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, net capital losses on transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Entity is jointly taxed with other Danish subsidiaries of the WPP Group. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Balance Sheet

### Intangible assets

Intangible assets are measured at cost at less accumulated depreciation and impairment losses.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Other fixtures and fittings, tools and equipment      1-10    years

Depreciation period and residual value are reassessed annually.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### **Contract work in progress**

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

### **Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Provisions**

Provisions for pensions and similar liabilities are measured at net realisable value equal to the present value of expected payments by the individual pension schemes etc.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.



# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Debts are measured at amortised cost, substantially corresponding to nominal value.

### **Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

## **Cash Flow Statement**

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

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

### **Cash and cash equivalents**

Cash and cash equivalents comprise "Cash at bank and in hand".

# Notes to the Financial Statements

## 20 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$