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

Rådhuspladsen 45, DK-1550 Copenhagen V

## **Annual Report for 1 January - 31 December 2018**

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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  
22/5 2019

Nicolaas Neele  
Chairman of the General  
Meeting

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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 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 at 31 December 2018 of the Company and of the results of the Company operations and cash flows for 2018.

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, 22 May 2019

## **Executive Board**

Henrik J. Hansen  
CEO

Berit Puggaard

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 2018, 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 2018 and of the results of the Company's operations and cash flows 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 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.

# **Independent Auditor's Report**

## **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.

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.

Copenhagen, 22 May 2019

**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: kontakt@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  
Berit Puggaard  
Martin Hoffmann  
Nicolaas Neele

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S

## Financial Highlights

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

	2018	2017	2016	2015	2014
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	162.812	176.238	171.858	165.489	164.195
Gross profit/loss	93.571	98.289	91.691	97.965	99.235
Operating profit/loss	15.777	18.641	12.226	23.368	22.956
Net financials	-250	-400	-297	-203	-329
Net profit/loss for the year	12.097	13.580	9.173	17.658	17.028
<b>Balance sheet</b>					
Balance sheet total	74.114	88.377	65.646	62.325	61.439
Equity	17.631	19.114	14.707	23.192	22.562
<b>Ratios</b>					
Gross margin	57,5%	55,8%	53,4%	59,2%	60,4%
Profit margin	9,7%	10,6%	7,1%	14,1%	14,0%
Solvency ratio	23,8%	21,6%	22,4%	37,2%	36,7%
Return on equity	65,8%	80,3%	48,4%	77,2%	57,2%

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 2018, 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 2018 shows a profit of TDKK 12,097, and at 31 December 2018 the balance sheet of the Company shows equity of TDKK 17,631.

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

## **Outlook**

In 2019, the Company expects a decline in revenue and a limited growth in results compared to 2018.

## **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 separate research and development activities, but the Kantar Group works continuously on developing new products using the latest available technology and knowledge.

## **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

	Note	2018 TDKK	2017 TDKK
<b>Revenue</b>		<b>162.812</b>	<b>176.238</b>
Other external expenses		-69.241	-77.949
<b>Gross profit/loss</b>		<b>93.571</b>	<b>98.289</b>
Staff expenses	2	-70.748	-73.594
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-7.046	-6.054
<b>Profit/loss before financial income and expenses</b>		<b>15.777</b>	<b>18.641</b>
Financial income	4	93	122
Financial expenses	5	-343	-522
<b>Profit/loss before tax</b>		<b>15.527</b>	<b>18.241</b>
Tax on profit/loss for the year	6	-3.430	-4.661
<b>Net profit/loss for the year</b>		<b>12.097</b>	<b>13.580</b>

## Balance Sheet 31 December

### Assets

	Note	2018 TDKK	2017 TDKK
Acquired licenses		1.900	2.569
<b>Intangible assets</b>	7	<b>1.900</b>	<b>2.569</b>
Other fixtures and fittings, tools and equipment		17.739	16.554
<b>Property, plant and equipment</b>	8	<b>17.739</b>	<b>16.554</b>
Deposits		92	2.671
<b>Fixed asset investments</b>	9	<b>92</b>	<b>2.671</b>
<b>Fixed assets</b>		<b>19.731</b>	<b>21.794</b>
Trade receivables		28.358	25.244
Contract work in progress	10	1.672	1.486
Receivables from group enterprises		22.832	33.927
Other receivables		105	51
Deferred tax asset		271	610
Prepayments	11	43	1.941
<b>Receivables</b>		<b>53.281</b>	<b>63.259</b>
<b>Cash at bank and in hand</b>		<b>1.102</b>	<b>3.324</b>
<b>Currents assets</b>		<b>54.383</b>	<b>66.583</b>
<b>Assets</b>		<b>74.114</b>	<b>88.377</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 TDKK	2017 TDKK
Share capital		534	534
Retained earnings		5.000	5.000
Proposed dividend for the year		12.097	13.580
<b>Equity</b>	12	<b>17.631</b>	<b>19.114</b>
Provisions for pensions and similar obligations		1.652	1.797
<b>Provisions</b>		<b>1.652</b>	<b>1.797</b>
Prepayments received from customers		9.690	9.355
Trade payables		2.597	5.217
Payables to group enterprises		2.541	13.923
Corporation tax		587	2.627
Other payables	14	39.416	36.344
<b>Short-term debt</b>		<b>54.831</b>	<b>67.466</b>
<b>Debt</b>		<b>54.831</b>	<b>67.466</b>
<b>Liabilities and equity</b>		<b>74.114</b>	<b>88.377</b>
Subsequent events	1		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	534	5.000	13.580	19.114
Ordinary dividend paid	0	0	-13.580	-13.580
Net profit/loss for the year	0	0	12.097	12.097
<b>Equity at 31 December</b>	<b>534</b>	<b>5.000</b>	<b>12.097</b>	<b>17.631</b>

## Cash Flow Statement 1 January - 31 December

	Note	2018 TDKK	2017 TDKK
Net profit/loss for the year		12.097	13.580
Adjustments	15	10.726	11.115
Change in working capital	16	-1.101	-12.280
<b>Cash flows from operating activities before financial income and expenses</b>		<b>21.722</b>	<b>12.415</b>
Financial income		93	122
Financial expenses		-343	-522
<b>Cash flows from ordinary activities</b>		<b>21.472</b>	<b>12.015</b>
Corporation tax paid		-5.131	-457
<b>Cash flows from operating activities</b>		<b>16.341</b>	<b>11.558</b>
Purchase of property, plant and equipment		-7.562	-506
Fixed asset investments made etc		2.579	-13
<b>Cash flows from investing activities</b>		<b>-4.983</b>	<b>-519</b>
Dividend paid		-13.580	-9.173
<b>Cash flows from financing activities</b>		<b>-13.580</b>	<b>-9.173</b>
<b>Change in cash and cash equivalents</b>		<b>-2.222</b>	<b>1.866</b>
Cash and cash equivalents at 1 January		3.324	1.458
<b>Cash and cash equivalents at 31 December</b>		<b>1.102</b>	<b>3.324</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1.102	3.324
<b>Cash and cash equivalents at 31 December</b>		<b>1.102</b>	<b>3.324</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.

## 2 Staff expenses

Wages and salaries	68.498	71.029
Pensions	206	203
Other social security expenses	1.177	1.244
Other staff expenses	867	1.118
	<u>70.748</u>	<u>73.594</u>
Including remuneration to the Executive Board of:		
Executive Board	6.433	6.695
	<u>6.433</u>	<u>6.695</u>
<b>Average number of employees</b>	<u>133</u>	<u>141</u>

The Executive Board and Senior 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.

## 3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2018 TDKK	2017 TDKK
Amortisation of intangible assets	669	670
Depreciation of property, plant and equipment	6.377	5.384
	<u>7.046</u>	<u>6.054</u>

## 4 Financial income

Other financial income	19	0
Exchange adjustments	74	122
	<u>93</u>	<u>122</u>

## Notes to the Financial Statements

	2018 TDKK	2017 TDKK
<b>5 Financial expenses</b>		
Other financial expenses	285	353
Exchange adjustments, expenses	58	169
	<b>343</b>	<b>522</b>
 <b>6 Tax on profit/loss for the year</b>		
Current tax for the year	3.087	4.827
Deferred tax for the year	339	-751
Adjustment of tax concerning previous years	4	585
	<b>3.430</b>	<b>4.661</b>
 <b>7 Intangible assets</b>		
		Acquired licenses TDKK
Cost at 1 January		3.239
Additions for the year		0
Cost at 31 December		3.239
Impairment losses and amortisation at 1 January		670
Amortisation for the year		669
Impairment losses and amortisation at 31 December		1.339
 <b>Carrying amount at 31 December</b>		<b>1.900</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	36.720
Additions for the year	7.562
Disposals for the year	<u>-8.262</u>
Cost at 31 December	<u>36.020</u>
Impairment losses and depreciation at 1 January	20.166
Depreciation for the year	6.377
Reversal of impairment and depreciation of disposals	<u>-8.262</u>
Impairment losses and depreciation at 31 December	<u>18.281</u>
<b>Carrying amount at 31 December</b>	<b><u>17.739</u></b>

## 9 Fixed asset investments

	Deposits
	<u>TDKK</u>
Cost at 1 January	2.671
Additions for the year	92
Disposals for the year	<u>-2.671</u>
Cost at 31 December	<u>92</u>
<b>Carrying amount at 31 December</b>	<b><u>92</u></b>

## 10 Contract work in progress

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
Contract work in progress	10.478	8.780
Progress billings regarding contract work in progress	<u>-8.806</u>	<u>-7.294</u>
	<b><u>1.672</u></b>	<b><u>1.486</u></b>

# Notes to the Financial Statements

## 11 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and subscriptions.

## 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.

	<u>2018</u> TDKK	<u>2017</u> TDKK
<b>13 Distribution of profit</b>		
Proposed dividend for the year	12.097	13.580
	<u><b>12.097</b></u>	<u><b>13.580</b></u>

## 14 Other payables

VAT and duties	3.322	2.928
Wages and salaries, personal income taxes, social security costs, etc.	1.277	2.269
Holiday pay obligation	7.830	7.975
Other costs payable	26.987	23.172
	<u><b>39.416</b></u>	<u><b>36.344</b></u>

## 15 Cash flow statement - adjustments

Financial income	-93	-122
Financial expenses	343	522
Depreciation, amortisation and impairment losses, including losses and gains on sales	7.046	6.054
Tax on profit/loss for the year	3.430	4.661
	<u><b>10.726</b></u>	<u><b>11.115</b></u>

## Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
	TDKK	TDKK
<b>16 Cash flow statement - change in working capital</b>		
Change in receivables	9.639	-28.118
Change in other provisions	-145	-108
Change in trade payables, etc	-10.595	15.946
	<u><b>-1.101</b></u>	<u><b>-12.280</b></u>

### 17 Contingent assets, liabilities and other financial obligations

#### Contingent liabilities

Commitments under rental agreements or leases until expiry	<u>50.329</u>	<u>56.108</u>
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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 other security and contingent liabilities at 31 December 2018.

# Notes to the Financial Statements

## 18 Related parties

### Controlling interest

Kantar Gallup A/S is 100 % owned by Taylor Nelson Sofres B.V., Laan op Zuid 167, 3072 DB Rotterdam, Netherland 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.

### Transactions

Transactions with related parties are conducted on market terms.

### Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
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

## 19 Accounting Policies

The Annual Report of Kantar Gallup A/S for 2018 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 2018 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

## 19 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 Company'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 company 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

## 19 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 Company 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	10	years
Tools, equipment and IT	1-5	years

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### **Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### **Fixed asset investments**

Fixed asset investments consist of Deposits.

### **Receivables**

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

### **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.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### 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.

### 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.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### 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".

## 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$