
Spring Production A/S

Studsgade 22, DK-8000 Aarhus C

Annual Report for 1 July 2019 - 30 June 2020

CVR No 12 54 59 83

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/11 2020

Lone Kragh
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 Spring Production A/S for the financial year 1 July 2019 - 30 June 2020.

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 30 June 2020 of the Company and of the results of the Company operations for 2019/20.

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.

Aarhus, 26 November 2020

Executive Board

Lars Bo Hansen

Board of Directors

Albert Crilles Sebastian Funder
Chairman

Petter Pablo Sommerfelt-
Venegas

Jens Hjortshøj

Mogens Kristensen

Peer Brændholt

Lars Bo Hansen

Michael Kaltoft Paterson

Morten Eskildsen

Jesper Angelsø Hjortshøj

Lone Kragh

Mads Heide Mikkelsen

Peter Herlev Enevoldsen

Independent Auditor's Report

To the Shareholder of Spring Production A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Spring Production A/S for the financial year 1 July 2019 - 30 June 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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.

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.

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 misstate-

Independent Auditor's Report

ment, 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.

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

Independent Auditor's Report

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.

Aarhus, 26 November 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Østergaard

statsautoriseret revisor

mne26806

Company Information

The Company

Spring Production A/S
Studsgade 22
DK-8000 Aarhus C

Telephone: + 45 87309800
Website: www.ZUPA.dk

CVR No: 12 54 59 83
Financial period: 1 July - 30 June
Municipality of reg. office: Aarhus

Ownership

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

Spring Family ApS
Studsgade 22
DK-8000 Aarhus C
(equity interest 100 %)

Ultimate parent company

Spring Partner Holding ApS
Studsgade 22
DK-8000 Aarhus C
(controlling interest)

Consolidated financial statements

The consolidated financial statements are prepared by the parent company:

Spring Family ApS
Studsgade 22
DK-8000 Aarhus C

Board of Directors

Albert Crilles Sebastian Funder, Chairman
Petter Pablo Sommerfelt-Venegas
Jens Hjortshøj
Mogens Kristensen
Peer Brændholt
Lars Bo Hansen
Michael Kaltoft Paterson
Morten Eskildsen
Jesper Angelsø Hjortshøj

Company Information

Lone Kragh
Mads Heide Mikkelsen
Peter Herlev Enevoldsen

Executive Board

Lars Bo Hansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Lawyers

Bech-Bruun
Værkmestergade 2
DK-8000 Aarhus C

Bankers

Nordea Bank A/S
Skt. Clemens Torv 2
DK-8000 Aarhus C

Management's Review

Key activities

The object of the Company is to carry on business as a graphic production and advertising agency and any other business and/or office services related thereto.

Spring Production A/S is a pure player in 'marketing implementation' – focussing on graphic production and IT development.

To increase competitiveness, Spring Production Company Ltd. (Vietnam) was established in financial year 2008/09.

The growth strategy is based on international ambitions, and the Company founded its subsidiary Spring Production GmbH in Germany in 2018/19. This company is still in the start-up phase.

At the end of the 2019/20 financial year, Spring Production A/S and its underlying companies had more than 200 employees (headcount).

Development in the year

Results for the year show a profit of DKK 9,613,725 compared to DKK 12,379,353 in 2018/19.

The primary reason for the decline is a declining gross profit, and that the Company's results are negatively affected by share of results for the year of its subsidiaries totalling a negative DKK 976,167.

Reference is made to note 1 to the Annual Report for further details on COVID-19.

At 30 June 2020, equity is DKK 41,223,579.

Despite the decline, Company Management considers the results for the year satisfactory.

Targets and expectations for the year ahead

A positive result is expected for the next year. Furthermore, Company Management expects that the liquidity necessary for conducting operations in 2020/2021 will be made available.

Subsequent events

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

Income Statement 1 July - 30 June

	Note	2019/20 DKK	2018/19 DKK
Gross profit/loss		34.210.927	36.556.267
Staff expenses	2	-21.185.714	-21.220.367
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-406.419	-431.721
Other operating expenses		-32.141	-4.748
Profit/loss before financial income and expenses		12.586.653	14.899.431
Income from investments in subsidiaries	4	-976.167	440.567
Financial income	5	1.355.379	781.083
Financial expenses	6	-349.722	-260.454
Profit/loss before tax		12.616.143	15.860.627
Tax on profit/loss for the year	7	-3.002.418	-3.481.274
Net profit/loss for the year		9.613.725	12.379.353

Distribution of profit

Proposed distribution of profit

Retained earnings		9.613.725	12.379.353
		9.613.725	12.379.353

Balance Sheet 30 June

Assets

	Note	2020 DKK	2019 DKK
Other fixtures and fittings, tools and equipment		433.649	647.381
Leasehold improvements		424.116	488.183
Property, plant and equipment	8	857.765	1.135.564
Investments in subsidiaries	9	7.652.556	5.425.355
Deposits	10	67.998	0
Fixed asset investments		7.720.554	5.425.355
Fixed assets		8.578.319	6.560.919
Trade receivables		12.183.833	11.236.696
Contract work in progress	11	3.454.787	3.922.982
Receivables from group enterprises		42.653.981	22.528.033
Other receivables		67.937	268.389
Prepayments		582.883	609.076
Receivables		58.943.421	38.565.176
Cash at bank and in hand		1.731	154.144
Currents assets		58.945.152	38.719.320
Assets		67.523.471	45.280.239

Balance Sheet 30 June

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		3.000.000	3.000.000
Retained earnings		38.223.579	28.609.854
Equity	12	41.223.579	31.609.854
Provision for deferred tax		383.000	279.500
Provisions relating to investments in group enterprises	9	4.542.544	1.339.176
Provisions		4.925.544	1.618.676
Other payables		1.074.536	0
Long-term debt	13	1.074.536	0
Credit institutions		1.369.625	15.448
Prepayments received from customers		2.246.879	943.059
Trade payables		258.882	183.463
Payables to group enterprises		2.614.867	1.211.317
Corporation tax		6.075.036	4.709.166
Other payables	13	7.734.523	4.989.256
Short-term debt		20.299.812	12.051.709
Debt		21.374.348	12.051.709
Liabilities and equity		67.523.471	45.280.239
Unusual events	1		
Contingent assets, liabilities and other financial obligations	14		
Accounting Policies	15		

Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 July	3.000.000	28.609.854	31.609.854
Net profit/loss for the year	0	9.613.725	9.613.725
Equity at 30 June	3.000.000	38.223.579	41.223.579

Notes to the Financial Statements

1 Unusual events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy.

The Company and its subsidiaries carry on business in the marketing and advertising industry, and their customers are not assessed to be significantly affected by COVID-19; thus, the outbreak of COVID-19 has not affected and is not expected to affect the Company noticeably.

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
2 Staff expenses		
Wages and salaries	19.810.867	19.864.416
Pensions	1.179.488	1.143.065
Other social security expenses	195.359	212.886
	<u>21.185.714</u>	<u>21.220.367</u>
Average number of employees	<u>34</u>	<u>36</u>
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	<u>406.419</u>	<u>431.721</u>
	<u>406.419</u>	<u>431.721</u>
Which is specified as follows:		
Other fixtures and fittings, tools and equipment	341.403	369.377
Leasehold improvements	65.016	62.344
	<u>406.419</u>	<u>431.721</u>
4 Income from investments in subsidiaries		
Share of profits of subsidiaries	0	440.567
Share of losses of subsidiaries	-976.167	0
	<u>-976.167</u>	<u>440.567</u>

Notes to the Financial Statements

	2019/20 DKK	2018/19 DKK
5 Financial income		
Interest received from group enterprises	1.355.379	781.083
	1.355.379	781.083
6 Financial expenses		
Interest paid to group enterprises	42.640	40.994
Other financial expenses	307.082	219.460
	349.722	260.454
7 Tax on profit/loss for the year		
Current tax for the year	2.898.918	3.176.118
Deferred tax for the year	103.500	227.100
Adjustment of tax concerning previous years	0	78.056
	3.002.418	3.481.274
8 Property, plant and equipment		
	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 July	5.998.496	629.445
Additions for the year	132.297	28.463
Disposals for the year	-412.812	-38.009
Cost at 30 June	5.717.981	619.899
Impairment losses and depreciation at 1 July	5.351.115	141.262
Depreciation for the year	341.403	65.016
Reversal of impairment and depreciation of sold assets	-408.186	-10.495
Impairment losses and depreciation at 30 June	5.284.332	195.783
Carrying amount at 30 June	433.649	424.116

Notes to the Financial Statements

	2020 DKK	2019 DKK
9 Investments in subsidiaries		
Cost at 1 July	5.274.205	5.088.000
Additions for the year	<u>0</u>	<u>186.205</u>
Cost at 30 June	<u>5.274.205</u>	<u>5.274.205</u>
Value adjustments at 1 July	-1.188.026	-1.628.749
Net profit/loss for the year	<u>-976.167</u>	<u>440.723</u>
Value adjustments at 30 June	<u>-2.164.193</u>	<u>-1.188.026</u>
Equity investments with negative net asset value transferred to provisions	<u>4.542.544</u>	<u>1.339.176</u>
Carrying amount at 30 June	<u>7.652.556</u>	<u>5.425.355</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Agency Spring					
International A/S	Aarhus	1.000.000	100%	7.652.556	2.227.201
Spring Production Gmbh	Tyskland	186.590	100%	-4.542.544	-3.203.368

10 Other fixed asset investments

	Deposits DKK
Cost at 1 July	0
Additions for the year	<u>67.998</u>
Cost at 30 June	<u>67.998</u>
Carrying amount at 30 June	<u>67.998</u>

Notes to the Financial Statements

	<u>2020</u> DKK	<u>2019</u> DKK
11 Contract work in progress		
Selling price of work in progress	3.989.222	3.942.300
Payments received on account	<u>-534.435</u>	<u>-19.318</u>
	<u>3.454.787</u>	<u>3.922.982</u>

12 Equity

The share capital consists of 30,000 shares of a nominal value of DKK 100. No shares carry any special rights.

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

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020</u> DKK	<u>2019</u> DKK
Other payables		
Between 1 and 5 years	<u>1.074.536</u>	<u>0</u>
Long-term part	1.074.536	0
Other short-term payables	<u>7.734.523</u>	<u>4.989.256</u>
	<u>8.809.059</u>	<u>4.989.256</u>

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations etc.

The Company has entered into lease agreements on software licences. The leases are non-terminable until 30 June 2022, and the liability is DKK 50k.

Through the group company ZUPA Aarhus A/S, the Company has entered into a lease agreement on a car, and in addition the Company has leased a car. The leases expire on 1 July 2021 and 30 September 2022, and the liability is DKK 297k.

The Company has entered into a tenancy agreement on a lease in Odense. The notice of termination is six months, and liability is DKK 51k.

A performance guarantee in the amount of DKK 88k has been provided to the Capital Region of Denmark.

The group companies are jointly and severally liable for tax on the group's jointly taxed income etc. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Guarantee obligations

As security for the Company's own balance with Nordea Bank and those of the companies ZUPA Copenhagen A/S, ZUPA Aarhus A/S and ZUPA BrandBox A/S, an all monies mortgage (company charge) of DKK 5,000k has been provided, securing receivables from sale, operating equipment and goodwill etc. Book value of the said assets totals DKK 12,617k as at 30 June 2020, and bank loans amount to DKK 5,509k.

Surety has been provided by the Company to Spring Family ApS, ZUPA Copenhagen A/S, ZUPA Aarhus A/S and ZUPA BrandBox A/S. The underlying bank loans amount to DKK 6,604k as at 30 June 2020.

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Spring Production A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019/20 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Spring Family ApS, the Company has not prepared consolidated financial statements.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

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 goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for consumables

Expenses for consumables comprise the consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

15 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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 wholly owned Danish. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

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.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings,

Notes to the Financial Statements

15 Accounting Policies (continued)

tools and equipment	3 - 10 years
Leasehold improvements	10 years

Assets costing less than DKK 14,100 are expensed in the year of acquisition.

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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

15 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

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 assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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 de-

Notes to the Financial Statements

15 Accounting Policies (continued)

ferred 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.

Dividend

Dividend distribution proposed by Management for the year is recognised in debts.