
Cibicom Services A/S

Industriparken 35, DK-2750 Ballerup

Annual Report for 1 January - 31 December 2021

CVR No 25 63 84 25

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/5 2022

Søren Fæster
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 Cibicom Services A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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

Ballerup, 24 May 2022

Executive Board

Morten Bekker Bønnelykke
CEO

Board of Directors

Michael Meister
Chairman

Rasmus Forup Helmich

Søren Fæster

Independent Auditor's Report

To the Shareholder of Cibicom Services A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Cibicom Services A/S for the financial year 1 January - 31 December 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Hellerup, 24 May 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Michael Krath
State Authorised Public Accountant
mne34155

Company Information

The Company

Cibicom Services A/S
Industriparken 35
DK-2750 Ballerup

CVR No: 25 63 84 25
Financial period: 1 January - 31 December
Municipality of reg. office: Ballerup

Board of Directors

Michael Meister, Chairman
Rasmus Forup Helmich
Søren Fæster

Executive Board

Morten Bekker Bønnelykke

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	6.780	9.039	5.609	375	-5.161
Net financials	-107	-41	-93	-623	-673
Profit/loss from discontinuing activities	0	0	0	-9.420	0
Net profit/loss for the year	6.673	9.463	9.173	-9.668	-5.834
Balance sheet					
Balance sheet total	76.758	72.578	56.095	50.050	72.015
Equity	52.540	45.867	36.404	27.231	9.716
Investment in property, plant and equipment	1.296	585	6.707	1.640	26
Number of employees	54	60	57	53	57
Ratios					
Return on assets	8,8%	12,5%	10,0%	0,7%	-7,2%
Solvency ratio	68,4%	63,2%	64,9%	54,4%	13,5%
Return on equity	13,6%	23,0%	28,8%	-52,3%	-47,1%

Management's Review

Key activities

Cibicom Services A/S' core business is designing, establishing and servicing networks for teleoperators.

Cibicom Services A/S's primary customers are Denmark's leading telecom operators, system suppliers within the telecom sector.

Development in the year

The income statement of the Company for 2021 shows a profit of DKK 6,673,451, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 52,540,350.

Targets and expectations for the year ahead

We expect continued positive trends in 2022 and the years ahead.

Impact of the external environment

We are constantly working to strengthen our CSR and quality profile and we strive to decrease our impact on the environment. The company is certified in ISO9001, ISO14001 and ISO45001.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

Subsequent events

Reference is made to note 1 in the Financial Statements.

Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Gross profit/loss		39.018.021	46.001.559
Staff expenses	2	-31.756.750	-36.136.590
Profit/loss before depreciation (EBITDA)		7.261.271	9.864.969
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-481.239	-826.039
Profit/loss before financial income and expenses		6.780.032	9.038.930
Income from investments in subsidiaries		-17.317	0
Financial income	4	0	7.302
Financial expenses	5	-89.264	-48.366
Profit/loss before tax		6.673.451	8.997.866
Tax on profit/loss for the year	6	0	465.000
Net profit/loss for the year		6.673.451	9.462.866

Balance Sheet 31 December

Assets

	Note	2021 DKK	2020 DKK
Acquired patents		0	0
Intangible assets	7	0	0
Land and buildings		5.762.937	5.762.937
Other fixtures and fittings, tools and equipment		1.103.771	325.382
Leasehold improvements		84.146	47.359
Property, plant and equipment	8	6.950.854	6.135.678
Investments in subsidiaries	9	382.683	400.000
Other receivables	10	11.120	213.322
Fixed asset investments		393.803	613.322
Fixed assets		7.344.657	6.749.000
Inventories		3.900.768	3.045.063
Trade receivables		34.712.235	28.216.787
Contract work in progress	11	12.053.444	6.566.313
Receivables from group enterprises		8.707.478	2.576.064
Other receivables		706	1.250
Deferred tax asset	14	6.275.000	6.275.000
Prepayments	12	320.536	303.452
Receivables		62.069.399	43.938.866
Cash at bank and in hand		3.443.668	18.845.492
Currents assets		69.413.835	65.829.421
Assets		76.758.492	72.578.421

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		2.001.100	2.001.100
Retained earnings		50.539.250	43.865.798
Equity		52.540.350	45.866.898
Other payables		841.266	1.598.534
Long-term debt	15	841.266	1.598.534
Trade payables		17.965.041	20.119.219
Other payables	15	5.411.835	4.993.770
Short-term debt		23.376.876	25.112.989
Debt		24.218.142	26.711.523
Liabilities and equity		76.758.492	72.578.421
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	2.001.100	43.865.799	45.866.899
Net profit/loss for the year	0	6.673.451	6.673.451
Equity at 31 December	2.001.100	50.539.250	52.540.350

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.

	<u>2021</u> DKK	<u>2020</u> DKK
2 Staff expenses		
Wages and salaries	27.644.665	32.168.667
Pensions	2.722.407	2.863.706
Other social security expenses	785.678	662.327
Other staff expenses	604.000	441.890
	<u>31.756.750</u>	<u>36.136.590</u>
Average number of employees	<u>54</u>	<u>60</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

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

Depreciation of property, plant and equipment	<u>481.239</u>	<u>826.039</u>
	<u>481.239</u>	<u>826.039</u>

4 Financial income

Other financial income	<u>0</u>	<u>7.302</u>
	<u>0</u>	<u>7.302</u>

5 Financial expenses

Other financial expenses	88.679	48.366
Exchange loss	<u>585</u>	<u>0</u>
	<u>89.264</u>	<u>48.366</u>

Notes to the Financial Statements

	2021 DKK	2020 DKK
6 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	0	-465.000
	0	-465.000
7 Intangible assets		Acquired pa- tents DKK
Cost at 1 January		7.481.211
Cost at 31 December		7.481.211
Impairment losses and amortisation at 1 January		7.481.211
Impairment losses and amortisation at 31 December		7.481.211
Carrying amount at 31 December		0

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	6.253.252	5.348.089	48.716	11.650.057
Additions for the year	0	1.160.694	135.721	1.296.415
Disposals for the year	0	-483.064	0	-483.064
Cost at 31 December	6.253.252	6.025.719	184.437	12.463.408
Impairment losses and depreciation at 1 January	490.315	5.022.707	1.357	5.514.379
Depreciation for the year	0	382.305	98.934	481.239
Impairment and depreciation of sold assets for the year	0	-483.064	0	-483.064
Impairment losses and depreciation at 31 December	490.315	4.921.948	100.291	5.512.554
Carrying amount at 31 December	5.762.937	1.103.771	84.146	6.950.854

9 Investments in subsidiaries

	2021 DKK	2020 DKK
Cost at 1 January	400.000	0
Additions for the year	0	400.000
Cost at 31 December	400.000	400.000
Value adjustments at 1 January	0	0
Net profit/loss for the year	-17.317	0
Value adjustments at 31 December	-17.317	0
Carrying amount at 31 December	382.683	400.000

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Cibicom Supply A/S	Ballerup	400.000	100%	382.683	-17.317

Notes to the Financial Statements

10 Other fixed asset investments

	Other receiv- ables
	<u>DKK</u>
Cost at 1 January	213.322
Disposals for the year	<u>-202.202</u>
Cost at 31 December	<u>11.120</u>
Impairment losses at 1 January	<u>0</u>
Impairment losses at 31 December	<u>0</u>
Carrying amount at 31 December	<u>11.120</u>

11 Contract work in progress

	<u>2021</u>	<u>2020</u>
	DKK	DKK
Selling price of work in progress	42.797.690	31.742.425
Payments received on account	<u>-30.744.246</u>	<u>-25.176.112</u>
	<u>12.053.444</u>	<u>6.566.313</u>

12 Prepayments

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

13 Distribution of profit

Retained earnings	<u>6.673.451</u>	<u>9.462.866</u>
	<u>6.673.451</u>	<u>9.462.866</u>

Notes to the Financial Statements

	2021 DKK	2020 DKK
14 Deferred tax asset		
Deferred tax asset at 1 January	6.275.000	5.810.000
Amounts recognised in the income statement for the year	0	465.000
Deferred tax asset at 31 December	6.275.000	6.275.000
Property, plant and equipment	-2.540.133	-4.457.852
Leasehold improvements	-5.375	-74.353
Inventories	-66.000	-66.000
Trade receivables	0	-40.257
Tax loss carry-forward	-20.878.492	-20.329.538
Transferred to deferred tax asset	23.490.000	24.968.000
	0	0

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	19.264.893	24.871.831
Write-down to assessed value	-12.989.893	-18.596.831
Carrying amount	6.275.000	6.275.000

15 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:

Other payables

Between 1 and 5 years	841.266	1.598.534
Long-term part	841.266	1.598.534
Other short-term payables	5.411.835	4.993.770
	6.253.101	6.592.304

Notes to the Financial Statements

	2021 DKK	2020 DKK
16 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2.466.126	2.393.594
Between 1 and 5 years	2.657.631	3.840.843
After 5 years	720	3.010
	5.124.477	6.237.447
Rent obligation in interminable rent agreements	0	60.000

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of DK Infrastructure Topco ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

17 Related parties

	<u>Basis</u>
Controlling interest	
DK Infrastructure Topco ApS, Industriparken 35, DK-2750 Ballerup	Ultimate parent company
Cibicom A/S, Industriparken 35, DK-2750 Ballerup	Owns 100 % of the share capital of the company.

Transactions

All of the Company's transactions have been carried out on an arm's length basis.

Consolidated Financial Statements

The company is included in the consolidated financial statements of the following companies:

<u>Name</u>	<u>Place of registered office</u>
DK Infrastructure Topco ApS	DK-2750 Ballerup
DK Infrastructure Bidco ApS	DK-2750 Ballerup

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Cibicom Services A/S for 2021 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 2021 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of DK Infrastructure Bidco ApS, the Company has not prepared a cash flow statement.

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.

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

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

Notes to the Financial Statements

18 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other 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.

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 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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

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 raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other external expenses

Other external expenses comprise 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, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

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 other Danish group companies. The tax effect of the joint taxation is

Notes to the Financial Statements

18 Accounting Policies (continued)

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:

Land and buildings	25 years
Other fixtures and fittings, tools and equipment	1-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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, including the tax base of tax loss carry-forwards, 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 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

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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