

DENCRYPT A/S
ARNOLD NIELSENS BOULEVARD 72 - 74, 2650 HVIDOVRE
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2020

The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 8 April 2021

Jørgen Christian Abild Andersen

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COMPANY DETAILS

Company	Dencrypt A/S Arnold Nielsens Boulevard 72 - 74 2650 Hvidovre
	CVR No.: 25 69 89 08
	Established: 20 December 2013
	Registered Office: Hvidovre
	Financial Year: 1 January - 31 December
Board of Directors	Kaj Juul-Pedersen, chairman Thor Jespersen, vice chairman Lars Ramkilde Knudsen Jan Dinesen Jørgen Christian Abild Andersen
Board of Executives	Hans Kristian Hasselby-Andersen CEO Søren Sennels
Auditor	EY GODKENDT REVISIONSPARTNERSELSKAB Dirch Passers Allé 36, Postboks 250 2000 Frederiksberg
Bank	Nykredit Bank

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Dencrypt A/S for the financial year 1 January - 31 December 2020.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Hvidovre, 8 April 2021

Board of Executives

Hans Kristian Hasselby-Andersen
CEO

Søren Sennels

Board of Directors

Kaj Juul-Pedersen
Chairman

Thor Jespersen
Vice Chairman

Lars Ramkilde Knudsen

Jan Dinesen

Jørgen Christian Abild Andersen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dencrypt A/S

Opinion

We have audited the Financial Statements of Dencrypt A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, notes and 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 assets, liabilities and financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

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

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that 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 of Management's Review.

Copenhagen, 8 April 2021

EY GODKENDT REVISIONSPARTNERSELSKAB
CVR no. 30700228

Mogens Andreasen
State Authorised Public Accountant
MNE no. mne28603

MANAGEMENT'S REVIEW

Principal activities

Dencrypt A/S develops and delivers solutions for secure communication based on the patented principle of dynamic encryption.

Dencrypt's encrypted communications solutions combine ease of use with advanced encryption technology and provide effective protection against espionage and eavesdropping. The products target governmental and defence organisations, public authorities, private companies, and others for whom it is essential to protect confidential information, critical technology, and correspondence with trusted clients or partners.

Dencrypt has offices in Copenhagen and Aalborg.

Dencrypt holds memberships of the trade associations Danish Business Association (DI Digital, DI FAD), CenSec, Naval Team Denmark and The Danish ICT Industry Association (IT-Branchen), where the company has representation in the IT security council.

Development in activities and financial position

During the year, Dencrypt has delivered its encrypted mobile communication solution to new international customers. Further, the company has expanded its network of international sales partners in various countries.

The result for the year shows a net income of -0,6 MDKK.

Sales and Marketing

Due to the Covid-19 pandemic Dencrypt has focused on online marketing activities. This has positively affected visibility in the market and generated new opportunities.

Planned conferences and trade shows were for the most part cancelled and physical meetings have been replaced by virtual meetings. Despite these adverse external conditions, the company has managed to generate new significant leads and maintain close relations with existing leads and customers. This is expected to lead to new business going forward.

Covid-19 is generally projected to contribute to a long-term boost in remote working. This will have a positive effect on demand for secure communication and collaboration tools. Dencrypt expects a corresponding increased demand for its product and solutions in the coming years.

Product and Technology Development

Dencrypt has maintained a high activity level within product and technology development, unaffected by the Covid-19 situation. The activities have focused on extending and improving the Dencrypt Communication Solution product platform. A new app featuring higher integration and new functionality was released and will serve as a key element in the solution. Development of further extensions of the solution has been initiated.

The company maintains close relations and collaboration with the Technical University of Denmark (DTU) within the area of cryptology. Dencrypt and DTU are actively cooperating on the development of methods and technology for future quantum-safe cryptographic products and solutions.

Dencrypt has achieved further patent protection of its core technology and filed new patent applications for additional IP protection.

Significant events after the end of the financial year

No events have occurred after the end of the year, which may affect the financial statements.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2020 DKK	2019 DKK
GROSS PROFIT.....		6.451.913	17.273.104
Staff costs.....	1	-4.866.102	-6.306.609
Depreciation, amortisation and impairment.....		-2.591.679	-3.064.540
OPERATING LOSS.....		-1.005.868	7.901.955
Other financial expenses.....		-198.723	-286.104
LOSS BEFORE TAX.....		-1.204.591	7.615.851
Tax on profit/loss for the year.....	2	624.264	-1.754.513
LOSS FOR THE YEAR.....		-580.327	5.861.338
PROPOSED DISTRIBUTION OF DIVIDEND			
Retained earnings.....		-580.327	5.861.338
TOTAL.....		-580.327	5.861.338

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 DKK	2019 DKK
Development projects completed.....		4.128.466	5.917.840
Development projects in progress and prepayments.....		10.177.745	4.699.745
Intangible fixed assets.....	3	14.306.211	10.617.585
Other plants, machinery, tools and equipment.....		115.573	179.220
Tangible fixed assets.....	4	115.573	179.220
Rent deposit and other receivables.....		185.596	185.596
Fixed asset investments.....	5	185.596	185.596
FIXED ASSETS.....		14.607.380	10.982.401
Trade receivables.....		3.264.467	6.426.394
Contract work in progress.....		4.180.440	2.927.637
Other receivables.....		22.480	2.387
Receivables corporation tax.....		1.188.264	0
Prepayments and accrued income.....		104.307	169.842
Receivables.....		8.759.958	9.526.260
Cash and cash equivalents.....		2.984.678	7.104.594
CURRENT ASSETS.....		11.744.636	16.630.854
ASSETS.....		26.352.016	27.613.255

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2020 DKK	2019 DKK
Share capital.....		769.280	764.280
Transferred to reserve for development costs.....		11.158.844	7.880.872
Retained profit.....		2.894.712	6.658.011
EQUITY.....		14.822.836	15.303.163
Provision for deferred tax.....		3.136.000	2.572.000
PROVISION FOR LIABILITIES.....		3.136.000	2.572.000
Mortgage debt.....		1.969.599	2.612.218
Other liabilities.....		766.789	250.311
Long-term liabilities.....	6	2.736.388	2.862.529
Short-term portion of long-term liabilities.....	6	561.009	779.680
Trade payables.....		1.314.786	326.873
Corporation tax.....		0	941.406
Other liabilities.....		2.941.262	4.575.122
Accruals and deferred income.....		839.735	252.482
Current liabilities.....		5.656.792	6.875.563
LIABILITIES.....		8.393.180	9.738.092
EQUITY AND LIABILITIES.....		26.352.016	27.613.255
 Contingencies etc.	 7		
Charges and securities	8		

EQUITY

	Share capital	Transferred to reserve for development costs	Retained profit	Total
Equity at 1 January 2020.....	764.280	7.880.872	6.658.011	15.303.163
Capital increase.....	5.000		95.000	100.000
Proposed distribution of profit.....			-580.327	-580.327
Transferred to reserve for development costs.....		3.277.972	-3.277.972	
Equity at 31 December 2020.....	769.280	11.158.844	2.894.712	14.822.836

Change in the share capital in the past year:

<i>DKK</i>	<u>2020</u>	2019	2018	2017	2016
Opening Balance	764.280	764.280	679.280	500.000	500.000
Capital increase	5.000	0	85.000	179.280	0
	769.280	764.280	764.280	679.280	500.000

NOTES

	2020 DKK	2019 DKK	Note
Staff costs			1
Average number of employees 13 (2019: 13)			
Wages and salaries.....	9.651.180	9.570.983	
Pensions.....	28.844	80.374	
Social security costs.....	48.642	48.784	
Other staff costs.....	67.074	194.249	
Staff costs transferred to intangible fixed assets.....	-4.929.638	-3.587.781	
	4.866.102	6.306.609	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year.....	-1.188.264	978.513	
Adjustment of deferred tax.....	564.000	776.000	
	-624.264	1.754.513	
Intangible fixed assets			3
	Development projects completed	Development projects in progress and prepayments	
Cost at 1 January 2020.....	15.089.150	4.699.745	
Additions.....	554.963	5.601.759	
Disposals.....	0	-123.759	
Cost at 31 December 2020.....	15.644.113	10.177.745	
Amortisation at 1 January 2020.....	9.171.310	0	
Amortisation for the year.....	2.344.337	0	
Amortisation at 31 December 2020.....	11.515.647	0	
Carrying amount at 31 December 2020.....	4.128.466	10.177.745	
Projects completed include the products Dencrypt Message v1 for iOS and Android platforms. The product is fully developed and is depreciated over a 5 year period. The management do not see a need for impairments.			

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The company has entered into lease rental property, which can be terminated by 3 and 12 months notice. The Company has rental commitments for a total of DKK 427 thousand on the current lease rental property.

NOTES

Note

Charges and securities

8

To secure debt to Nordjysk Lånefond, DKK 1,714 thousand, the company has provided a company charge of DKK 1,950 thousand, in the company's assets with a carrying amount of DKK 7.687 thousand at 31 December 2020.

For the security of the payment guarantee from Nykredit, the company has provided a corporate charge of DKK 3,902 thousand, in the company's assets with a carrying amount of DKK 7.687 thousand at 31 December 2020..

To secure debt to Nykredit, DKK 708 thousand, the company has provided a corporate charge of DKK 1,000 thousand, in the company's assets with a carrying amount of DKK 7.687 thousand at 31 December 2020..

ACCOUNTING POLICIES

The Annual Report of Dencrypt A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B with opt-in from higher reporting classes..

The Annual Report is prepared consistently with the accounting principles applied last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of service contracts and license subscriptions is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including royalty, commission of agent agreements and external license.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is 5 years.

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

ACCOUNTING POLICIES

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	2-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Contract work in progress

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.