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# ***AKQA Denmark A/S***

Staunings Plads 3, 1., DK-1607 Copenhagen V

## **Annual Report for 1 January - 31 December 2020**

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CVR No 29 20 37 76

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
16/6 2021

Peter Bruun Nikolajsen  
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 AKQA Denmark A/S for the financial year 1 January - 31 December 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 31 December 2020 of the Company and of the results of the Company operations for 2020.

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, 16 June 2021

## **Executive Board**

Steffen Blauenfeldt Otkjær

## **Board of Directors**

Jonathan Neil Eggar  
Chairman

Michelle Louise Paddon

Lasse Morell

# Independent Auditor's Report

To the Shareholders of AKQA Denmark A/S

## Opinion

We have audited the Financial Statements of AKQA Denmark A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity 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 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Management's responsibilities for the Financial Statements

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

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

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

# Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

## Statement on Management's Review

Management is responsible for Management's Review.

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

## Independent Auditor's Report

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, 16 June 2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 96 35 56*

Kim Takata Mücke  
State Authorised Public Accountant  
mne10944

Christina Nilsson  
State Authorised Public Accountant  
mne44182

## Company Information

### **The Company**

AKQA Denmark A/S  
Staunings Plads 3, 1.  
DK-1607 Copenhagen V

CVR No: 29 20 37 76  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Jonathan Neil Eggar, Chairman  
Michelle Louise Paddon  
Lasse Morell

### **Executive Board**

Steffen Blauenfeldt Otkjær

### **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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	157.266	131.406	120.335	110.354	105.354
Operating profit/loss	32.728	18.003	20.088	25.595	30.663
Profit/loss before financial income and expenses	32.728	18.003	20.088	25.595	30.663
Net financials	-249	315	-208	-1.945	13
Net profit/loss for the year	25.325	14.274	15.478	18.009	23.835
<b>Balance sheet</b>					
Balance sheet total	71.242	49.107	39.918	41.726	50.885
Equity	27.439	17.183	17.909	12.430	24.134
Investment in property, plant and equipment	1.367	1.237	4.023	1.213	1.701
Number of employees	133	136	116	106	93
<b>Ratios</b>					
Gross margin	81,0%	82,7%	79,9%	87,6%	87,1%
Profit margin	20,8%	13,7%	16,7%	23,2%	29,1%
Solvency ratio	38,5%	35,0%	44,9%	29,8%	47,4%
Return on equity	113,5%	81,4%	102,0%	98,5%	107,5%

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



# Management's Review

## **Key activities**

The object of the Company is to be a digital agency that delivers digital communication solutions in a way that leads our clients to see us as a sharp and straightforward partner who combines business understanding with technical insight, respect for the users, creativity and dedication.

## **Development in the year**

The income statement of the Company for 2020 shows a profit of DKK 25,324,647, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 27,438,535.

## **The past year and follow-up on development expectations from last year**

AKQA has grown to become one of the world's most awarded digital agencies and is part of WPP which is the world's largest group of media and communications companies.

The profit was considered satisfactory by management. AKQA was not significantly affected by COVID-19 in 2020.

## ***Operating risks***

The Company is not exposed to special risks except for normal risks within the industry.

## ***Foreign exchange risks***

The Company is increasingly exposed towards currency risk. To a great extent, the Company takes this into consideration when negotiating terms in agreements etc. The Company has not entered into any forward contracts.

## **Targets and expectations for the year ahead**

Management expects that revenue and profit before tax will remain at the same level for the coming financial year.

## **Treasury shares**

During the year, the Company acquired treasury shares due to the departure of a number of shareholders during the year. Treasury shares have been sold to multiple employees as an incentive measure to improve the value added to the Company. The Company had 739 treasury shares at the end of the year.

# Management's Review

## Intellectual capital resources

AKQA Denmark A/S is one of the leading digital agencies in Denmark. AKQA Denmark A/S employs 140 staff members in Copenhagen, Aarhus and London who use digital strategy, creativity and technology to create valuable client journeys for Danish and global businesses. On a wide range of technical platforms – and across all digital touchpoints.

## Unusual events

The financial position at 31 December 2020 of the Company and the results of the activities of the Company for the financial year for 2020 have not been affected by any unusual events, inclusive COVID-19.

## Subsequent events

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

# Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
<b>Revenue</b>		<b>157.265.659</b>	<b>131.405.896</b>
Cost of sales		-16.024.977	-6.456.340
Other external expenses		-13.838.613	-16.231.787
<b>Gross profit/loss</b>		<b>127.402.069</b>	<b>108.717.769</b>
Staff expenses	2	-92.421.912	-88.713.982
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2.252.060	-2.001.121
<b>Profit/loss before financial income and expenses</b>		<b>32.728.097</b>	<b>18.002.666</b>
Financial income		32.863	655.582
Financial expenses		-281.395	-341.039
<b>Profit/loss before tax</b>		<b>32.479.565</b>	<b>18.317.209</b>
Tax on profit/loss for the year	4	-7.154.918	-4.042.884
<b>Net profit/loss for the year</b>		<b>25.324.647</b>	<b>14.274.325</b>
<b>Proposed distribution of profit</b>			
Proposed dividend for the year		25.000.000	15.000.000
Retained earnings		324.647	-725.675
		<b>25.324.647</b>	<b>14.274.325</b>

# Balance Sheet 31 December

## Assets

	Note	2020 DKK	2019 DKK
Acquired licenses		0	1.887
<b>Intangible assets</b>	5	<b>0</b>	<b>1.887</b>
Other fixtures and fittings, tools and equipment		1.617.311	2.129.730
Leasehold improvements		1.654.692	2.025.497
<b>Property, plant and equipment</b>	6	<b>3.272.003</b>	<b>4.155.227</b>
Investments in subsidiaries	7	0	0
Other investments	8	49.370	49.370
Deposits	8	697.244	644.584
<b>Fixed asset investments</b>		<b>746.614</b>	<b>693.954</b>
<b>Fixed assets</b>		<b>4.018.617</b>	<b>4.851.068</b>
Trade receivables		22.136.191	20.931.710
Contract work in progress		3.588.371	4.133.970
Receivables from group enterprises		6.998.638	296.089
Other receivables		183.951	0
Deferred tax asset	9	271.538	159.350
Prepayments	10	54.943	413.313
<b>Receivables</b>		<b>33.233.632</b>	<b>25.934.432</b>
<b>Cash at bank and in hand</b>		<b>33.990.155</b>	<b>18.321.953</b>
<b>Currents assets</b>		<b>67.223.787</b>	<b>44.256.385</b>
<b>Assets</b>		<b>71.242.404</b>	<b>49.107.453</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	11	1.149.160	1.149.160
Retained earnings		1.289.375	1.033.783
Proposed dividend for the year		25.000.000	15.000.000
<b>Equity</b>		<b>27.438.535</b>	<b>17.182.943</b>
Other payables		7.215.542	2.540.695
<b>Long-term debt</b>	13	<b>7.215.542</b>	<b>2.540.695</b>
Credit institutions		137.557	112.961
Prepayments received from customers		2.520.148	2.122.126
Trade payables		1.216.874	1.291.680
Contract work in progress, liabilities		3.571.120	7.965.971
Payables to group enterprises		10.418.558	7.178.651
Corporation tax		667.084	477.796
Other payables	13	18.056.986	10.234.630
<b>Short-term debt</b>		<b>36.588.327</b>	<b>29.383.815</b>
<b>Debt</b>		<b>43.803.869</b>	<b>31.924.510</b>
<b>Liabilities and equity</b>		<b>71.242.404</b>	<b>49.107.453</b>
Subsequent events	1		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1.149.160	1.033.783	15.000.000	17.182.943
Ordinary dividend paid	0	0	-15.000.000	-15.000.000
Ordinary dividend on treasury shares	0	8.171	0	8.171
Purchase of treasury shares	0	-349.239	0	-349.239
Sale of treasury shares	0	272.013	0	272.013
Net profit/loss for the year	0	324.647	25.000.000	25.324.647
<b>Equity at 31 December</b>	<b>1.149.160</b>	<b>1.289.375</b>	<b>25.000.000</b>	<b>27.438.535</b>

# Notes to the Financial Statements

## 1 Subsequent events

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

## 2 Staff expenses

	2020 DKK	2019 DKK
Wages and salaries	80.698.229	74.669.916
Pensions	8.815.727	9.473.578
Other social security expenses	876.235	963.297
Other staff expenses	2.031.721	3.607.191
	<b>92.421.912</b>	<b>88.713.982</b>
<b>Average number of employees</b>	<b>133</b>	<b>136</b>

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

Amortisation of intangible assets	1.888	17.611
Depreciation of property, plant and equipment	2.250.172	1.983.510
	<b>2.252.060</b>	<b>2.001.121</b>

## Notes to the Financial Statements

	2020 DKK	2019 DKK
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	7.267.106	4.107.796
Deferred tax for the year	-112.188	-64.932
Adjustment of tax concerning previous years	0	20
	<b>7.154.918</b>	<b>4.042.884</b>

## 5 Intangible assets

	Acquired licenses DKK
Cost at 1 January	109.392
Disposals for the year	-109.392
Impairment losses and amortisation at 1 January	107.504
Amortisation for the year	1.888
Reversal of amortisation of disposals for the year	-109.392
Impairment losses and amortisation at 31 December	0
<b>Carrying amount at 31 December</b>	<b>0</b>



# Notes to the Financial Statements

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	6.923.812	3.864.513
Additions for the year	776.306	590.642
Disposals for the year	-1.539.602	-504.370
Cost at 31 December	6.160.516	3.950.785
Impairment losses and depreciation at 1 January	4.794.082	1.839.016
Depreciation for the year	1.288.725	961.447
Impairment and depreciation of sold assets for the year	0	-504.370
Reversal of impairment and depreciation of sold assets	-1.539.602	0
Impairment losses and depreciation at 31 December	4.543.205	2.296.093
<b>Carrying amount at 31 December</b>	<b>1.617.311</b>	<b>1.654.692</b>

## 7 Investments in subsidiaries

	2020 DKK	2019 DKK
Cost at 1 January	0	172.240
Disposals for the year	0	-172.240
Cost at 31 December	0	0
Value adjustments at 1 January	0	-172.240
Disposals for the year	0	172.240
Value adjustments at 31 December	0	0
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>

# Notes to the Financial Statements

## 8 Other fixed asset investments

	Other investments DKK	Deposits DKK
Cost at 1 January	49.370	644.584
Additions for the year	0	52.660
Cost at 31 December	49.370	697.244
<b>Carrying amount at 31 December</b>	<b>49.370</b>	<b>697.244</b>

## 9 Deferred tax asset

	2020 DKK	2019 DKK
Deferred tax asset at 1 January	159.350	94.418
Amounts recognised in the income statement for the year	112.188	64.932
<b>Deferred tax asset at 31 December</b>	<b>271.538</b>	<b>159.350</b>

## 10 Prepayments

Prepayments consist of prepaid expenses.

## 11 Equity

The share capital consists of 1,149,160 shares of a nominal value of DKK 1. No shares carry any special rights.

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

In 2020, the Company acquired 3.342 treasury shares and afterwards sold 2.603 treasury shares. The total net payment for the shares amounted to kDKK 77, which has been transferred from retained earnings under equity. These shares have not been cancelled and are therefore held as treasury shares.

The Company holds a total of 739 shares with a nominal value of DKK 1 corresponding to 0,07% of the total capital.

## Notes to the Financial Statements

	2020 DKK	2019 DKK
<b>12 Distribution of profit</b>		
Proposed dividend for the year	25.000.000	15.000.000
Retained earnings	324.647	-725.675
	<b>25.324.647</b>	<b>14.274.325</b>

## 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:

### Other payables

After 5 years	7.215.542	0
Between 1 and 5 years	0	2.540.695
Long-term part	7.215.542	2.540.695
Other short-term payables	18.056.986	10.234.630
	<b>25.272.528</b>	<b>12.775.325</b>

Other payables (long-term) consist of frozen holiday pay to employees.

Other payables consist of VAT and duties, holiday pay obligation and wages and salaries payable.

# Notes to the Financial Statements

	2020 DKK	2019 DKK
<b>14 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Rental and lease obligations	<u>1.890.718</u>	<u>1.943.058</u>

## Other contingent liabilities

The Company is party to two pending lawsuit against former clients. The final outcome of the cases cannot be determined at present. Management assesses that it is not necessary to make a provision in this respect in the Financial Statements.

The Company is part of a joint taxation and is as such 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 WPP Holding Denmark A/S, which is the management company of the joint taxation. 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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 15 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Russell Square Holding BV	Shareholder

### Transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

### Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
WPP Jubilee Limited (smallest group)	18 Upper Ground, SE1 9GL, London, England
WPP Plc. (largest group)	Hilgrove Street, St Helier, JE1 1ES, Jersey, England

The Group Annual Report of WPP Jubilee Limited may be obtained at the office address.

The Group Annual Report of WPP plc. may be obtained at [www.wpp.com](http://www.wpp.com).

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of AKQA Denmark A/S for 2020 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.

### 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 WPP Plc. (largest group), the Company has not prepared a cash flow statement.

### 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.

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

## 16 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.

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

Revenue from the sale of licenses is recognised when the risks and rewards relating to the licenses sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 service.

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

### Cost of sales

Cost of sales comprises indirect production costs and other costs to achieve the revenue for the year.

### Other external expenses

Other external expenses comprise costs related to the primary activities of the Company, including expenses related to premises and office supplies, promotional costs, etc. The item also includes write-downs of receivables recognised in current assets.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

### Amortisation, depreciation and impairment losses

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

### 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 WPP companies in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences are amortised over the licence period; however not exceeding 2-5 years.

### 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, tools and equipment	3-5	years
Leasehold improvements	5	years



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

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 measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

### Fixed asset investments

Fixed asset investments, which consist of non-listed bonds and shares, are measured at cost.

### Other fixed asset investments

Other fixed asset investments consist of deposits.

### 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.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### **Contract work in progress**

Contract work in progress is measured at the sales value of the work carried out at the balance sheet date.

The sales value 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.

Where the selling price of work in progress cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities, depending on whether the net value, calculated as the selling price less on account billings, is positive or 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 etc.

### ***Dividend***

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

### ***Treasury shares***

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### 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 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.

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