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# ***Sitel Denmark ApS***

Sluseholmen 2 - 4, 3., DK-2450 Copenhagen SV

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

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CVR No 30 55 42 56

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
17/06 2019

Pedro Lozano de Castro  
Chairman of the General  
Meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Sitel Denmark ApS for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen, 17 June 2019

### **Executive Board**

Pedro Lozano de Castro  
CEO

Jonathan Roy Miller  
Executive Officer

# Independent Auditor's Report

To the Shareholder of Sitel Denmark ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sitel Denmark ApS for the financial year 1 January - 31 December 2018, 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.

Hellerup, 17 June 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Niels Henrik B. Mikkelsen  
State Authorised Public Accountant  
mne16675

Anders Røjleskov  
State Authorised Public Accountant  
mne28699

## **Company Information**

### **The Company**

Sitel Denmark ApS  
Sluseholmen 2 - 4, 3.  
DK-2450 Copenhagen SV

Telephone: + 45 3263 0900

CVR No: 30 55 42 56

Financial period: 1 January - 31 December

Financial year: 12nd financial year

Municipality of reg. office: Copenhagen

### **Executive Board**

Pedro Lozano de Castro  
Jonathan Roy Miller

### **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:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	63,876	315,948	372,623	311,662	90,011
Operating profit/loss	2,883	24,818	19,730	15,149	2,484
Profit/loss before financial income and expenses	2,883	24,818	19,730	15,149	2,484
Net financials	2,513	1,870	792	-231	-187
Net profit/loss for the year	3,628	20,627	15,952	11,394	1,717
<b>Balance sheet</b>					
Balance sheet total	217,686	239,327	199,112	94,530	89,905
Equity	54,853	51,225	30,599	14,646	3,252
Investment in property, plant and equipment	111	49	179	-285	-1,226
Number of employees	153	723	795	726	235
<b>Ratios</b>					
Gross margin	81.9%	93.7%	92.5%	93.1%	90.2%
Profit margin	4.5%	7.9%	5.3%	4.9%	2.8%
Return on assets	1.3%	10.4%	9.9%	16.0%	2.8%
Solvency ratio	25.2%	21.4%	15.4%	15.5%	3.6%
Return on equity	6.8%	50.4%	70.5%	127.3%	71.7%

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



# Management's Review

## **Key activities**

The Company's main activity involves trade and industry as well as call center services and outsourcing of specific company related functions and related business.

## **Development in the year**

The income statement of the Company for 2018 shows a profit of DKK 3,627,924, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 54,853,419.

Management considers the result to be satisfactory.

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

2018 the year after exiting TDC contract, was used to stabilize and optimize structure where we created strong base for growth in future periods. There was no high profile sale opportunities but there was lucrative short terms opportunities bringing positive effects in cash flow.

## **Special risks - operating risks and financial risks**

### ***Operating risks***

Risk is lower compared to previous years, but still there due limited resources and in some instances 1 role covering 2 roles. We do have back-up plan in place where we share the knowledge and experience to have in place for worst case scenarios

### ***Market risks***

The key risks attributable to this industry at present are the pressures on price and quality, through increased local and international competition.

### ***Foreign exchange risks***

Main foreign currency transactions are with related party in GBP and EUR. FX effects in 2018 were DKK 2.5Mill gain and we don't see any high material risk in future periods.

### ***Interest rate risks***

Sitel Denmark has due to its group relation limited exposure to interest level changes.

### ***Credit risks***

The company does not use financial instruments besides those mentioned in the annual accounts. The company neither uses derivative financial instruments.

# Management's Review

## *Liquidity risks*

Sitel Denmark can count on the support from the Group companies on a medium-term. When the operational cash flow is not sufficient, the parent -or sister companies will provide sufficient financial means in the form of advances or loans.

## **Strategy and objectives**

### **Strategy**

As for sales, points above mentioned in market risk section are connected to our strategy. We are also looking into existing clients globally, that we potentially could move to our Region in order to provide better quality. Since we know that the price is a big factor for our clients, we are also looking into opportunities offering lower prices than target in order to grow in DK.

Operational strategy remains the same, continue to build on the foundation we have at the moment, develop existing key people in the organization to take on more responsibilities and to share knowledge in order to minimize impact when/if attrition take place for our key people.

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

We are well in-line with our strategy and meeting the plan expected for Q2, Q3 and Q4 will face difficulties only related to the financials, which has direct link to new business and expected growth.

### **Research and development**

Sitel Denmark will continue to search for new opportunities on technological, operational or commercial level to improve the quality of its services to its customers and improve their satisfaction.

Sitel will drive continuous systems and process re-engineering and gradually move towards a social media strategy, with the resulting deflection from traditional contact channels.

### **External environment**

The Danish outsourcing market is still in its infancy. Sitel are the largest outsourcing operator in the market, and as we grow towards maximum capacity we will invest to facilitate future expansion in the market place.

### **Intellectual capital resources**

We are investing heavily in development of our internal IC resources. We operate a People First culture and have introduced support from our Global Work Force Management team. Equally a close co-operation with our Global Continuous Improvement team is now well installed.

# Management's Review

## Statement of corporate social responsibility

As a global corporate citizen, Sitel Group recognizes its obligation to act responsibly, ethically and with integrity in interactions with our associates, clients and suppliers as well as the communities and environments in which we live and work.

Full CSR policy can be find: [https://s3-us-west-2.amazonaws.com/ungc-production/attachments/cop\\_2019/475218/original/Sitel\\_Group\\_2018\\_CSR\\_Report\\_and\\_UNGC\\_COP\\_1.1.pdf?1559669056](https://s3-us-west-2.amazonaws.com/ungc-production/attachments/cop_2019/475218/original/Sitel_Group_2018_CSR_Report_and_UNGC_COP_1.1.pdf?1559669056)

## Statement on gender composition

The supreme management board, the board of directors, consists of two persons which is considered as equal gender representation according to the Danish Business Authority's guidance

As for other management levels, it is the company's policy to attract, develop and maintain qualified candidates irrespective of gender for all positions, including management positions. Sitel Denmark currently employs 53% men and 47% women, which is likewise considered as equal gender representation

## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
<b>Revenue</b>	1	<b>63,876,269</b>	<b>315,947,562</b>
Other external expenses		-11,539,504	-19,835,596
<b>Gross profit/loss</b>		<b>52,336,765</b>	<b>296,111,966</b>
Staff expenses	2	-49,246,971	-270,953,460
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-206,958	-340,367
<b>Resultat før finansielle poster</b>		<b>2,882,836</b>	<b>24,818,139</b>
Financial income		2,534,417	1,958,525
Financial expenses		-20,985	-88,553
<b>Resultat før skat</b>		<b>5,396,268</b>	<b>26,688,111</b>
Tax on profit/loss for the year	3	-1,768,344	-6,061,176
<b>Net profit/loss for the year</b>		<b>3,627,924</b>	<b>20,626,935</b>

# Balance Sheet 31 December

## Assets

	Note	2018 DKK	2017 DKK
Software		6,759	30,236
Goodwill		0	0
<b>Intangible assets</b>	4	<b>6,759</b>	<b>30,236</b>
Other fixtures and fittings, tools and equipment		84,812	157,108
Leasehold improvements		27	24
<b>Property, plant and equipment</b>	5	<b>84,839</b>	<b>157,132</b>
Other receivables		544,283	544,283
<b>Fixed asset investments</b>	6	<b>544,283</b>	<b>544,283</b>
<b>Fixed assets</b>		<b>635,881</b>	<b>731,651</b>
Trade receivables		10,307,352	15,290,104
Receivables from group enterprises		202,417,262	219,221,489
Other receivables		624,059	1,369,412
Deferred tax asset	7	142,368	138,900
Corporation tax		256,603	0
<b>Receivables</b>		<b>213,747,644</b>	<b>236,019,905</b>
<b>Cash at bank and in hand</b>		<b>3,302,412</b>	<b>2,575,718</b>
<b>Currents assets</b>		<b>217,050,056</b>	<b>238,595,623</b>
<b>Assets</b>		<b>217,685,937</b>	<b>239,327,274</b>

# Balance Sheet 31 December

## Liabilities and equity

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Share capital		125,000	125,000
Retained earnings		<u>54,728,419</u>	<u>51,100,495</u>
<b>Equity</b>		<b><u>54,853,419</u></b>	<b><u>51,225,495</u></b>
Trade payables		1,204,396	8,731,144
Payables to group enterprises		155,154,063	155,870,266
Corporation tax		0	4,951,991
Other payables		<u>6,474,059</u>	<u>18,548,378</u>
<b>Short-term debt</b>		<b><u>162,832,518</u></b>	<b><u>188,101,779</u></b>
<b>Debt</b>		<b><u>162,832,518</u></b>	<b><u>188,101,779</u></b>
<b>Liabilities and equity</b>		<b><u>217,685,937</u></b>	<b><u>239,327,274</u></b>
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		
Fee to auditors appointed at the general meeting	12		
Accounting Policies	14		
Subsequent events	13		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	125,000	51,100,495	51,225,495
Net profit/loss for the year	0	3,627,924	3,627,924
<b>Equity at 31 December</b>	<b>125,000</b>	<b>54,728,419</b>	<b>54,853,419</b>

# Notes to the Financial Statements

	2018 <u>DKK</u>	2017 <u>DKK</u>
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	48,507,489	45,740,386
Revenue, EU	<u>15,368,780</u>	<u>270,207,176</u>
	<b><u>63,876,269</u></b>	<b><u>315,947,562</u></b>
<b>2 Staff expenses</b>		
Wages and salaries	46,928,234	251,084,609
Pensions	2,058,416	15,112,992
Other staff expenses	<u>260,321</u>	<u>4,755,859</u>
	<b><u>49,246,971</u></b>	<b><u>270,953,460</u></b>
Executive Board	<u>0</u>	<u>0</u>
<b>Average number of employees</b>	<b><u>153</u></b>	<b><u>723</u></b>
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	1,181,397	6,061,176
Deferred tax for the year	-3,468	0
Adjustment of tax concerning previous years	<u>590,415</u>	<u>0</u>
	<b><u>1,768,344</u></b>	<b><u>6,061,176</u></b>



## Notes to the Financial Statements

### 4 Intangible assets

	Software DKK	Goodwill DKK
Cost at 1 January	472,529	1,013,403
Additions for the year	<u>0</u>	<u>0</u>
Cost at 31 December	<u>472,529</u>	<u>1,013,403</u>
Impairment losses and amortisation at 1 January	442,293	1,013,403
Amortisation for the year	<u>23,477</u>	<u>0</u>
Impairment losses and amortisation at 31 December	<u>465,770</u>	<u>1,013,403</u>
<b>Carrying amount at 31 December</b>	<b><u>6,759</u></b>	<b><u>0</u></b>

### 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	5,916,906	431,678
Additions for the year	<u>91,304</u>	<u>19,880</u>
Cost at 31 December	<u>6,008,210</u>	<u>451,558</u>
Impairment losses and depreciation at 1 January	5,759,798	431,654
Depreciation for the year	<u>163,600</u>	<u>19,877</u>
Impairment losses and depreciation at 31 December	<u>5,923,398</u>	<u>451,531</u>
<b>Carrying amount at 31 December</b>	<b><u>84,812</u></b>	<b><u>27</u></b>

# Notes to the Financial Statements

## 6 Fixed asset investments

	Other receiv- ables
	<u>DKK</u>
Cost at 1 January	544,283
Additions for the year	<u>0</u>
Cost at 31 December	<u>544,283</u>
<b>Carrying amount at 31 December</b>	<b><u>544,283</u></b>

## 7 Deferred tax asset

	2018	2017
	<u>DKK</u>	<u>DKK</u>
Deferred tax asset at 1 January	138,900	138,900
Amounts recognised in the income statement for the year	<u>3,468</u>	<u>0</u>
<b>Deferred tax asset at 31 December</b>	<b><u>142,368</u></b>	<b><u>138,900</u></b>

## 8 Prepayments

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

## 9 Distribution of profit

Retained earnings	<u>3,627,924</u>	<u>20,626,935</u>
	<b><u>3,627,924</u></b>	<b><u>20,626,935</u></b>

## 10 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	733,317	1,092,004
Between 1 and 5 years	<u>0</u>	<u>733,317</u>
	<b><u>733,317</u></b>	<b><u>1,825,321</u></b>

# Notes to the Financial Statements

## 11 Related parties

### Basis

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#### Controlling interest

ClientLogic BV, 59 Watford Road St. Albans  
Hertfordshire AL1 2AE  
Great Britain

Controlling Shareholder

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Sitel Worldwide Corporation Inc	Luxembourg

The Group Annual Report of Sitel Worldwide Corporation Inc may be obtained at the following address:

Groupe Acticall  
33 boulevard du Prince Henri  
L-1724 Luxembourg  
RCS Luxembourg B171740

## 12 Fee to auditors appointed at the general meeting

#### PricewaterhouseCoopers

	2018 DKK	2017 DKK
Audit fee	135,986	136,117
Other assurance engagements	26,685	26,700
	<b>162,671</b>	<b>162,817</b>

## 13 Subsequent events

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

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of Sitel Denmark ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year, change in Company size according to the Danish Financial Statements Act has resulted in additional disclosure requirements.

The Financial Statements for 2018 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 Sitel Worldwide Corporation Inc, 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### 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.

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.

### Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## Income Statement

### Revenue

Revenue from the sale of services is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

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

### Other external expenses

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

### 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 as well as gains and losses on the sale of intangible assets and property, plant and equipment.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### 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.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 2-4 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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Impairment of fixed assets

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

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

### Fixed asset investments

Fixed asset investments consist of deposit.

### 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.

### Prepayments

Prepayments comprise prepaid expenses concerning expenses paid in advantages for the following year.

### 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.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

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