
Mediacom Danmark A/S

Antonigade 2, 2., DK-1106 Copenhagen C

Annual Report for 1 January - 31 December 2017

CVR No 78 42 20 17

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/5 2018

Lars Petersen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mediacom Danmark A/S for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 8 May 2018

Executive Board

Morten Kjærsgaard Kristensen
CEO

Board of Directors

Jonas von Barnekow Benzon
Hemmingsen
Chairman

Morten Kjærsgaard Kristensen

Jens Storkfelt

Independent Auditor's Report

To the Shareholder of Mediacom Danmark A/S

Opinion

We have audited the Financial Statements of Mediacom Danmark A/S for the financial year 1 January - 31 December 2017, 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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.

Independent Auditor's Report

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 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.

Independent Auditor's Report

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.

Copenhagen, 8 May 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke

State Authorised Public Accountant

mne10944

Company Information

The Company

Mediacom Danmark A/S
Antonigade 2, 2.
DK-1106 Copenhagen C

CVR No: 78 42 20 17

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Board of Directors

Jonas von Barnekow Benzon Hemmingsen, Chairman
Morten Kjærsgaard Kristensen
Jens Storkfelt

Executive Board

Morten Kjærsgaard Kristensen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 Copenhagen C

Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	555.000	615.598	596.548	708.106	780.949
Gross profit/loss	46.722	48.405	47.712	56.713	52.104
Operating profit/loss	1.972	3.545	1.013	6.852	4.861
Net financials	-181	167	395	753	1.166
Net profit/loss for the year	1.344	2.782	939	5.788	4.565
Balance sheet					
Balance sheet total	173.131	168.608	143.756	185.536	187.626
Equity	60.303	58.959	56.177	55.235	49.447
Investment in property, plant and equipment	90	216	31	19	30
Number of employees	86	81	85	91	91
Ratios					
Gross margin	8,4%	7,9%	8,0%	8,0%	6,7%
Net margin	0,2%	0,5%	0,2%	0,8%	0,6%
Solvency ratio	34,8%	35,0%	39,1%	29,8%	26,4%
Return on equity	2,3%	4,8%	1,7%	11,1%	8,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts 2015. For definitions, see under accounting policies.

Management's Review

Primary activities

The Entity's primary activity has been to service Danish and Nordic advertisers, mainly in co-operation with the other Mediacom companies based in the Nordic countries.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 1,344, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 60,303.

The Company shows a modest growth in revenue while an decrease in staff expenses has resulted in a significantly improved Profit/loss before financial income and expenses. The financial performance is satisfactory.

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

In the 2016 annual report, Management stated that it still expected challenges in the market, however, it expected a positive financial performance for 2017. These expectations have materialised.

Particular risks

Business risks

The Entity's main business risks relate to the business sector's investments in media and marketing activities. Consequently, the development of the Entity is dependent on the general financial climate for enterprises in Denmark.

Outlook

The Entity expects a profit for 2018 in the range of TDKK 2-3.000

Intellectual capital resources

A substantial part of the Entity's business hinges on the existence of certain staff resources and tools, which have been further developed throughout the year, both in terms of value-based management and with respect to processes and structures for knowledge-based work.

Statement of corporate social responsibility

A statement regarding the Entity's policies, actions and results within matters relating to CSR is evident from the annual report of the ultimate Parent, WPP Plc. for which reason we refer to the annual report of this entity.

<http://www.wpp.com/wpp/investor/financials/reports/>

Management's Review

Statement on gender composition

At 31 December 2017, the gender balance of the Entity showed a percentage of women of 49% and a percentage of men of 51%. The Entity's total management group consisted of 27% women. There is one woman (25%) on the Executive Board or the Board of Directors.

While the percentages did not improve in 2017, it is still the overall and long-term objective of the Entity to achieve a more equal balance between the genders at management level, including to focus on attracting more women to the Entity in future and developing these women to join the management group (with a target of 40% women).

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 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Revenue		555.000	615.598
Cost of sales		-473.454	-536.983
Other external expenses		-34.824	-30.210
Gross profit/loss		46.722	48.405
Staff expenses	2	-44.653	-44.757
Depreciation, amortisation and impairment of property, plant and equipment	3	-97	-103
Profit before financial income and expenses		1.972	3.545
Income from investments in subsidiaries		0	-8
Financial income	4	418	305
Financial expenses	5	-599	-130
Profit before tax		1.791	3.712
Tax on profit for the year	6	-447	-930
Net profit for the year		1.344	2.782

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Other fixtures and fittings, tools and equipment		128	185
Leasehold improvements		92	42
Property, plant and equipment	7	220	227
Investments in subsidiaries	8	0	3.766
Other receivables	9	135	49
Fixed asset investments		135	3.815
Fixed assets		355	4.042
Trade receivables		140.483	144.452
Contract work in progress	10	217	293
Receivables from group enterprises		28.489	18.712
Other receivables		2.164	75
Corporation tax		304	0
Prepayments	11	1.062	1.019
Receivables		172.719	164.551
Cash at bank and in hand		57	15
Currents assets		172.776	164.566
Assets		173.131	168.608

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		20.000	20.000
Reserve for net revaluation under the equity method		0	3.197
Retained earnings		40.303	35.762
Equity	12	60.303	58.959
Provision for deferred tax	13	195	90
Provisions		195	90
Prepayments received from customers		6.915	15.625
Trade payables		60.223	69.808
Contract work in progress, liabilities	10	3.334	6.247
Payables to group enterprises		35.194	7.574
Corporation tax		0	373
Other payables	14	6.967	9.932
Short-term debt		112.633	109.559
Debt		112.633	109.559
Liabilities and equity		173.131	168.608
Subsequent events	1		
Distribution of profit	17		
Contingent assets, liabilities and other financial obligations	15		
Related parties	18		
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Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 January	20.000	38.959	58.959
Net profit/loss for the year	0	1.344	1.344
Equity at 31 December	20.000	40.303	60.303

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>2017</u> TDKK	<u>2016</u> TDKK
2 Staff expenses		
Wages and salaries	41.657	41.468
Pensions	2.335	2.558
Other social security expenses	516	608
Other staff expenses	145	123
	<u>44.653</u>	<u>44.757</u>
Average number of employees	<u>86</u>	<u>81</u>

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

The Executive Board and senior officers at Mediacom Danmark A/S are participating in the WPP Group's share option programme. The programme has been entered with WPP plc. and Mediacom Danmark A/S is not impacted financially.

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

Depreciation of property, plant and equipment	<u>97</u>	<u>103</u>
	<u>97</u>	<u>103</u>

4 Financial income

Interest received from group enterprises	194	121
Other financial income	224	179
Exchange adjustments	<u>0</u>	<u>5</u>
	<u>418</u>	<u>305</u>

Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
5 Financial expenses		
Interest paid to group enterprises	71	12
Other financial expenses	345	88
Exchange adjustments, expenses	183	30
	<u>599</u>	<u>130</u>
6 Tax on profit for the year		
Current tax for the year	316	596
Deferred tax for the year	105	316
Adjustment of tax concerning previous years	0	18
Adjustment of deferred tax concerning previous years	26	0
	<u>447</u>	<u>930</u>
7 Property, plant and equipment		
	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>
Cost at 1 January	8.368	1.584
Additions for the year	16	74
Disposals for the year	-7.956	-1.447
Cost at 31 December	<u>428</u>	<u>211</u>
Impairment losses and depreciation at 1 January	8.183	1.542
Depreciation for the year	73	24
Reversal of impairment and depreciation of sold assets	-7.956	-1.447
Impairment losses and depreciation at 31 December	<u>300</u>	<u>119</u>
Carrying amount at 31 December	<u>128</u>	<u>92</u>

Notes to the Financial Statements

	2017 <u>TDKK</u>	2016 <u>TDKK</u>
8 Investments in subsidiaries		
Cost at 1 January	569	569
Disposals for the year	<u>-569</u>	<u>0</u>
Cost at 31 December	<u>0</u>	<u>569</u>
Value adjustments at 1 January	-3.197	3.205
Net profit/loss for the year	0	-8
Reversals for the year of revaluations in previous years	<u>3.197</u>	<u>0</u>
Value adjustments at 31 December	<u>0</u>	<u>3.197</u>
Carrying amount at 31 December	<u>0</u>	<u>3.766</u>
9 Other fixed asset investments		Other receiv- ables <u>TDKK</u>
Cost at 1 January		49
Additions for the year		<u>86</u>
Cost at 31 December		<u>135</u>
Carrying amount at 31 December		<u>135</u>
10 Contract work in progress		
Selling price of work in progress	3.620	3.986
Payments received on account	<u>-6.737</u>	<u>-9.940</u>
	<u>-3.117</u>	<u>-5.954</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	217	293
Prepayments received recognised in debt	<u>-3.334</u>	<u>-6.247</u>
	<u>-3.117</u>	<u>-5.954</u>

Notes to the Financial Statements

11 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc. and total TDKK 1,062 in 2017 (TDKK 1,019 in 2016)

12 Equity

The share capital consists of 20,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

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

13 Provision for deferred tax

	2017 TDKK	2016 TDKK
Provision for deferred tax at 1 January	90	-226
Amounts recognised in the income statement for the year	105	316
Provision for deferred tax at 31 December	195	90
Property, plant and equipment	-114	-131
Leasehold Improvements	0	3
Inventories	-55	0
Contract work in progress	279	218
Tax loss carry-forward	85	0
	195	90

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

14 Other payables

Value added tax etc	0	4.064
Wages and salaries, personal income taxes, social security costs, etc.	672	771
Holiday pay obligation	5.222	4.385
Other debt	1.073	712
	6.967	9.932

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
15 Contingent assets, liabilities and other financial obligations		
Contingent liabilities		
Commitments under rental agreements or leases until expiry	3.169	1.777
<p>Mediacom Danmark A/S has provided a guarantee of TDKK 12,000 in favour of the Company's banker. The guarantee is provided towards the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the Company's obligations in relation to owners of papers and magazines, and a specified group of Danish media owners, respectively.</p> <p>A bank guarantee of TDKK 1,552 has been provided regarding rental obligations.</p> <p>The Company participates in a Danish joint taxation arrangement in which WPP Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.</p>		
16 Fee to auditors appointed at the general meeting		
Deloitte		
Audit fee	507	472
Other assurance engagements	20	20
	527	492
17 Distribution of profit		
Reserve for net revaluation under the equity method	0	-8
Retained earnings	1.344	2.790
	1.344	2.782

Notes to the Financial Statements

18 Related parties

	<u>Basis</u>
Controlling interest	
Grey Nordic ApS	Shareholder

Transactions

The Company only disclose transactions with related parties which are not effected at arm's length. All transactions are at arm's length.

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 Plc.	27 Farm Street, W1J 5RJ, London, England

The Group Annual Report of WPP Plc. may be obtained at www.wpp.com.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Mediacom Danmark A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Company does not operate within geographic areas which deviate significantly from Denmark. In accordance with section 96 of the Danish Financial Statements Act, the Company has chosen not to disclose segment information, as the Company does not operate within activities or business areas that deviate in profit or risk profile.

As of January 1, 2017 the Company has merged with Promedia A/S. The merger has been based on the booked-value-method

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

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 , 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

19 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. 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.

Income Statement

Revenue

Revenue from the sale of media is recognised in the income statement when delivery is made to the buyer.

Consultancy services are included in revenue based on the stage of completion so that revenue corresponds to the sales value of the work performed in the financial year (the percentage-of-completion method).

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 comprise consumed use of media to achieve the revenue for the year. Use of media include received discounts, etc.

Other external expenses

Other external expenses comprise expenses for premises, stationery and office supplies, marketing costs and services provided by group related companies etc. This item also includes write-downs of receivables recognised in current assets.

Staff expenses

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Notes to the Financial Statements

19 Accounting Policies (continued)

Depreciation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of 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

Other financial income comprises interest income, including interest income on receivables from group enterprises, net foreign exchange, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net foreign change, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	3-5 years

Notes to the Financial Statements

19 Accounting Policies (continued)

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 group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Cash pool

The Company is part of a cash pool scheme with other Danish WPP companies. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from and payables to group enterprises, respectively.

Other fixed asset investments

Other fixed asset investments consist of other receivables.

Receivables

Receivables are measured in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes to the Financial Statements

19 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.

For some projects where the consumption of resources cannot be applied as a basis, stage of completion is determined as the ratio between completed and total sub activities of the individual projects.

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.

Cost of securing contracts are recognised in the income statement as incurred.

Prepayments

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the 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

19 Accounting Policies (continued)

Financial debts

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods or service agreed.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Net margin	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$