

NIKOSAX A/S

Lejrvejen 8, Frøslev, 6330 Padborg

Annual report

2020

Company reg. no. 87 21 97 12

The annual report was submitted and approved by the general meeting on the 9 July 2021.

Marius Svidinskas
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the executive board have presented the annual report of NIKOSAX A/S for the financial year 2020.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January - 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Padborg, 9 July 2021

Executive board

Andreas Hense

Tommy Aksel Braasch

Board of directors

Marius Svidinskas
chairman

Dainius Brandisauskas

Loreta Grekauskiene

Independent auditor's report

To the shareholder of NIKOSAX A/S

Opinion

We have audited the financial statements of NIKOSAX A/S for the financial year 1 January - 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Sønderborg, 9 July 2021

EY

State Authorised Public Accountants
Company reg. no. 30 70 02 28

Allan Schøne
State Authorised Public Accountant
mne18512

Karen Jørgensen
State Authorised Public Accountant
mne40029

Company information

The company	NIKOSAX A/S Lejrvejen 8 Frøslev 6330 Padborg
	Company reg. no. 87 21 97 12 Financial year: 1 January - 31 December
Board of directors	Marius Svidinskas, chairman Dainius Brandisauskas Loreta Grekauskiene
Executive board	Andreas Hense Tommy Aksel Braasch
Auditors	EY Godkendt Revisionspartnerselskab Nørre Havnegade 43 6400 Sønderborg
Parent company	UAB EBV FINANCE
Subsidiaries	Nikosax Kft., Budapest Nikosax Polska Sp. z.o.o., Warszawa Nikosax Tax Service Espana, Sociedad

Management commentary

The principal activities of the company

The Company's principal activities are mainly the administration of statements regarding VAT and financing of VAT as well as other financial services that do not fall under the Danish Bank Act.

Development in activities and financial matters

The gross profit for the year totals DKK 8.518.676 against DKK 26.189.300 last year. Income or loss from ordinary activities after tax totals DKK -10.083.811 against DKK 5.842.856 last year. Management considers the net loss for the year unsatisfactory.

2020 was an atypical year for Nikosax, due to both the current worldwide pandemic, as well as the restructuring action plan that has been operated to turnaround the economical perspectives of Nikosax. Furthermore the numbers for 2020 is significantly impacted by a loss caused by a fraud case from a Bulgarian customer. Restructuring costs and loss caused by fraud case have been accounted for and presented in Staff costs and Gross profit financial statements line items.

The equity as per 31 December 2020 amounts DKK -7.779.937 and the company has thus lost its share capital.

The company's management is aware of the Companies Act's requirement for a duty to act as a result of the negative equity. The company's management expects that the company's share capital can be restored within a shorter number of years through future earnings and therefore is the company considered as a going concern.

Expected developments

2020 was an atypical year for Nikosax, due to both the current worldwide pandemic, as well as the restructuring action plan that has been operated to turnaround the economical perspectives of Nikosax. These rationalization actions of Nikosax cost structure and the integration of Nikosax within EBV Group is expected to lead to a recovery and return to profitability as of 2021 and pursue in the coming years.

Events occurring after the end of the financial year

In January 2021, the Spanish fiscal administration notified Nikosax that several VAT refund requests were not eligible to refund with a Bulgarian customer. Following this notification, the company identified a fraud scheme that it is investigating to recover by any means the financial impact of the fraud that has been accrued in Nikosax 2020 financial statement.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross profit	8.518.676	26.189.300
1 Staff costs	-16.066.997	-14.949.619
Depreciation, amortisation, and impairment	-2.263.060	-2.076.524
Other operating costs	-1.269.410	0
Operating profit	-11.080.791	9.163.157
Income from equity investments in group enterprises	12.576	232.090
Other financial income	938.542	61.500
2 Other financial costs	-3.605.419	-2.033.699
Pre-tax net profit or loss	-13.735.092	7.423.048
3 Tax on net profit or loss for the year	3.651.281	-1.580.192
Net profit or loss for the year	-10.083.811	5.842.856
Proposed appropriation of net profit:		
Reserves for net revaluation according to the equity method	12.576	232.090
Dividend for the financial year	0	9.850.000
Transferred to other statutory reserves	183.491	290.321
Allocated from retained earnings	-10.279.878	-4.529.555
Total allocations and transfers	-10.083.811	5.842.856

Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Assets		
Non-current assets		
4 Acquired intangible assets	2.629.480	3.148.673
5 Development projects in progress and prepayments for intangible assets	0	666.240
Total intangible assets	<u>2.629.480</u>	<u>3.814.913</u>
6 Other fixtures and fittings, tools and equipment	117.806	229.536
7 Leasehold improvements	0	11.658
Total property, plant, and equipment	<u>117.806</u>	<u>241.194</u>
8 Equity investments in group enterprises	645.256	686.099
Total investments	<u>645.256</u>	<u>686.099</u>
Total non-current assets	<u>3.392.542</u>	<u>4.742.206</u>
Current assets		
Trade receivables	1.210.232	1.018.677
Work in progress for the account of others	4.579.958	5.500.343
Amounts owed by group enterprises	5.968.929	4.988.167
Deferred tax assets	473.000	0
Receivable corporate tax	422.000	255.808
Other receivables	734.256	224.120
Pre-financed VAT	194.379.645	170.261.184
Prepayments and accrued income	374.047	339.959
Total receivables	<u>208.142.067</u>	<u>182.588.258</u>
Cash on hand and demand deposits	<u>32.986.237</u>	<u>35.962.445</u>
Total current assets	<u>241.128.304</u>	<u>218.550.703</u>
Total assets	<u>244.520.846</u>	<u>223.292.909</u>

Statement of financial position at 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Equity and liabilities		
Equity		
Contributed capital	500.000	500.000
Reserve for net revaluation according to the equity method	337.315	378.158
Reserve for development expenditure	1.097.760	914.269
Retained earnings	-9.715.012	564.866
Proposed dividend for the financial year	0	9.850.000
Total equity	<u>-7.779.937</u>	<u>12.207.293</u>
Provisions		
Provisions for deferred tax	0	1.930.000
Other provisions	1.879.113	0
Total provisions	<u>1.879.113</u>	<u>1.930.000</u>
Liabilities other than provisions		
9 Other payables	1.055.456	483.976
Total long term liabilities other than provisions	1.055.456	483.976
Trade payables	86.873.841	9.769.695
Payables to group enterprises	142.634.614	187.260.455
Other payables	19.857.759	11.641.490
Total short term liabilities other than provisions	249.366.214	208.671.640
Total liabilities other than provisions	<u>250.421.670</u>	<u>209.155.616</u>
Total equity and liabilities	<u>244.520.846</u>	<u>223.292.909</u>

10 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 January 2019	500.000	151.558	623.948	5.094.421	4.200.000	10.569.927
Distributed dividend	0	0	0	0	-4.200.000	-4.200.000
Share of results	0	232.090	0	-4.529.555	9.850.000	5.552.535
Transferred from results brought forward	0	0	290.321	0	0	290.321
Exchange rate adjustments	0	-5.490	0	0	0	-5.490
Equity 1 January 2020	500.000	378.158	914.269	564.866	9.850.000	12.207.293
Distributed dividend	0	0	0	0	-9.850.000	-9.850.000
Share of results	0	12.576	0	-10.279.878	0	-10.267.302
Transferred from results brought forward	0	0	183.491	0	0	183.491
Exchange rate adjustments	0	-53.419	0	0	0	-53.419
	500.000	337.315	1.097.760	-9.715.012	0	-7.779.937

Notes

All amounts in DKK.

	<u>2020</u>	<u>2019</u>
1. Staff costs		
Salaries and wages	13.637.974	12.336.176
Pension costs	1.524.096	1.976.904
Other costs for social security	166.912	373.153
Other staff costs	738.015	263.386
	<u>16.066.997</u>	<u>14.949.619</u>
Average number of employees	<u>30</u>	<u>42</u>
2. Other financial costs		
Financial costs, group enterprises	557.526	1.232.489
Other financial costs	3.047.893	801.210
	<u>3.605.419</u>	<u>2.033.699</u>
3. Tax on net profit or loss for the year		
Tax of the results for the year, parent company	0	1.787.192
Adjustment for the year of deferred tax	-2.403.000	-207.000
Adjustment of tax for previous years	-1.248.281	0
	<u>-3.651.281</u>	<u>1.580.192</u>
4. Acquired intangible assets		
Cost 1 January 2020	22.844.684	22.406.564
Additions during the year	67.391	438.120
Transfers	1.553.088	0
	<u>24.465.163</u>	<u>22.844.684</u>
Cost 31 December 2020		
Amortisation and writedown 1 January 2020	-19.696.011	-17.753.996
Amortisation for the year	-1.782.101	-1.942.015
Transfers	-357.571	0
	<u>-21.835.683</u>	<u>-19.696.011</u>
Amortisation and writedown 31 December 2020		
Carrying amount, 31 December 2020	<u>2.629.480</u>	<u>3.148.673</u>

Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
5. Development projects in progress and prepayments for intangible assets		
Cost 1 January 2020	666.240	0
Additions during the year	886.848	666.240
Transfers	<u>-1.553.088</u>	<u>0</u>
Cost 31 December 2020	<u>0</u>	<u>666.240</u>
Amortisation for the year	-357.571	0
Transfers	<u>357.571</u>	<u>0</u>
Carrying amount, 31 December 2020	<u>0</u>	<u>666.240</u>
6. Other fixtures and fittings, tools and equipment		
Cost 1 January 2020	2.097.867	2.033.400
Additions during the year	<u>0</u>	<u>64.467</u>
Cost 31 December 2020	<u>2.097.867</u>	<u>2.097.867</u>
Amortisation and writedown 1 January 2020	-1.868.331	-1.753.805
Depreciation for the year	<u>-111.730</u>	<u>-114.526</u>
Amortisation and writedown 31 December 2020	<u>-1.980.061</u>	<u>-1.868.331</u>
Carrying amount, 31 December 2020	<u>117.806</u>	<u>229.536</u>
7. Leasehold improvements		
Cost 1 January 2020	<u>74.725</u>	<u>74.725</u>
Cost 31 December 2020	<u>74.725</u>	<u>74.725</u>
Depreciation and writedown 1 January 2020	-63.067	-43.082
Depreciation for the year	<u>-11.658</u>	<u>-19.985</u>
Depreciation and writedown 31 December 2020	<u>-74.725</u>	<u>-63.067</u>
Carrying amount, 31 December 2020	<u>0</u>	<u>11.658</u>

Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
8. Equity investments in group enterprises		
Acquisition sum, opening balance 1 January 2020	307.941	307.941
Cost 31 December 2020	307.941	307.941
Revaluations, opening balance 1 January 2020	378.158	151.558
Translation by use of the exchange rate valid on b	-53.419	-5.490
Results for the year before goodwill amortisation	12.576	232.090
Revaluation 31 December 2020	337.315	378.158
Carrying amount, 31 December 2020	645.256	686.099

Group enterprises:

	Domicile	Equity interest
Nikosax Kft.	Budapest	100 %
Nikosax Polska Sp. z.o.o.	Warszawa	100 %
Nikosax Tax Service Espana	Sociedad	100 %

9. Other payables

Other long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

10. Related parties

Consolidated financial statements

The financial statements of NIKOSAX A/S and its group enterprises are included in the consolidated financial statements for Edenred SA, 14-16 boulevard Garibaldi, 92130 Issy-les-Moulineaux, France.

Accounting policies

The annual report for NIKOSAX A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 110 (1) of the Danish Financial Statements Act.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross profit

Gross profit comprises the revenue, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Accounting policies

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Accounting policies

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant, and equipment

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Accounting policies

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Leasehold improvements

Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 5 years.

Investments

Equity in group enterprises

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity in group enterprises recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Accounting policies

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in group enterprises, associates and equity interests but are not represented in the parent, the following accounting policies have been applied.

Equity in group enterprises with a negative equity value measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Accounting policies

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

VAT lending, etc.

VAT lending is measured at amortised cost. Write-down is made for bad debt losses to net realizable value.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress can not be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Accounting policies

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Accounting policies

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.