

2017/18.

# Annual Report.



**Falcon.io ApS:** Central Business Registration: No. 33 36 22 26  
H.C. Andersen Blvd. 27 - 1553 Copenhagen V - Denmark

The Annual General Meeting adopted the annual report on  
June 25, 2018

DocuSigned by:

Ulrik Bo Larsen

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**Ulrik Bo Larsen,** Chairman of the General Meeting

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## Entity details

### Entity

Falcon.io ApS

H.C. Andersen Blvd. 27

1553 Copenhagen V, Denmark

Central Business Registration No: 33362226

Registered in: Copenhagen

Financial year: 01.02.2017 - 31.01.2018

### Board of Directors

Thomas Weilby Knudsen, Chairman

Roeland de Hoop

Andy Hanwei Chen

David Carratt

Ulrik Bo Larsen

Christoph Wedegärtner

### Executive Board

Ulrik Bo Larsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab Member of Deloitte Touche Tohmatsu Limited

Weidekampsgade 6

Postboks 1600

0900 Copenhagen, Denmark

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Falcon.io ApS for the financial year 01.02.2017 - 31.01.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.01.2018 and of the results of its operations and cash flows for the financial year 01.02.2017 - 31.01.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.


We recommend the annual report for adoption at the Annual General Meeting.

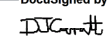
Copenhagen, 25.06.2018

### Executive Board

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Ulrik Bo Larsen

### Board of Directors

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Thomas Weilby Knudsen  
Chairman

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David Carratt

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Roeland de Hoop

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Ulrik Bo Larsen

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Andy Hanwei Chen

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Christoph Wedegärtner

# Independent auditor's report

## To the shareholders of Falcon.io ApS

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Falcon.io ApS for the financial year 01.02.2017 - 31.01.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.01.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.02.2017 - 31.01.2018 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

## Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

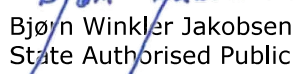
Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

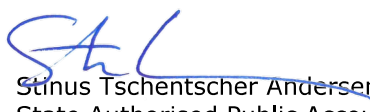
Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 25.06.2018

### **Deloitte Statsautoriseret Revisionspartnerselskab**

Member of Deloitte Touche Tohmatsu Limited  
Central Business Registration No: 33963556

  
Bjørn Winkler Jakobsen  
State Authorised Public Accountant  
Identification number (MNE) mne32127

  
Stinus Tschentscher Andersen  
State Authorised Public Accountant  
Identification number (MNE) mne34148

## Management commentary

	2017/18 EUR'000	2016/17 EUR'000	2015/16 EUR'000
<b>Financial highlights</b>			
<b>Key figures</b>			
Revenue	16.654	11.897	7.805
Gross profit/loss	13.464	9.259	5.717
EBITDA	(5.817)	(10.841)	(12.053)
Operating profit/loss	(6.000)	(10.940)	(12.087)
Net financials	(482)	(681)	(656)
Profit/loss for the year	(5.663)	(10.881)	(11.955)
Total assets	11.368	9.546	11.310
Investments in property, plant and equipment	40	294	297
Equity	(5.049)	(3.446)	5.477
Cash flows from (used in) operating activities	(664)	(10.369)	(12.590)
Cash flows from (used in) investing activities	(123)	(236)	(816)
Cash flows from (used in) financing activities	5.414	5.524	18.693
Working capital changes	3.491	998	195

### Ratios

Gross margin (%)	80,8	77,8	73,2
Net margin (%)	(34,0)	(91,5)	(153,2)
Return on equity (%)	133,3	(1.071,5)	(218,3)
Equity ratio (%)	(44,4)	(36,1)	48,4

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

Falcon.io offers an integrated SaaS platform for social media listening, engaging, publishing, measuring and managing customer data. Falcon.io enables its clients to explore the full potential of digital marketing by managing multiple customer touchpoints from one platform.

The Group has in excess of 1.400 clients throughout the world and employs approximately 235 people in its five offices in Copenhagen, New York, Sofia, Berlin and Budapest.

### Development in activities and finances

While the Group posted a Net loss for FY 2017/2018 of EUR (5.663k), the Group grew its revenues by 40% while reducing its total operating expenses by 4%. In February 2018 the Group finalized the acquisition of Komfo ApS. As a result of the acquisition and technological economies of scale, the Group expects to further decrease its net loss as the growth of revenues continues to outpace the growth of expenses. The Group anticipates its employee headcount to increase to approximately 250 by the end of FY 2018/2019 as a result of the acquisition and organic growth.

As of 31 January 2018 the Group's Annual Recurring Revenue (ARR) was equal to EUR 20.724k. The Group expects its ARR to grow to over EUR 30.000k by the end of FY 2018/2019 through organic growth as well as the EUR 3.013k of ARR acquired via the Komfo ApS acquisition.

As of 31 January 2018 the balance sheet of the Group shows equity of EUR (5.049k) and cash of EUR 6.134k. During the first quarter of FY 2018/2019, the Group completed a debt financing round which further augmented its cash position by EUR 4.000k. The successful completion of this round of debt financing further strengthens the Group's cash position and ensures sufficient capital to fund its acquisition activity and operations through FY 2019/2020 as the Group draws closer to cash flow positivity.

### Outlook

In FY 2018/2019 and beyond, it is expected that the total addressable market for the Group's services will continue to grow in key markets and segments. The Group is in a unique position as it offers a full social media management suite that addresses the needs of mid-market to smaller enterprise customers. Many of its competitors offer a considerably narrower offering to a narrower customer base, and thus are more susceptible to changes in technologies and the popularity of social media networks. In addition, the Group continues to grow its revenue base in both Europe and North America while not being heavily concentrated in any one customer, vertical or geographic region. Strong growth is expected to continue throughout FY 2019/2020 as the Group and its platform continue to mature. Additionally, the Group will continue to take an active role in the consolidation of the marketplace through further strategic acquisitions and partnerships.

### Particular risks

#### *Currency Risks*

Due to sales activity in foreign markets, cash flow and equity are influenced by fluctuations in exchange rates for a number of currencies. While the Group does not hedge its exchange rate risk, management has deemed the risk to be immaterial to its financial statements.

## Management commentary

### *Technology-Related Risks*

As the Group provides its services within a SaaS-based platform, several risks must be mitigated including platform security, platform availability, data protection and privacy concerns, amongst others. The Group realizes the importance of mitigating these risks and does so through a combination of a) utilizing the hosting infrastructure of Amazon Web Services, Inc. b) implementing strict physical, logical and data access controls, c) publishing and adhering to our company privacy policy and d) adhering to the requirements of the EU's General Data Protection Regulation (GDPR) which introduces new obligations for companies processing the personal data of EU citizens.

### **Events after the balance sheet date**

Other than the debt financing activity and the acquisition of Komfo ApS as described above in Development in activities and finances, no further events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

## Consolidated income statement for 2017/18

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Revenue		16.654	11.897
Production costs	1	<u>(3.190)</u>	<u>(2.638)</u>
<b>Gross profit/loss</b>		<b>13.464</b>	<b>9.259</b>
Research and development costs	1	(4.770)	(5.000)
Distribution costs	1	(9.211)	(9.269)
Administrative costs	1	<u>(5.483)</u>	<u>(5.930)</u>
<b>Operating profit/loss</b>		<b>(6.000)</b>	<b>(10.940)</b>
Other financial income		106	0
Other financial expenses		<u>(588)</u>	<u>(681)</u>
<b>Profit/loss before tax</b>		<b>(6.482)</b>	<b>(11.621)</b>
Tax on profit/loss for the year		<u>819</u>	<u>740</u>
<b>Profit/loss for the year</b>	2	<b><u>(5.663)</u></b>	<b><u>(10.881)</u></b>

## Consolidated balance sheet at 31.01.2018

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Acquired rights		249	76
<b>Intangible assets</b>	3	<b>249</b>	<b>76</b>
Other fixtures and fittings, tools and equipment		22	42
Leasehold improvements		98	176
<b>Property, plant and equipment</b>	4	<b>120</b>	<b>218</b>
Deposits		349	426
<b>Fixed asset investments</b>	5	<b>349</b>	<b>426</b>
<b>Fixed assets</b>		<b>718</b>	<b>720</b>
Trade receivables		3.311	2.732
Other receivables		81	1.627
Income tax receivable		739	2.067
Prepayments		385	405
<b>Receivables</b>		<b>4.516</b>	<b>6.831</b>
<b>Cash</b>		<b>6.134</b>	<b>1.995</b>
<b>Current assets</b>		<b>10.650</b>	<b>8.826</b>
<b>Assets</b>		<b>11.368</b>	<b>9.546</b>

## Consolidated balance sheet at 31.01.2018

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Contributed capital		31	29
Retained earnings		(5.080)	(3.475)
<b>Equity</b>		<b>(5.049)</b>	<b>(3.446)</b>
Debt to other credit institutions		4.697	2.153
<b>Non-current liabilities other than provisions</b>		<b>4.697</b>	<b>2.153</b>
Current portion of long-term liabilities other than provisions		617	1.749
Bank loans		68	556
Trade payables		757	685
Other payables		2.214	2.056
Deferred income		8.064	5.793
<b>Current liabilities other than provisions</b>		<b>11.720</b>	<b>10.839</b>
<b>Liabilities other than provisions</b>		<b>16.417</b>	<b>12.992</b>
<b>Equity and liabilities</b>		<b>11.368</b>	<b>9.546</b>

Subsidiaries

7

## Consolidated statement of changes in equity for 2017/18

	Contributed capital EUR'000	Retained earnings EUR'000	Total EUR'000
Equity beginning of year	29	(3.475)	(3.446)
Increase of capital	2	4.000	4.002
Exchange rate adjustments	0	58	58
Profit/loss for the year	0	(5.663)	(5.663)
<b>Equity end of year</b>	<b>31</b>	<b>(5.080)</b>	<b>(5.049)</b>

## Consolidated cash flow statement for 2017/18

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Operating profit/loss		(6.000)	(10.940)
Amortisation, depreciation and impairment losses		183	99
Working capital changes	6	3.488	996
<b>Cash flow from ordinary operating activities</b>		<b>(2.329)</b>	<b>(9.845)</b>
Financial income received		106	0
Financial income paid		(588)	(524)
Income taxes refunded/(paid)		2.147	0
<b>Cash flows from operating activities</b>		<b>(664)</b>	<b>(10.369)</b>
Acquisition etc of intangible assets		(218)	0
Acquisition etc of property, plant and equipment		(40)	(38)
Acquisition of fixed asset investments		(23)	0
Sale of fixed asset investments		100	0
Currency adjustments		58	(198)
<b>Cash flows from investing activities</b>		<b>(123)</b>	<b>(236)</b>
Cash increase of capital		4.002	2.000
Venture debt, drawdown		3.000	5.000
Venture debt, repayments		(1.588)	(1.476)
<b>Cash flows from financing activities</b>		<b>5.414</b>	<b>5.524</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>4.627</b>	<b>(5.081)</b>
Cash and cash equivalents beginning of year		1.439	6.520
<b>Cash and cash equivalents end of year</b>		<b>6.066</b>	<b>1.439</b>
Cash and cash equivalents at year-end are composed of:			
Cash		6.134	1.995
Short-term debt to banks		(68)	(556)
<b>Cash and cash equivalents end of year</b>		<b>6.066</b>	<b>1.439</b>

## Notes to consolidated financial statements

	2017/18 EUR'000	2016/17 EUR'000
<b>1. Staff costs</b>		
Wages and salaries	14.035	14.752
Pension costs	134	27
Other social security costs	349	121
Other staff costs	1.362	541
	<b>15.880</b>	<b>15.441</b>
 Average number of employees	 <b>174</b>	 <b>191</b>
	2017/18 EUR'000	2016/17 EUR'000
<b>2. Proposed distribution of profit/loss</b>		
Retained earnings	(5.663)	(10.881)
	<b>(5.663)</b>	<b>(10.881)</b>
		Acquired rights EUR'000
<b>3. Intangible assets</b>		
Cost beginning of year		88
Additions		218
<b>Cost end of year</b>		<b>306</b>
Amortisation and impairment losses beginning of year		(12)
Amortisation for the year		(45)
<b>Amortisation and impairment losses end of year</b>		<b>(57)</b>
<b>Carrying amount end of year</b>		<b>249</b>



## Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment EUR'000	Leasehold improve- ments EUR'000
<b>4. Property, plant and equipment</b>		
Cost beginning of year	72	268
Additions	0	40
<b>Cost end of year</b>	<b>72</b>	<b>308</b>
Depreciation and impairment losses beginning of the year	(30)	(92)
Depreciation for the year	(20)	(118)
<b>Depreciation and impairment losses end of the year</b>	<b>(50)</b>	<b>(210)</b>
<b>Carrying amount end of year</b>	<b>22</b>	<b>98</b>
		<b>Deposits EUR'000</b>
<b>5. Fixed asset investments</b>		
Cost beginning of year		426
Additions		23
Disposals		(100)
<b>Cost end of year</b>		<b>349</b>
<b>Carrying amount end of year</b>		<b>349</b>
	<b>2017/18 EUR'000</b>	<b>2016/17 EUR'000</b>
<b>6. Change in working capital</b>		
Increase/decrease in receivables	987	(2.083)
Increase/decrease in trade payables etc	230	814
Other changes	2.271	2.265
	<b>3.488</b>	<b>996</b>

	Registered in	Corpo- rate form	Equity inte- rest %	Equity EUR'000	Profit/loss EUR'000
<b>7. Subsidiaries</b>					
Falcon.io Inc	New York, USA	Inc	100,0	(188)	(141)
Falcon.io GmbH	Berling, Germany	GmbH	100,0	73	32
Falcon.io Kft	Budapest, Hungary	Kft	100,0	36	20

## Parent income statement for 2017/18

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Revenue		12.978	10.043
Production costs	1	<u>(2.621)</u>	<u>(2.321)</u>
<b>Gross profit/loss</b>		<b>10.357</b>	<b>7.722</b>
Research and development costs	1	(4.251)	(4.594)
Distribution costs	1	(5.465)	(6.295)
Administrative costs	1	<u>(6.571)</u>	<u>(7.681)</u>
<b>Operating profit/loss</b>		<b>(5.930)</b>	<b>(10.848)</b>
Other financial income		103	0
Other financial expenses		<u>(581)</u>	<u>(685)</u>
<b>Profit/loss before tax</b>		<b>(6.408)</b>	<b>(11.533)</b>
Tax on profit/loss for the year		<u>832</u>	<u>740</u>
<b>Profit/loss for the year</b>	2	<b><u>(5.576)</u></b>	<b><u>(10.793)</u></b>

## Parent balance sheet at 31.01.2018

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Acquired rights		249	76
<b>Intangible assets</b>	3	<b>249</b>	<b>76</b>
Other fixtures and fittings, tools and equipment		18	38
Leasehold improvements		96	176
<b>Property, plant and equipment</b>	4	<b>114</b>	<b>214</b>
Investments in group enterprises		35	35
Deposits		291	385
<b>Fixed asset investments</b>	5	<b>326</b>	<b>420</b>
<b>Fixed assets</b>		<b>689</b>	<b>710</b>
Trade receivables		2.617	2.188
Other receivables		61	1.595
Income tax receivable		739	2.067
Prepayments	6	333	339
<b>Receivables</b>		<b>3.750</b>	<b>6.189</b>
<b>Cash</b>		<b>5.565</b>	<b>1.846</b>
<b>Current assets</b>		<b>9.315</b>	<b>8.035</b>
<b>Assets</b>		<b>10.004</b>	<b>8.745</b>

## Parent balance sheet at 31.01.2018

	<u>Notes</u>	<u>2017/18 EUR'000</u>	<u>2016/17 EUR'000</u>
Contributed capital	7	31	29
Retained earnings		(4.968)	(3.392)
<b>Equity</b>		<b>(4.937)</b>	<b>(3.363)</b>
Debt to other credit institutions		4.697	2.153
<b>Non-current liabilities other than provisions</b>		<b>4.697</b>	<b>2.153</b>
Current portion of long-term liabilities other than provisions		617	1.749
Bank loans		68	556
Trade payables		703	639
Payables to group enterprises		456	574
Other payables		1.927	1.747
Deferred income	8	6.473	4.690
<b>Current liabilities other than provisions</b>		<b>10.244</b>	<b>9.955</b>
<b>Liabilities other than provisions</b>		<b>14.941</b>	<b>12.108</b>
<b>Equity and liabilities</b>		<b>10.004</b>	<b>8.745</b>
Unrecognised rental and lease commitments	9		

Parent statement of changes in equity for 2017/18

	Contributed capital EUR'000	Retained earnings EUR'000	Total EUR'000
Equity beginning of year	29	(3.392)	(3.363)
Increase of capital	2	4.000	4.002
Profit/loss for the year	0	(5.576)	(5.576)
Equity end of year	31	(4.968)	(4.937)

## Notes to parent financial statements

	<b>2017/18 EUR'000</b>	<b>2016/17 EUR'000</b>
<b>1. Staff costs</b>		
Wages and salaries	9.969	11.508
Pension costs	120	26
Other social security costs	102	43
Other staff costs	693	433
	<b>10.884</b>	<b>12.010</b>
 Average number of employees	 <b>149</b>	 <b>171</b>
	<b>2017/18 EUR'000</b>	<b>2016/17 EUR'000</b>
<b>2. Proposed distribution of profit/loss</b>		
Retained earnings	(5.576)	(10.793)
	<b>(5.576)</b>	<b>(10.793)</b>
		<b>Acquired rights EUR'000</b>
<b>3. Intangible assets</b>		
Cost beginning of year		88
Additions		218
<b>Cost end of year</b>		<b>306</b>
Amortisation and impairment losses beginning of year		(12)
Amortisation for the year		(45)
<b>Amortisation and impairment losses end of year</b>		<b>(57)</b>
<b>Carrying amount end of year</b>		<b>249</b>

## Notes to parent financial statements

	Other fixtures and fittings, tools and equipment EUR'000	Leasehold improve- ments EUR'000
<b>4. Property, plant and equipment</b>		
Cost beginning of year	65	268
Additions	0	37
<b>Cost end of year</b>	<b>65</b>	<b>305</b>
Depreciation and impairment losses beginning of the year	(27)	(92)
Depreciation for the year	(20)	(117)
<b>Depreciation and impairment losses end of the year</b>	<b>(47)</b>	<b>(209)</b>
<b>Carrying amount end of year</b>	<b>18</b>	<b>96</b>
	<b>Investments in group enterprises EUR'000</b>	<b>Deposits EUR'000</b>
<b>5. Fixed asset investments</b>		
Cost beginning of year	35	385
Disposals	0	(94)
<b>Cost end of year</b>	<b>35</b>	<b>291</b>
<b>Carrying amount end of year</b>	<b>35</b>	<b>291</b>

## 6. Prepayments

Prepayments comprise prepaid cost.

	Number	Par value EUR'000	Nominal value EUR'000
<b>7. Contributed capital</b>			
Ordinary shares	7.864.500	7,56	11
Seed shares	1.709.900	7,56	2
Series A shares	4.484.000	7,56	6
Series B shares	7.419.640	7,56	12
	<b>21.478.040</b>		<b>31</b>

The Board of Directors has been authorised to issue warrants with the right to subscribe for up to nominally DKK 10,900 (EUR 1,461) Ordinary shares. In 2013 the Board of Directors has been authorised until August 2018 to issue additional warrants with the right to subscribe for up to nominally DKK 4,100 (EUR 549.65) Ordinary shares.

# Notes to parent financial statements

## 8. Deferred income

Deferred income is comprised of received income for recognition in subsequent financial years.

	2017/18 EUR'000	2016/17 EUR'000
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	1.638	2.102

Unrecognised rental and lease commitments relates to rent on leased premises which can be vacated at the earliest in March 2021.



## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C (medium).

The accounting policies applied for these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised on the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised on the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Consolidated financial statements

The consolidated financial statements are comprised of parent and the group enterprises (subsidiaries) that are controlled by the parent. Control is achieved by the parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment

## Accounting policies

date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

### **Income statement**

#### **Revenue**

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### **Production costs**

Production costs are comprised of cost of sales for the financial year. This cost includes ordinary write-down of inventories and other costs incurred to earn revenue for the financial year such as wages and salaries.

#### **Research and development costs**

Research and development costs include research costs and costs of development projects not qualifying for recognition in the balance sheet.

#### **Distribution costs**

Distribution costs are comprised of costs incurred for sale and distribution of the Entity's products, such as wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc.

#### **Administrative costs**

Administrative expenses are comprised of costs incurred for the Entity's administrative functions, such as wages and salaries for administrative staff and Management, stationery and office supplies, amortisation and depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

#### **Income from investments in group enterprises**

Income from investments in group enterprises is comprised of dividends received from the individual group enterprises in the financial year.

#### **Other financial income from group enterprises**

Other financial income from group enterprises is comprised of interest income on receivables from group enterprises.

#### **Other financial income**

Other financial income is comprised of dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies and amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

#### **Financial expenses from group enterprises**

Financial expenses from group enterprises are comprised of interest expenses from payables to group enterprises.

## Accounting policies

### Other financial expenses

Other financial expenses are comprises of interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies and amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights are comprises of acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Current amortisation period is set at 5 years.

Intellectual property rights are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

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

Cost is comprises of the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property plant and equipment are written down to the lower of recoverable amount and carrying amount.

## Accounting policies

### Investments in group enterprises

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

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Income tax payable or receivable

Current tax payable or receivable is recognised on the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### Prepayments

Prepayments are comprises of cost incurred relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash is comprises of cash in hand and bank deposits.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Deferred income

Deferred income is comprises of income received for recognition in subsequent financial years. Deferred income is measured at cost.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

## **Accounting policies**

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.