
Falcon.io ApS

H.C. Andersens Boulevard 27, 1, DK-1553
København V

Annual Report for 1 January - 31 December 2021

CVR No 33 36 22 26

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/6 2022

Benjamin Goodband
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Falcon.io ApS for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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

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

Copenhagen, 17 June 2022

Executive Board

Ulrik Bo Larsen
Executive Officer

Board of Directors

Benjamin Goodband
Chairman

Ulrik Bo Larsen

Independent Auditor's Report

To the Shareholders of Falcon.io ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Falcon.io ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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.

Independent Auditor's Report

- 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.

Hellerup, 17 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Christina Maria Davidsen
State Authorised Public Accountant
mne34174

Philip Kjær
State Authorised Public Accountant
mne47826

Company Information

The Company

Falcon.io ApS
H.C. Andersens Boulevard 27, 1
DK-1553 København V

CVR No: 33 36 22 26
Financial period: 1 January - 31 December
Municipality of reg. office: København

Board of Directors

Benjamin Goodband, Chairman
Ulrik Bo Larsen

Executive Board

Ulrik Bo Larsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2021 EUR'000	2020* EUR'000	2019* EUR'000	2018 EUR'000	2017 EUR'000
Key figures					
Profit/loss					
Revenue	32.035	26.445	23.252	18.105	16.654
Gross profit/loss	25.348	21.023	18.240	14.555	13.464
Operating profit/loss	-5.400	-4.160	-343	-6.815	-6.000
Profit/loss before financial income and expenses	-5.400	-4.160	-343	-6.815	-5.817
Net financials	2.558	555	20.853	-970	-482
Net profit/loss for the year	-2.102	-2.867	20.362	-5.854	-5.663
Balance sheet					
Balance sheet total	52.348	40.646	39.695	13.907	11.368
Equity	12.527	15.094	17.994	-8.278	-5.049
Investment in property, plant and equipment	14	0	97	0	40
Number of employees	178	171	176	150	149
Ratios					
Gross margin	79,1 %	79,5 %	78,4 %	80,4 %	80,8 %
Profit margin	-16,9 %	-15,7 %	-1,5 %	-37,6 %	-34,9 %
Solvency ratio	23,9 %	37,1 %	45,3 %	-59,5 %	-44,4 %
Return on equity	-15,2 %	-17,3 %	419,1 %	87,9 %	133,3 %

*The comparative figures for 2019 and 2020 have been restated. See the description under accounting policies.

Management's Review

Key activities

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

Development in the year

The Company posted an Operational loss for FY 2021 of EUR'000 2.102. It grew its revenues by 21% while increasing its total operating expenses by 22% as it invests in growth for FY 2022 and beyond. As of 31 December 2021, the balance sheet shows equity of EUR'000 12.527 and cash of EUR'000 2.698.

With the Company being part of Cision, it is ensured that sufficient capital is available to fund the company's organic growth and operations through FY 2022 and beyond. We refer to the note 1 for further information.

Further, the Company did in 2021 purchase back Falcon.io GmbH as part of an internal restructuring in Cision Group.

With the preparation of the Financial Statements for 2021, the Company has identified two material misstatements regarding 2019 and 2020 that has been corrected. We refer to the accounting policies for further information.

Outlook

In FY 2022 and beyond, it is expected that the total addressable market for Falcon.io ApS' services will continue to grow in key markets and segments. The company is forecasting revenue of EUR'000 38.000-42.000 and net loss of EUR'000 2.000-4.000.

The outbreak of COVID-19 continued in 2021 to put pressure to the global as well as the Danish economy. However the rollout of vaccine and subsequent lift of restrictions during 2021 which continued in 2022 are expected to improve the economy generally.

Furthermore, the war in Ukraine is not expected to have consequences for the Company as sales are coming from other countries.

Management's Review

Operating Risks

The Company 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. Falcon.io ApS realizes the importance of mitigating these risks and does so through a combination of a) utilizing the hosting in 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.

Foreign exchange risks

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

Knowledge resources

The Company offers an integrated SaaS platform, for which our employees, and their skills and knowledge, are vital for the business. Hence attracting, recruiting, developing, and engaging employees is of the highest importance, and a variety of initiatives are driven to promote an inclusive culture, continuous skills and career development and thereby accelerate engagement and innovation.

Social responsibility

The Company's employees are its most valuable assets. The Company continually takes steps to recognise and reward employees, while prioritising their wellbeing and career development. As a SaaS business the Company has a low carbon footprint. It continues to take action to reduce and mitigate any environmental impact.

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 2021 of the Company and the results of the activities of the Company for the financial year for 2021 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2021 EUR'000	2020 EUR'000
Revenue		32.035	26.445
Production costs	2	-6.687	-5.422
Gross profit/loss		25.348	21.023
Distribution expenses	2	-11.217	-9.120
Research and development costs		-3.675	-4.213
Administrative expenses		-15.856	-11.850
Operating profit/loss		-5.400	-4.160
Profit/loss before financial income and expenses		-5.400	-4.160
Financial income	3	2.558	1.850
Financial expenses	4	0	-1.295
Profit/loss before tax		-2.842	-3.605
Tax on profit/loss for the year	5	740	738
Net profit/loss for the year		-2.102	-2.867

Balance Sheet 31 December

Assets

	Note	2021 EUR'000	2020 EUR'000
Completed development projects		6.410	5.441
Acquired rights		1.761	2.386
Contract assets		2.997	1.836
Development projects in progress		905	882
Intangible assets	9	12.073	10.545
Other fixtures and fittings, tools and equipment		13	19
Leasehold improvements		3	20
Property, plant and equipment	6	16	39
Investments in group enterprises	7	1.817	17
Deposits		317	308
Fixed asset investments		2.134	325
Fixed assets		14.223	10.909
Trade receivables		4.889	5.149
Receivables from group enterprises		28.117	22.635
Other receivables		77	124
Tax receivable		1.537	893
Prepayments		807	523
Receivables		35.427	29.324
Cash at bank and in hand		2.698	413
Currents assets		38.125	29.737
Assets		52.348	40.646

Balance Sheet 31 December

Liabilities and equity

	Note	2021 EUR'000	2020 EUR'000
Share capital		34	34
Reserve for development costs		7.866	6.909
Retained earnings		4.627	8.151
Equity		12.527	15.094
Other payables		1.327	1.327
Long-term debt	10	1.327	1.327
Bank loans		46	76
Trade payables		147	554
Payables to group enterprises		21.393	11.199
Other payables	10	4.347	2.778
Deferred income	11	12.561	9.618
Short-term debt		38.494	24.225
Debt		39.821	25.552
Liabilities and equity		52.348	40.646
Going concern	1		
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital EUR'000	Reserve for development costs EUR'000	Retained earnings EUR'000	Total EUR'000
Equity at 1 January	34	6.909	11.701	18.644
Net effect of correction of material misstatements	0	0	-3.550	-3.550
Adjusted equity at 1 January	34	6.909	8.151	15.094
Exchange adjustments	0	0	-465	-465
Development costs for the year	0	957	-957	0
Net profit/loss for the year	0	0	-2.102	-2.102
Equity at 31 December	34	7.866	4.627	12.527

Notes to the Financial Statements

1 Going concern

The Company has received a letter of support from the intermediate parent company Cision Ltd. The letter of support is effective until 31 December 2022. The Board of Directors and Management have confidence in the company as a going concern, supported by the letter of support from the intermediate parent company and consequently, the Financial Statements have been prepared in accordance with the going concern principle.

	2021 EUR'000	2020 EUR'000
2 Staff		
Wages and Salaries	15.366	14.767
Pensions	440	375
Other social security expenses	700	187
Other staff expenses	279	352
	16.785	15.681
Average number of employees	178	171

3 Financial income

Other financial income	1.550	1.850
Exchange adjustments	1.008	0
	2.558	1.850

4 Financial expenses

Other financial expenses	0	3
Exchange adjustments, expenses	0	1.292
	0	1.295

5 Tax on profit/loss for the year

Current tax income for the year	-740	-738
	-740	-738

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment EUR'000	Leasehold improvements EUR'000
Cost at 1 January	122	399
Additions for the year	14	0
Cost at 31 December	136	399
Impairment losses and depreciation at 1 January	103	379
Depreciation for the year	20	17
Impairment losses and depreciation at 31 December	123	396
Carrying amount at 31 December	13	3

7 Investments in subsidiaries

Cost at 1 January	17	17
Additions for the year	1.800	0
Carrying amount at 31 December	1.817	17

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Falcon.io Kft	Budapest, Hungary	100 %
Falcon.io EOOD	Sofia, Bulgaria	100 %
Falcon.io Pty Ltd	Sydney, Australia	100 %
Falcon.io GmbH	Berlin, Germany	100 %

Notes to the Financial Statements

	2021 EUR'000	2020 EUR'000
8 Distribution of profit		
Retained earnings	-2.102	-2.867
	-2.102	-2.867

9 Intangible assets

	Completed development projects EUR'000	Acquired rights EUR'000	Contract assets EUR'000	Development projects in progress EUR'000
Cost at 1 January	11.676	5.472	4.457	882
Exchange adjustment	0	2	0	0
Additions for the year	0	0	1.976	4.191
Transfers for the year	4.168	0	0	(4.168)
Cost at 31 December	15.844	5.474	6.433	905
Impairment losses and amortisation at 1 January	6.236	3.086	2.620	0
Amortisation for the year	3.198	627	816	0
Impairment losses and amortisation at 31 December	9.434	3.713	3.436	0
Carrying amount at 31 December	6.410	1.761	2.997	905

10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	1.327	1.327
Long-term part	1.327	1.327
Other short-term payables	4.347	2.778
	5.674	4.105

Notes to the Financial Statements

11 Deferred income

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

	2021 EUR'000	2020 EUR'000
12 Contingent assets, liabilities and other financial obligations		
Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	213	201

13 Related parties

	Basis
Controlling interest	
Ultimate Parent company	Platinum Equity Capital Partners International V (Cayman), L.P
Intermediate parent company	Castle Intermediate Holding V Limited, 100 New Bridge Street, London, United Kingdom, EC4V 6JA
Intermediate parent company	Cision Ltd., 130 East Randolph Street, 7th floor, Chicago, Illinois 60601
Immediate parent Company	Falcon.io Holdings ApS, H.C. Andersens Boulevard 27,1.

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Falcon.io ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in EUR'000.

Correction of material misstatements

The Company sold two of its subsidiaries, Falcon.io US, Inc and Falcon.io GmbH, in 2019 and did incorrectly recognise EUR'000 1,554 too much in gain when restating the comparative figures in 2020. This led to the intercompany receivables being overstated with EUR'000 1.554. The correction affects the equity as of 1 January 2020 negative with EUR'000 1.554.

The Company did in 2019 change its accounting policies related to capitalisation of development costs and contract assets. However, the Company has by mistake not recognised amortisation in 2020 of EUR'000 3.550. This led to the completed development projects and contract assets being overstated with EUR'000 2.547 and EUR'000 1.003 respectively. The comparative figures for 2020 have been restated. The correction affects the equity as of 1 January 2021 negative with EUR'000 3.550.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Castle Intermediate Holding V Limited, the Company has not prepared consolidated financial statements.

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 Castle Intermediate Holding V Limited, 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 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

Notes to the Financial Statements

14 Accounting Policies (continued)

recognition is effected as described below for each financial statement item.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

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

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.

Translation policies

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 rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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 comprise cost of sales for the financial year, including wages and salaries and other costs incurred to earn revenue for the financial year.

Notes to the Financial Statements

14 Accounting Policies (continued)

Distribution expenses

Distribution expenses comprise costs incurred for sale and distribution of the products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses etc.

Research and development costs

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

Administrative expenses

Administrative expenses comprise incurred for the administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration.

Financial income and expenses

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets 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 capital or exchange losses on securities, payables and transactions in foreign currencies, 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 consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are re-

Notes to the Financial Statements

14 Accounting Policies (continued)

cognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Contract assets

Contract assets stem from subscription agreements with payments in the future. Contract assets comprise incremental sales commissions directly associated with obtaining a contract with a new client and deemed realizable through the future revenue streams under the contract.

Contract assets are recognized at cost, as part of sales & marketing costs, when control over goods or services is transferred to a client. Subsequently contract assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Contract assets are amortized on a straight-line basis, based on the expected lifetime of the contract. Amortizations, impairment and (gains)/losses on contract assets are recognized in the income statement under 'Sales & Marketing costs'.

For contract assets the simplified approach is used and the expected loss provision is measured at the estimate of the lifetime expected credit losses.

Intellectual property rights

Intellectual property rights comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licenses are amortised over the term of the agreement.

The amortisation periods used are 4-6 year.

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 comprises 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.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the

Notes to the Financial Statements

14 Accounting Policies (continued)

expected useful lives of the assets, which are:

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

The fixed assets' residual values are determined at nil.

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.

Impairment of intangible assets and property, plant and equipment

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

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

Investments in subsidiaries

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

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Equity

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 elimi-

Notes to the Financial Statements

14 Accounting Policies (continued)

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

Financial debts

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

Deferred income

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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