
Falcon.io ApS

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

Annual Report for 2022

CVR No. 33 36 22 26

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 30/6 2023

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 Financial Statements of Falcon.io ApS for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Copenhagen, 30 June 2023

Executive Board

Benjamin Goodband
CEO

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 30 June 2023

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: Copenhagen
Board of Directors	Benjamin Goodband, chairman Ulrik Bo Larsen
Executive Board	Benjamin Goodband
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	314,578	238,234	196,663	172,762	143,527
Gross profit/loss	191,514	188,528	156,208	135,523	108,151
Profit/loss before financial income and expenses	-59,858	-40,156	-30,901	-2,548	-50,628
Net financials	469	19,031	4,123	154,937	-7,207
Net profit/loss	-53,889	-15,625	-21,301	151,289	43,495
Balance sheet					
Balance sheet total	430,739	389,239	302,205	294,933	103,329
Investment in property, plant and equipment	875	106	0	734	0
Equity	42,694	93,131	112,207	133,695	-61,505
Number of employees	203	178	176	150	149
Ratios					
Gross margin	60.9%	79.1%	79.4%	78.4%	75.4%
Profit margin	-19.0%	-16.9%	-15.7%	-1.5%	-35.3%
Solvency ratio	9.9%	23.9%	37.1%	45.3%	-59.5%
Return on equity	-79.4%	-15.2%	-17.3%	419.1%	-99.9%

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 revenue amounts to DKK 314,578k against DKK 238,234k last year. The ordinary result after tax amounts to negative DKK 53,889k compared to negative DKK 15,625k last year. The development must be compared with the fact that in the annual report for 2022, the company expected a turnover of DKK 280,000k - 310,000k and a result after tax of minus DKK 15,000 - 30,000. Revenue increased by 32% while total operating expenses increased by 34% as it invests in growth for FY 2023 and beyond. A number of one-off social business unit transformation projects were completed in 2022 (Netsuite and Salesforce integration) which also explains why the operating expenses increased in 2022 and the development in the net result. The result compared to the expectation set out in the 2021 annual report is reflecting above and is considered satisfactory.

As of 31 December 2022, the balance sheet shows equity of DKK 42,694k and cash of DKK 11,205k.

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 2023 and beyond. We refer to the note 1 for further information.

Outlook

In FY 2023 and beyond, it is expected that growth will mainly be driven through an increase in annual recurring revenue (ARR) because of increased customer numbers via new business and a lower churn rate. Product price increases will also help to increase revenues. EBITDA is expected to increase significantly because of synergies achieved through the Brandwatch and Falcon social business unit as well as there being no significant transformation projects due to completion of these in 2022. The company is forecasting revenue in the range of DKK 390,000k - DKK 410,000k and EBITDA in the range of DKK 160,000k - 170,000k.

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.

External environment

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.

Management's review

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 2022 of the Company and the results of the activities of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

We refer to note 15.

Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Revenue		314,578	238,234
Production expenses	2	-123,064	-49,706
Gross profit		191,514	188,528
Distribution expenses	2	-104,064	-83,422
Development expenditure		-60,029	-27,333
Administrative expenses		-87,279	-117,929
Profit/loss before financial income and expenses		-59,858	-40,156
Financial income	3	30,774	19,031
Financial expenses	4	-30,305	0
Profit/loss before tax		-59,389	-21,125
Tax on profit/loss for the year	5	5,500	5,500
Net profit/loss for the year	6	-53,889	-15,625

Balance sheet 31 December

Assets

	Note	2022 TDKK	2021 TDKK
Completed development projects		52,707	47,655
Acquired concessions		27,919	22,308
Acquired other similar rights		8,690	13,097
Development projects in progress		9,112	6,731
Intangible assets	7	98,428	89,791
Other fixtures and fittings, tools and equipment		600	99
Leasehold improvements		2	24
Property, plant and equipment	8	602	123
Investments in subsidiaries	9	13,506	13,506
Deposits		3,559	2,346
Fixed asset investments		17,065	15,852
Fixed assets		116,095	105,766
Trade receivables		73,760	36,351
Receivables from group enterprises		218,802	209,067
Other receivables		7,384	11,999
Prepayments	10	3,493	5,996
Receivables		303,439	263,413
Cash at bank and in hand		11,205	20,060
Current assets		314,644	283,473
Assets		430,739	389,239

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		249	249
Reserve for development costs		64,283	58,494
Retained earnings		-21,838	34,388
Equity		42,694	93,131
Other payables		9,526	9,870
Long-term debt	11	9,526	9,870
Credit institutions		359	344
Trade payables		4,631	1,100
Payables to group enterprises	11	195,499	159,076
Other payables	11	45,332	32,320
Deferred income	12	132,698	93,398
Short-term debt		378,519	286,238
Debt		388,045	296,108
Liabilities and equity		430,739	389,239
Going concern	1		
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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	249	58,494	34,409	93,152
Exchange adjustments	0	0	3,431	3,431
Development costs for the year	0	5,789	-5,789	0
Net profit/loss for the year	0	0	-53,889	-53,889
Equity at 31 December	<u>249</u>	<u>64,283</u>	<u>-21,838</u>	<u>42,694</u>

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 2023. 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.

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
2. Staff		
Wages and salaries	131,592	114,280
Pensions	8,161	5,208
Other social security expenses	2,161	2,076
Other staff expenses	4,277	3,275
	<u>146,191</u>	<u>124,839</u>

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

Average number of employees	<u>203</u>	<u>178</u>
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	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	3,948	0
Other financial income	13,340	11,532
Exchange adjustments	13,486	7,499
	<u>30,774</u>	<u>19,031</u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
4. Financial expenses		
Interest paid to group enterprises	29,959	0
Other financial expenses	346	0
	<u>30,305</u>	<u>0</u>

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	-5,500	-5,500
	<u>-5,500</u>	<u>-5,500</u>

	2022	2021
	TDKK	TDKK
6. Profit allocation		
Retained earnings	-53,889	-15,625
	<u>-53,889</u>	<u>-15,625</u>

7. Intangible fixed assets

	Completed development projects	Acquired concessions	Acquired other similar rights	Develop- ment projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	117,824	47,839	40,707	6,730
Additions for the year	0	16,822	0	38,975
Transfers for the year	36,593	0	0	-36,593
Cost at 31 December	<u>154,417</u>	<u>64,661</u>	<u>40,707</u>	<u>9,112</u>
Impairment losses and amortisation at 1 January	70,156	25,552	27,613	0
Amortisation for the year	31,554	11,190	4,404	0
Impairment losses and amortisation at 31 December	<u>101,710</u>	<u>36,742</u>	<u>32,017</u>	<u>0</u>
Carrying amount at 31 December	<u>52,707</u>	<u>27,919</u>	<u>8,690</u>	<u>9,112</u>

The Company incurs software development costs related to its internal use software. Qualifying costs incurred during the application development stage are capitalized. These costs primarily consist of internal labor and third-party development costs and are amortized using the straight-line method over the estimated useful life. All other research and development costs are expensed as incurred.

Notes to the Financial Statements

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	1,011	2,967
Additions for the year	875	0
Cost at 31 December	<u>1,886</u>	<u>2,967</u>
Impairment losses and depreciation at 1 January	915	2,945
Depreciation for the year	371	20
Impairment losses and depreciation at 31 December	<u>1,286</u>	<u>2,965</u>
Carrying amount at 31 December	<u>600</u>	<u>2</u>
	2022	2021
	TDKK	TDKK

9. Investments in subsidiaries

Cost at 1 January	13,506	122
Additions for the year	0	13,384
Cost at 31 December	<u>13,506</u>	<u>13,506</u>
Carrying amount at 31 December	<u>13,506</u>	<u>13,506</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
Falcon.io Kft	Budapest, Hungary	100%	2,264	1,780
Falcon.io EOOD	Sofia, Bulgaria	100%	4,906	2,839
Falcon.io Pty Ltd	Sydney, Australia	100%	5,443	2,825
Falcon.io GmbH	Berlin, Germany	100%	1,175	2,954

The figures above (DKK thousand) are based on the enterprises' internal reporting. The disclosures above may therefore differ from the financial statements published by the companies concerned, which are presented in accordance with local accounting standards.

Notes to the Financial Statements

10. Prepayments

Prepayments comprise prepaid expenses concerning incurred costs relating to subsequent financial years.

11. 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:

	2022	2021
	TDKK	TDKK
Other payables		
After 5 years	0	0
Between 1 and 5 years	9,526	9,870
Long-term part	9,526	9,870
Within 1 year	0	0
Other short-term payables	45,332	32,320
	54,858	42,190

12. Deferred income

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

2022	2021
TDKK	TDKK

13. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Unrecognised rental and lease commitments

Liabilities under rental or lease agreements until maturity in total	3,590	3,300
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Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Falcon.io Holdings ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

14. Related parties and disclosure of consolidated financial statements

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.

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Castle Top Holdings Limited, 100 New Bridge Street, London, United Kingdom, EC4V 6JA	Ultimate 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	Intermediate parent company
Falcon.io Holdings ApS, H.C. Andersens Boulevard 27,1.	Immediate parent company

15. Subsequent events

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

Notes to the Financial Statements

16. Accounting policies

The Annual Report of Falcon.io ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2022 are presented in TDKK.

Changes in accounting policies

During the year the presentation currency has changed from EUR to DKK to be in line with the functional currency which is DKK. It is Management's assessment that DKK provide a more true and fair view of the financial statements. The effect from the change has been directly presented to equity.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 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

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

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

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

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Net sales

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 expenses

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

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Development expenditure

Development expenditure comprise costs in the form of salaries to staff in the development department as well as depreciation, etc.

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.

Notes to the Financial Statements

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Intangible fixed assets

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 recognised 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 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'.

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

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

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

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

Other fixtures and fittings, tools and equipment	3-5 years
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Notes to the Financial Statements

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 fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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 in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

Current tax 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

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years. Deferred income is measured at cost.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

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