
Falcon.io ApS

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

Annual Report for 1 January - 31 December 2020

CVR No 33 36 22 26

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
19/7 2021

Prasant Reddy Gondipalli
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Notes to the Financial Statements	14

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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 19 July 2021

Executive Board

Ulrik Bo Larsen
Executive Officer

Board of Directors

Prasant Reddy Gondipalli
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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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' 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 misstate-

Independent Auditor's Report

ment, 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.
- 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

Independent Auditor's Report

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, 19 July 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

statsautoriseret revisor

mne16675

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

Prasant Reddy Gondipalli, 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:

	2020 EUR'000	2019 EUR'000	2018 EUR'000	2017 EUR'000	2016 EUR'000
Key figures					
Profit/loss					
Revenue	26.444	23.252	18.105	16.654	11.897
Gross profit/loss	21.022	18.240	14.555	13.464	9.259
Operating profit/loss	-611	-343	-6.815	-6.000	-10.940
Profit/loss before financial income and expenses	-611	-343	-6.815	-5.817	-10.841
Net financials	555	22.407	-970	-482	-681
Net profit/loss for the year	682	21.916	-5.854	-5.663	-10.881
Balance sheet					
Balance sheet total	45.749	41.249	13.907	11.368	9.546
Equity	20.197	19.548	-8.278	-5.049	-3.446
Investment in property, plant and equipment	0	97	0	40	294
Number of employees	171	176	150	149	171
Ratios					
Gross margin	79,5 %	78,4 %	80,4 %	80,8 %	77,8 %
Profit margin	-2,3 %	-1,5 %	-37,6 %	-34,9 %	-91,1 %
Solvency ratio	44,1 %	47,4 %	-59,5 %	-44,4 %	-36,1 %
Return on equity	3,4 %	388,9 %	87,9 %	133,3 %	-1.071,5 %
EBITDA	0	4.756	6.970	(5.817)	(10.841)

In connection with changes to accounting policies, the comparative figures for 2018 have been restated. See the description under accounting policies.

Management's Review

Key activities

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

During 2020, Falcon launched a self-service offering, 'Essentials', whereby customers can sign up by credit card payment through our website for access to a simple version of the Falcon.io platform. This product increases their reach to small businesses and agencies, as well as providing great Up Sell opportunity.

The Group has in excess of 2.800 clients throughout the world and employs approximately 460 people in its seven offices in Copenhagen, New York, Sofia, Berlin, Budapest, Chennai, Melbourne and London. The parent company of the Falcon.io Group is Falcon.io ApS located in Copenhagen.

Development in the year

While Falcon.io ApS posted an Operational loss for FY 2020 of EUR (611k), the company grew its revenues by 14% while increasing its total operating expenses by 15%. As a result of technological economies of scale, the company expects to further increase net profit as the growth of revenues continues to outpace the growth of expenses. The company anticipates its Copenhagen employee headcount to increase to around 200 by the end of the year. At the same time, the Falcon group continues to scale in all other offices and with a fast rate in US, UK and APAC.

As of 31 December 2020, the Group's Annual Recurring Revenue (ARR) was equal to EUR 40.77 million (USD 48.5 million). The Group expects it's ARR to grow to over EUR 50.67 million by the end of FY 2021 through mostly organic growth and a small investment from Cision Ltd in order to secure expansion of the Sales footprint into new regions.

As of 31 December 2020, the balance sheet of Falcon.io ApS shows equity of EUR (20.197k) and cash of EUR 413k. With Falcon.io ApS being part of Cision Ltd., it is ensured that sufficient capital is available to fund the company's organic growth and operations through FY 2020 and beyond.

Management's Review

Outlook

In FY 2021 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. Additionally, Falcon.io is scaling its presence in APAC after the success of the Melbourne Commercial teams in 2019/20. During 2021 Falcon.io will build up a presence in Toronto, Chicago, Singapore and London in order to further our reach and secure anticipated growth of around 20%. Additionally, the Group will continue to take an active role in the consolidation of the marketplace through further strategic acquisitions and partnerships.

Operating 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 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. While the Group does not hedge its exchange rate risk, management has deemed the risk to be immaterial to its financial statements.

Management's Review

Subsequent events

In the interest of continuous Group structure optimisation, during the course of 2019, Falcon.io ApS sold their investment in Falcon.io GmbH to Cision Germany GmbH, and their investment in Falcon.io Inc to Canyon UK Investments Ltd Co. The transactions comprised of a series of notes and loan notes in return for the investments. Falcon.io ApS are first stating these transactions in the 2020 financial statements. The 2019 numbers have been re-instated to reflect these events and this omission is regarded as a significant error.

On 31st of December 2020 (to be confirmed when effective) a merger took place where Falcon Social Inc. has been merged with and into Unmetric Inc. under the Name of Unmetric Inc. This event does not have an influence on the evaluation of this annual report.

Late in 2019 news first emerged from China about the COVID-19 (Coronavirus). The situation at year end, was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first few months of 2020 the virus had spread globally, and its negative impact has gained momentum. While this is still an evolving situation at the time of issuing these statutory financial statements, it appears that the negative impact on global trade and on the company may be more severe than originally expected. Certain currencies to which the Group is exposed have weakened, stock markets have declined, and commodity prices are lower

We have considered the outbreak of the COVID-19 (Coronavirus) pandemic and its current and future potential effects on the company. We consider that the outbreak is a non-adjusting post balance sheet event that does not impact the measurement of assets and liabilities in the financial statements as of 31 December 2020 or for the year then ended.

COVID-19 mainly has an influence on the development of the cash position of the group. In certain cases the payment terms for customers of Falcon.io have been extended from 30 days to 90 days in order to support the customers from a financial perspective. As a result of this some customer receipts are being collected later than originally expected. This doesn't change the fact that the group has a solid cash position in order to fund the company's organic growth and operations through FY 2021 and beyond.

The financial statements disclose all matters of which we are aware that are relevant to the company's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the company's plans, including as the potential consequences of COVID-19. The company also has the intent and ability to take actions necessary to continue as a going concern. We confirm the abovementioned plans for future action to ensure that the company will continue as a going concern.

Income Statement 1 January - 31 December

	Note	2020 EUR'000	2019 EUR'000
Revenue		26.444	23.252
Production costs	1	-5.422	-5.012
Gross profit/loss		21.022	18.240
Distribution expenses	1	-8.117	-7.360
Research and development costs		-1.666	-1.182
Administrative expenses		-11.850	-10.041
Operating profit/loss		-611	-343
Profit/loss before financial income and expenses		-611	-343
Income from investments in subsidiaries	2	0	22.529
Financial income	3	1.850	1.604
Financial expenses	4	-1.295	-1.726
Profit/loss before tax		-56	22.064
Tax on profit/loss for the year	5	738	-148
Net profit/loss for the year		682	21.916

Balance Sheet 31 December

Assets

	Note	2020 EUR'000	2019 EUR'000
Completed development projects		7.520	4.797
Acquired rights		2.386	2.998
Contract assets		2.839	1.908
Goodwill		0	0
Development projects in progress		1.350	1.120
Intangible assets	9	14.095	10.823
Other fixtures and fittings, tools and equipment		19	37
Leasehold improvements		20	65
Property, plant and equipment	6	39	102
Investments in group enterprises	7	17	17
Deposits		307	298
Fixed asset investments		324	315
Fixed assets		14.458	11.240
Trade receivables		5.149	4.088
Receivables from group enterprises		24.189	24.072
Other receivables		124	96
Deferred tax asset		893	735
Prepayments		523	640
Receivables		30.878	29.631
Cash at bank and in hand		413	378
Currents assets		31.291	30.009
Assets		45.749	41.249

Balance Sheet 31 December

Liabilities and equity

	Note	2020 EUR'000	2019 EUR'000
Share capital		34	34
Reserve for development costs		2.294	0
Retained earnings		17.869	19.514
Equity		20.197	19.548
Other payables		1.327	0
Long-term debt	10	1.327	0
Bank loans		76	88
Trade payables		554	1.094
Payables to group enterprises		11.199	8.766
Other payables	10	2.778	1.949
Deferred income	11	9.618	9.804
Short-term debt		24.225	21.701
Debt		25.552	21.701
Liabilities and equity		45.749	41.249
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	Reserve for development costs	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Equity at 1 January	34	0	-4.533	-4.499
Net effect of correction of material misstatements	0	0	24.047	24.047
Adjusted equity at 1 January	34	0	19.514	19.548
Exchange adjustments	0	0	-33	-33
Development costs for the year	0	2.294	-2.294	0
Net profit/loss for the year	0	0	682	682
Equity at 31 December	34	2.294	17.869	20.197

Notes to the Financial Statements

	2020 EUR'000	2019 EUR'000
1 Staff		
Wages and Salaries	14.767	11.477
Pensions	375	337
Other social security expenses	187	151
Other staff expenses	352	627
	15.681	12.592
Average number of employees	171	176
2 Income from investments in subsidiaries		
Sales of subsidiaries	0	22.529
	0	22.529
3 Financial income		
Other financial income	1.850	0
Exchange adjustments	0	1.561
Exchange gains	0	43
	1.850	1.604
4 Financial expenses		
Other financial expenses	3	1.683
Exchange adjustments, expenses	1.292	43
	1.295	1.726
5 Tax on profit/loss for the year		
Current tax for the year	-738	-736
Adjustment of deferred tax concerning previous years	0	884
	-738	148

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	121	397
Exchange adjustment	1	2
Cost at 31 December	122	399
Impairment losses and depreciation at 1 January	84	332
Depreciation for the year	19	47
Impairment losses and depreciation at 31 December	103	379
Carrying amount at 31 December	19	20

7 Investments in group enterprises

Cost at 1 January	17	42
Disposals for the year	0	-25
Carrying amount at 31 December	17	17

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements of the parent company.

Investments in group enterprises are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
	Budapest,			
Falcon.io Kft	Hungary	100 %	-6	-22
Falcon.io EOOD	Sofia, Bulgaria	100 %	161	24
	Sydney,			
Falcon.io Pty Ltd	Australia	100 %	1	1

Notes to the Financial Statements

8 Distribution of profit

Retained earnings	682	21.916
	682	21.916

9 Intangible assets

	Completed development projects EUR'000	Acquired rights EUR'000	Contract assets EUR'000	Goodwill EUR'000	Development projects in progress EUR'000
Cost at 1 January	7.435	5.450	3.230	190	1.120
Exchange adjustment	11	22	6	1	3
Additions for the year	37	0	1.221	0	3.952
Transfers for the year	3.725	0	0	0	(3.725)
Cost at 31 December	11.208	5.472	4.457	191	1.350
Impairment losses and amortisation at 1 January	2.638	2.452	1.323	190	0
Exchange adjustment	2	10	0	1	0
Amortisation for the year	1.048	624	295	0	0
Impairment losses and amortisation at 31 December	3.688	3.086	1.618	191	0
Carrying amount at 31 December	7.520	2.386	2.839	0	1.350

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	0
Long-term part	1.327	0
Other short-term payables	2.778	1.949
	4.105	1.949

Notes to the Financial Statements

11 Deferred income

	2020 EUR'000	2019 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	201	698
Other contingent liabilities		

13 Related parties

	Basis
Controlling interest	
Ultimate Parent company	Castle Intermediate Holding V Limited, 100 New Bridge Street, London, United Kingdom, EC4V 6JA

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 2020 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 2020 are presented in EUR'000.

Correction of material misstatements

The company have in 2019 sold two of its subsidiaries, Falcon.inc and Falcon GmbH. The subsidiaries has been sold internally in the group. The sale of the subsidiaries was not correctly recognised in the 2019 statutory accounts. This have been corrected and recognised the transaction in 2019 and restated the comparative figures. This correction affects the equity as of 1 December 2020 with EUR '000 24.047.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Castle Intermediate Holding, 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 Cision Ltd, 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 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 as earned, whereas costs are recognised by the amounts

Notes to the Financial Statements

14 Accounting Policies (continued)

attributable to the financial year.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries.

Distribution expenses

Distribution expenses comprise costs incurred for sale and distribution of the Entities 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.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc. received from the individual group enterprises in the financial year.

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

Intellectual property rights etc.

Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are

Notes to the Financial Statements

14 Accounting Policies (continued)

amortised over their remaining duration, and licences are amortised over the term of the agreement.

The amortisation periods used are 4-6 year.

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

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. Contract assets are amortized on a straight-line basis, based on the expected lifetime (historical churn rate) of the contract, but not exceeding 5 years. 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.

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 1 year.

Goodwill is 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

Notes to the Financial Statements

14 Accounting Policies (continued)

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 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.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments 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.

Prepayments

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

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 de-

Notes to the Financial Statements

14 Accounting Policies (continued)

ferred 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.

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$