
Cassin Networks ApS

c/o Accura Advokatpartnerselskab, Tuborg
Boulevard 1, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2020

CVR No 36 96 75 52

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29/6 2021

Mathias Møller Jensen
Chairman of the General
Meeting

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of Cassin Networks ApS for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

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

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

Hellerup, 25 June 2021

Executive Board

Susan Jennifer Simone Taylor

Independent Auditor's Report

To the Shareholder of Cassin Networks ApS

Opinion

We have audited the financial statements of Cassin Networks ApS for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 as to 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 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

Independent Auditor's Report

the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and 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 note 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.

Statement on the Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the

Independent Auditor's Report

financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 25 June 2021

EY

Godkendt Revisionspartnerselskab

CVR No 30 70 02 28

Alex Petersen

State Authorised Public Accountant

mne28604

Company Information

The Company

Cassin Networks ApS
c/o Accura Advokatpartnerselskab
Tuborg Boulevard 1
DK-2900 Hellerup

CVR No: 36 96 75 52

Financial period: 1 January - 31 December 2020

Municipality of reg. office: Gentofte

Executive Board

Susan Jennifer Simone Taylor

Auditors

EY
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg

Financial Highlights

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

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Revenue	2.364.527	987.203	0	0	0
Operating profit/loss	228.724	8.210	-110.967	-13.673	-46.298
Profit/loss before financial income and expenses	168.360	7.845	-111.025	-13.673	-47.716
Net financials	17.986	-21.070	-6.080	4.813	-219
Net profit/loss for the year	145.171	-10.453	-80.217	-8.861	-47.520
Balance sheet					
Balance sheet total	12.619.532	11.339.930	7.685.653	3.393.258	180.845
Equity	12.321.135	11.003.964	6.149.417	2.482.418	128.919
Investment in property, plant and equipment	3.153.030	4.168.475	4.787.322	2.238.148	130.147
Number of employees	63	54	32	20	0
Ratios					
Gross margin	85,7%	76,7%	0,0%	0,0%	0,0%
Profit margin	7,1%	0,8%	0,0%	0,0%	0,0%
Return on assets	1,3%	0,1%	-1,4%	-0,4%	-26,4%
Solvency ratio	97,6%	97,0%	80,0%	73,2%	71,3%
Return on equity	1,2%	-0,1%	-1,9%	-0,7%	-73,7%

Management's Review

Key activities

The company carries on the business of and activities associated with data hosting services from a data centre in Denmark.

Turnover for the year is the value of principal services supplied by the company to other group companies, net of VAT.

Development in the year

The income statement of the Company for 2020 shows a profit of TDKK 145,171, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 12,321,135.

The company is currently constructing a data centre in a commercial park close to Odense, Denmark. During 2020, construction of the second data center building was completed.

Expected Developments

The company plans to continue to construct the data center and intends to continue its ability to operate on a going concern basis.

Principal risks and uncertainties facing the business

Financial risk management objectives and policies

The company operates in a market which is characterised by continuous change. As a result, the company faces risks and uncertainties which may have a significant impact on its ability to achieve continued success within its market. Further principal risks and uncertainties have been identified as follows:

- a breach of online security may result in compromising of sensitive data and information causing users to lose trust in the Platform;
- privacy issues could deter people from using the Platform;
- the loss of customers or a reduction in their advertising spend could severely impact turnover;
- a lack of innovation and new products and services may cause Facebook to lose competitiveness, which could affect turnover and operating results.

Management has considered its exposure to the below risks, and does not consider the company to have significant exposures in respect of these risks.

Market risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise a number of types of risk including interest rate risk and currency risk.

Management's Review

Foreign exchange risks

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The board of directors has a currency policy in place and the exposure to currency risk is monitored on an ongoing basis.

Interest rate risks

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. The company has no significant liabilities carrying interest rates, and as such management does not consider this to be a risk to the company.

Credit risks

Credit risk is the risk that a counter party will not meet its objectives under a financial instrument or customer contract, leading to financial risk. The board of directors has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Liquidity risks

Liquidity risk is the risk that the company will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The company monitors its risk to shortage of funds on a regular basis, its objective being to ensure sufficient funds are available to meet its obligations as they fall due.

Targets and expectations for the year ahead

Turnover increased from 987 DKK million in 2019 to 2,365 DKK million in 2020, an increase of 1,378 DKK million. This increase was attributable to the growth in intercompany activity for data hosting services.

The directors do not anticipate any future changes in the principal activity of the company.

Environmental matters

The company pays particular adherence to minimise the impact on the environment from its activities.

Statement of corporate social responsibility

Cassin Networks ApS does not have any local CSR policy, including Human Rights, Climate or Environment policies as it is part of the Facebook Inc group, who has developed Environmental Social Governance reporting that covers the entire group. Facebook's Environmental Social Governance resources, including a 2020 sustainability report, are available at:

<https://sustainability.fb.com/case-studies-and-resources/>

Management's Review

Statement on gender composition

The Company's Board of Directors consists of 50% male and 50% female members, which is an equal gender composition.

In 2020, our other management consisted of 3 people, of whom 3 were male and 0 were female.

Facebook has the following group policy which is applicable to Cassin Networks ApS: Our ability to serve our communities well begins with the community we build right here at Facebook. We believe in openly sharing what is working—and what isn't—to increase diverse representation on our teams. And we are dedicated to building a team that reflects the diversity of the people, all around the globe, who use Facebook's products and services. We continuously seek to promote positive leadership stories for our underrepresented gender, with the goal of generating greater awareness and interest in the area. Further details can be found in the 2020 Facebook diversity report:

<https://investor.fb.com/esg-resources/default.aspx>

Uncertainty relating to recognition and measurement

There are no uncertainties or special assumptions in relation to the recognition or measurement of amounts recorded in the financial statements.

Unusual events

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. During the period since and up to the date of this report, the company has continued business operations with limited disruption and has remained engaged in performing its principal activities. The company will continue to monitor and assess the situation but does not expect a material adverse impact on its operations.

Subsequent events

Subsequent to year ended 31 December 2020, the company executed real estate purchases as part of its continuing construction of a data center.

Income Statement 1 January - 31 December 2020

	Note	2020 TDKK	2019 TDKK
Revenue	3	2.364.527	987.203
Cost of sales		-319.364	-207.963
Other external expenses		-19.363	-21.873
Gross profit/loss		2.025.800	757.367
Staff expenses	4	-90.951	-72.393
Depreciation and impairment of property, plant and equipment	5	-1.706.125	-676.764
Other operating expenses		-60.364	-365
Profit before financial income and expenses		168.360	7.845
Financial income	6	49.974	32.471
Financial expenses	7	-31.988	-53.541
Profit/loss before tax		186.346	-13.225
Tax on profit/loss	8	-41.175	2.772
Net profit/loss for the year		145.171	-10.453

Balance Sheet at 31 December 2020

Assets

	Note	2020 TDKK	2019 TDKK
Land and buildings		7.123.864	4.237.424
Plant and machinery		804	0
Other fixtures and fittings, tools and equipment		4.444.716	3.033.134
Leasehold improvements		0	0
Property, plant and equipment in progress		459.871	3.373.545
Property, plant and equipment	9	12.029.255	10.644.103
Deposits		317	41.770
Fixed asset investments	10	317	41.770
Fixed assets		12.029.572	10.685.873
Receivables from group enterprises		320.224	388.343
Other receivables		145.908	176.420
Deferred tax asset		0	38.037
Receivables		466.132	602.800
Cash at bank and in hand	11	123.828	51.257
Currents assets		589.960	654.057
Assets		12.619.532	11.339.930

Balance Sheet at 31 December 2020

Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital	12	103	103
Retained earnings		12.321.032	11.003.861
Equity		12.321.135	11.003.964
Provision for deferred tax	14	7.239	0
Provisions		7.239	0
Other payables		8.414	2.545
Long-term debt	15	8.414	2.545
Trade payables		226.823	303.152
Payables to group enterprises		891	1.937
Other payables	15	55.030	28.295
Deferred income	16	0	37
Short-term debt		282.744	333.421
Debt		291.158	335.966
Liabilities and equity		12.619.532	11.339.930
Unusual events	1		
Subsequent events	2		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Fee to auditors appointed at the general meeting	19		
Accounting Policies	20		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	103	11.003.861	11.003.964
Group contribution	0	1.172.000	1.172.000
Net profit/loss for the year	0	145.171	145.171
Equity at 31 December	103	12.321.032	12.321.135

Notes to the Financial Statements

1 Unusual events

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. During the period since and up to the date of this report, the company has continued business operations with limited disruption and has remained engaged in performing its principal activities. The company will continue to monitor and assess the situation but does not expect a material adverse impact on its operations.

2 Subsequent events

Subsequent to year ended 31 December 2020, the company executed real estate purchases as part of its continuing construction of a data center.

3 Revenue

Geographical segments

	2020 TDKK	2019 TDKK
Data hosting services, Denmark (intercompany)	2.364.527	987.203
	2.364.527	987.203

4 Staff expenses

Wages and salaries	84.439	67.202
Pensions	5.521	4.845
Other social security expenses	794	171
Other staff expenses	197	175
	90.951	72.393
Average number of employees	63	54

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

Notes to the Financial Statements

	<u>2020</u>	<u>2019</u>
	TDKK	TDKK
5 Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	1.706.125	676.764
	<u>1.706.125</u>	<u>676.764</u>
6 Financial income		
Exchange adjustments	49.974	32.471
	<u>49.974</u>	<u>32.471</u>
7 Financial expenses		
Other financial expenses	1.161	1.393
Exchange adjustments, expenses	30.827	52.148
	<u>31.988</u>	<u>53.541</u>
8 Tax on profit/loss		
Current tax for the year	0	0
Deferred tax for the year	41.175	-2.969
Adjustment of deferred tax concerning previous years	0	197
	<u>41.175</u>	<u>-2.772</u>

Notes to the Financial Statements

9 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	4.382.797	0	3.565.353	830	3.373.545	11.322.525
Additions for the year	320.588	1.058	501.756	11	2.329.617	3.153.030
Disposals for the year	-1.465	0	-5.145	0	-57.993	-64.603
Transfers for the year	2.863.975	0	2.321.323	0	-5.185.298	0
Cost at 31 December	7.565.895	1.058	6.383.287	841	459.871	14.410.952
Impairment losses and depreciation at 1 January	145.373	0	532.219	830	0	678.422
Depreciation for the year	296.658	254	1.409.202	11	0	1.706.125
Reversal of impairment and depreciation of sold assets	0	0	-2.850	0	0	-2.850
Impairment losses and depreciation at 31 December	442.031	254	1.938.571	841	0	2.381.697
Carrying amount at 31 December 2020	7.123.864	804	4.444.716	0	459.871	12.029.255

10 Fixed asset investments

	Deposits
	TDKK
Cost at 1 January	41.770
Disposals for the year	-41.453
Cost at 31 December	317
Carrying amount at 31 December 2020	317

Notes to the Financial Statements

	2020 TDKK	2019 TDKK
11 Cash and cash equivalents		
Bank	73.198	19.839

The company together with other legal entities in the Facebook group is a member of a multi-currency notional cash pooling arrangement (the arrangement) with a third-party bank provider. Actual cash balances are not physically converted and are not commingled between participating legal entities. As part of the notional cash pool agreement, the bank extends overdraft credit to participating entities as needed, provided that the overall notionally pooled balance of all accounts in the pool at the end of each day is at least zero.

As part of this arrangement, cash and cash equivalents amounting to TDKK 73,198 (2019: TDKK 19,839) which represents cash held under the cash pooling arrangement have been pledged as security against obligations of other Facebook legal entities party to the notional cash pooling arrangement. This security can only be called upon if recovery from the customer holding the obligation and recovery under the guarantee with Facebook, Inc. (see below) is not successful.

The company is a beneficiary of a guarantee given by Facebook, Inc. under the Cash Pool Agreement to guarantee the amounts owed to the third-party bank provider.

12 Equity

The share capital consists of 103,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2020 TDKK	2019 TDKK	2018 TDKK
Share capital at 1 January	103	103	102
Capital increase	0	0	1
Share capital at 31 December	103	103	103

Notes to the Financial Statements

	2020 <u>TDKK</u>	2019 <u>TDKK</u>
13 Distribution of profit		
Retained earnings	145.171	-10.453
	<u>145.171</u>	<u>-10.453</u>
14 Provision for deferred tax		
Provision for deferred tax at 1 January 2020	-38.037	-35.265
Amounts recognised in the income statement for the year	41.175	-2.772
Jointly taxation recognized and settled through group receivables through the year	4.101	0
Provision for deferred tax at 31 December 2020	<u>7.239</u>	<u>-38.037</u>
15 Long-term debt		
Other payables		
After 5 years	8.414	0
Between 1 and 5 years	0	2.545
Long-term part	8.414	2.545
Other short-term payables	55.030	28.295
	<u>63.444</u>	<u>30.840</u>

Other payables (long-term) relates to the accrued holiday allowance from 1 September 2019 to 31 August 2020 under the new Danish Holiday Act (the Frozen Holiday Funds).

Notes to the Financial Statements

16 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

	2020	2019
	TDKK	TDKK
17 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	0	6.745
	<u>0</u>	<u>6.745</u>

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income. Cassin Networks ApS is the administration company of the joint taxation. The Danish group companies are also jointly and severally liable for Danish withholding tax on dividend, royalties and interest.

18 Related parties

Basis

Controlling interest

Facebook International Operations Limited, Ireland	Parent Company
Facebook Inc., USA	Ultimate Parent Company

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.

All transactions with related parties are conducted at arm's length.

Notes to the Financial Statements

18 Related parties (continued)

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Facebook International Operations Limited
4 Grand Canal Square, Dublin 2, Ireland

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Ultimate Parent Company:

Name	Place of registered office
Facebook, Inc.	Delaware, USA

The Group Annual Report of Facebook, Inc. may be obtained at the following address:

<http://investor.fb.com/>

19 Fee to auditors appointed at the general meeting

EY

Audit fee

	2020 TDKK	2019 TDKK
	261	262
	261	262

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Cassin Networks ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year. The Company has moved from class B to Class C large in 2020.

The Financial Statements for 2020 are presented in TDKK.

Changes in accounting estimates

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if there is an indication of a significant change since the last end of reporting date. The useful lives of buildings was revised in July 2020 from 20 years to 25 years, which has resulted in DKK 6,422,315 less depreciation in FY 2020.

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 Facebook, Inc., the Company has not prepared a cash flow statement.

Recognition and measurement

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.

Notes to the Financial Statements

20 Accounting Policies (continued)

Translation policies

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.

Revenue

Information on geographical segments based on the Company's risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segment.

Income Statement

Revenue

In accordance with IAS 18, the company recognises revenue when services are supplied by the company to other group companies, net of value added tax. It is derived from the company's principal activity of the provision of data hosting services.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Notes to the Financial Statements

20 Accounting Policies (continued)

Other operating expenses

Other operating expenses comprise items of a secondary nature to the main activities of the Company, including losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss

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.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

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, other than for assets under construction which are not depreciated until such time as the assets are ready for their intended use.

The estimated useful lives are as follows:

Buildings	25	years
Plant and machinery	3-5	years
Other fixtures and fittings, tools and equipment	3-5	years

Land is not depreciated.

Leasehold improvements are depreciated on the shorter of useful life or lease term.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-

Notes to the Financial Statements

20 Accounting Policies (continued)

assessed annually. These are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the tangible assets and above for the useful economic lives for each class of asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets are comprised of property, plant and equipment in progress; equipment, fixtures and fittings; and leasehold improvements. Assets under construction are not depreciated until such a time as the assets are ready for their intended use. April 2019 marked the point at which assets in the first data center building began depreciating.

During 2020, the company revised its accounting policy trigger for the capitalisation of buildings under construction. Once at least half of the data halls in the building are substantially complete, all actual costs incurred to date will be capitalised, with the remainder of costs capitalised upon full completion of the data halls. The change in accounting policy has no impact for prior or current periods.

Impairment of non-current assets

The carrying amount of property, plant and equipment, plant and machinery and leasehold improvements are reviewed annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Fixed asset investments

Fixed asset investments consist of deposits.

Notes to the Financial Statements

20 Accounting Policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis.

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

Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount for financial reporting purposes and the tax base of assets and liabilities on the basis of the intended use of the asset and settlement of the liability.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate 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 liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on account taxation scheme are recognised in the income statement in financial income and expenses.

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.

Notes to the Financial Statements

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