Facebook Denmark ApS
Ny Carlsberg Vej 80, 1799 Copenhagen, Denmark

CVR nr. 39 17 44 99
Annual Report for the year ended 31 December 2019

This Annual Report was presented and adopted at the Company's Annual General Meeting on 17 July 2020.

Chairperson, Henrik Laursen

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DIRECTORS' REPORT

The Executive Board have today considered and adopted the annual report of Facebook Denmark ApS for the financial year 01 January 2019 - 31 December 2019.

The Annual Report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in 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 2019 and of the results of the Company's operations and cash flows for the financial year.

We recommend that the annual report be adopted at the Annual General Meeting.

Copenhagen, 15 July 2020.

Executive Board

Susan Jennifer Simone Taylor	David William Kling
Director	Director

INDEPENDENT AUDITORS' REPORT

Independent auditor's report

To the shareholders of Facebook Denmark ApS

Opinion

We have audited the financial statements of Facebook Denmark ApS for the financial year 1 January – 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

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 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 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 Statements Act. We did not identify any material misstatement of the 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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

INDEPENDENT AUDITORS' REPORT

Independent auditor's report

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 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.

INDEPENDENT AUDITORS' REPORT

Independent auditor's report

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.

Copenhaggen, 15 July 2020
EY GODKENDT REVISIONSPARTNERSELSKAB
CVR no. 30 70 02 28

Alex Petersen
State Authorised
Public Accountant
mne28604

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2019

The Company

Facebook Denmark ApS
Ny Carlsberg Vej 80
1799 Copenhagen, Denmark
Company registration No: 39 17 44 99
Financial Period: 1 January 2019 to 31 December 2019
Incorporated: 19 December 2017
Municipality of registered office: Copenhagen

Executive Board

Susan Jennifer Simone Taylor
David William King

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Financial Highlights for the reporting period are disclosed below:

	2019 DKK	19 December 2017 to 31 December 2018 DKK
Profit		
Revenue	51,611,294	22,183,036
Operating profit	18,040,585	5,540,360
Net financial income/expenses	(623,443)	(252,598)
Profit for the period	13,199,052	3,874,662
Balance sheet		
Balance sheet total	292,986,959	229,858,450
Total equity	26,529,943	11,771,252
Average number of employees	10	5
Ratios		
Gross margin	100%	89%
Profit margin	35%	25%
Return on assets	6%	2%
Solvency ratio	9%	5%

Management review

Key activity
The principal activity of Facebook Denmark ApS is the provision of sales support and marketing services to the Facebook group and to act as a reseller of advertising services to designated Danish customers.

Development in the year
The Statement of Profit or Loss and Other Comprehensive Income of the Company for 2019 shows a profit of DKK 13,199,052, and at 31 December 2019 the Statement of Financial Position of the Company shows equity of DKK 26,529,943.

Subsequent events
At 31 December 2019, current liabilities amounted to DKK 265,853,700 and current assets DKK 292,986,959.

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are adopted, including the current outbreak of a novel strain of coronavirus (COVID-19). The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and that the spread of COVID-19, as detailed in Note 23, is not expected to have a material adverse impact on the Company's ability to continue as a going concern. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Outlook for 2020
The Company will continue to expand operations in 2020 and the directors expects to be profitable for 2020.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 DKK	19 December 2017 to 31 December 2018 DKK
Continuing operations			
Revenue	3	51,611,294	22,183,036
Cost of sales		(33,581)	(2,343,991)
Gross profit		51,577,713	19,839,045
Administration expenses	5	(33,537,128)	(14,298,685)
Operating profit		**18,040,585**	**5,540,360**
Finance income	7	1,836,755	450,108
Finance expenses	8	(2,460,198)	(702,706)
Profit before tax		**17,417,142**	**5,287,762**
Income tax expense	9	(4,218,090)	(1,413,100)
Profit for the year		**13,199,052**	**3,874,662**
Total comprehensive income from continuing operations for the year:			
- attributable to owners of the parent		**13,199,052**	**3,874,662**

There is no comprehensive income or expenses other than those in the statement of profit or loss above and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 12 to 36 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 DKK	2018 DKK
ASSETS			
Current assets			
Trade and other receivables	11	275,876,954	193,170,773
Deferred tax assets	13	117,070	215,580
Cash and cash equivalents	12	16,992,935	36,472,097
Total current assets		292,986,959	229,858,450
Total assets		**292,986,959**	**229,858,450**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	16	50,000	50,000
Retained earnings		26,479,943	11,721,252
Total equity		**26,529,943**	**11,771,252**
LIABILITIES			
Non-current liabilities			
Trade and other payables	15	603,316	-
Current liabilities			
Trade and other payables	15	233,944,103	174,458,518
Borrowings	14	27,790,000	42,000,000
Current income tax liability		4,119,597	1,628,680
Total current liabilities		265,853,700	218,087,198
Total liabilities		**266,457,016**	**218,087,198**
Total equity and liabilities		**292,986,959**	**229,858,450**

The notes on pages 12 to 36 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

Equity attributable to owners of the parent	Share capital DKK	Share premium DKK	Retained Earnings DKK	Total equity DKK
Balance at 19 December 2017	**50,000**	**3,595**	**-**	**53,595**
Profit for the period	-	-	3,874,662	3,874,662
Total comprehensive income for the period	-	-	3,874,662	3,874,662
Capital contribution	-	-	6,899,580	6,899,580
Share based payment transactions (note 18)	-	-	943,415	943,415
Transfers from share premium account	-	(3,595)	3,595	-
Balance at 31 December 2018 and 1 January 2019	**50,000**	**-**	**11,721,252**	**11,771,252**
Profit for the year	-	-	13,199,052	13,199,052
Total comprehensive income for the year	-	-	13,199,052	13,199,052
Share based payment transactions (note 18)	-	-	1,559,639	1,559,639
Balance at 31 December 2019	**50,000**	**-**	**26,479,943**	**26,529,943**

The notes on pages 12 to 36 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 DKK	19 December 2017 to 31 December 2018 DKK
Cash flows from operations			
Profit before tax		17,417,142	5,287,762
Adjustments for:			
Foreign exchange gains	7	(1,836,755)	(450,108)
Interest expense	8	404,268	179,987
Foreign exchange loss	8	2,055,930	522,719
Share-based payment expense	18	1,559,639	943,415
Operating cash flows before changes in working capital		19,600,224	6,483,775
Changes in working capital:			
Increase in trade and other receivables		(82,706,181)	(193,170,773)
Increase in trade and other payables		60,088,901	174,458,517
Income tax paid		(1,628,663)	-
Net cash used in operating activities		**(4,645,719)**	**(12,228,481)**
Cash flows from financing activities			
Proceeds from capital contribution		-	6,953,176
(Repayment)/proceeds of borrowings		(14,210,000)	42,000,000
Foreign exchange gains	7	1,836,755	450,108
Interest expense	8	(404,268)	(522,719)
Foreign exchange loss	8	(2,055,930)	(179,987)
Net cash (used in)/provided by financing activities		**(14,833,443)**	**48,700,578**
Net (decrease)/increase in cash and cash equivalents		(19,479,162)	36,472,097
Cash and cash equivalents at the beginning of the year		36,472,097	-
Cash and cash equivalents at the end of the year	12	**16,992,935**	**36,472,097**

The notes on pages 12 to 36 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General information
The principal activity of Facebook Denmark ApS ("the Company") is the provision of sales support and marketing services to the Facebook group and to act as a reseller of advertising services to designated Danish customers..

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors. The Company is a limited company incorporated and domiciled in Denmark. The registered office is located at Ny Carlsberg Vej 80, 1799 Copenhagen, Denmark.

The financial statements of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors dated 15 July 2020.

The ultimate holding company and ultimate controlling party is Facebook, Inc., a company incorporated in Wilmington, Delaware, United States of America. The ultimate holding company and controlling party of the smallest and largest group of which the Company is a member, and for which consolidated financial statements are drawn up, is Facebook, Inc. The immediate parent company of the Company is Facebook Global Holdings II LLC, a company established under the laws of Delaware, USA.

2. Significant accounting policies
2.1 Basis of preparation
The financial statements are presented in Danish Krone ("DKK"). This is also the functional currency of the entity as it is the currency of the primary economic environment in which the entity operates.

The financial statements have been prepared in accordance with International Financial Reporting Standards Framework as adopted by the European Union and further requirements in the Danish Financial Statements Act.

The financial statements are prepared under the historical cost convention, unless otherwise stated.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with International Financial Reporting Standards Framework as adopted by the European Union requires the use of certain assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.14.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Going concern
The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of coronavirus (COVID-19). The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and that the spread of COVID-19, as detailed in Note 23, is not expected to have a material adverse impact on the Company's ability to continue as a going concern. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies - continued

Recent accounting pronouncements
New and amended standards and interpretations issued but not yet effective or early adopted:

Title	Effective for annual periods beginning on or after
Amendments to IFRS 3 - Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

The Company expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

The following new standards and amendments are effective for the first time for periods beginning on or after 1 January 2019:

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16, Leases, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. IFRS 16 supersedes the lease recognition requirements of IAS 17, Leases, IFRIC 4, *Determining whether an Arrangement contains a Lease;* SIC-15*, Operating Leases - Incentives; and* SIC-27*, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 has an effective date of 1 January 2019. The Company has adopted IFRS 16 on 1 January 2019 using the modified retrospective method to all leases existing at the date of initial application. The impact of the adoption of IFRS 16 is shown in Note 21 to the financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments
In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments, which clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. IFRIC 23 has an effective date of 1 January 2019.

Other than the adoption of IFRS 16, there has been no impact to the Company from the adoption of new standards and amendments.

Prior year comparatives disclosure
Prior year comparatives have been updated to reflect current year presentation throughout the financial statements, including a reclassification of other liabilities to trade and other payables. This impacts note 15 in the current year presentation. The change will result in these financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position and cash flows.

2.2 Revenue
The Company recognises revenue when control of the promised goods or services are transferred to the customer, for an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies - continued

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

Revenue is recognised for the major business activities outlined below.

Advertiser reseller revenue
The Company acts as a reseller of advertising services to designated Danish customers through a reseller agreement with another group company and generates revenues primarily through resale of advertising inventory on the Facebook platform. These revenues consist primarily of advertising revenues generated by displaying ad products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications. The company reports advertising reseller revenue net of associated direct cost of sales.

Advertiser reseller revenue comprises revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to a user. The Company recognises revenue from the delivery of action-based ads in the period in which a user takes the action the marketer contracted for.

Services
The Company generates revenue through service agreements with another group company for the provision of contract sales support and marketing services to the Facebook Group. The Company applies an output method, based on underlying financial results as agreed between parties, which is considered to faithfully depict the transfer of control to the customer.

The service fee charged is based on the level of expenses incurred by the Company in the performance of services. Where the transaction price contains variable consideration, the Company uses the most likely amount method in estimating revenue. These estimates are not constrained, as the Company assesses that it is highly probable that a significant reversal of revenue will not occur.

The Company has elected to use the practical expedient under IFRS 15, and does not adjust the amount of promised consideration for the effects of a significant financing component, as the Company expects that the period between the transfer of the service and receipt of payment will be one year or less.

2.3 Employee benefits
Short term employee benefits
Short term employee benefits, including wages and salaries, are recognised as an expense in the financial year in which the employees render the related service.

Pensions
The Company operates a defined contribution plan for certain employees. Contributions by the Company to a defined contribution pension scheme are recognised as an employee benefit expense as service is received from employees. Once contributions have been paid, the Company has no further obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies – continued

2.4 Leases
Accounting policies applied after 1 January 2019
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the recognition exemptions for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Company has also elected to apply the practical expedient to combine its lease and related non-lease components on an ongoing basis to all of its underlying classes of assets, to the extent those non-lease components are fixed and service the underlying leased asset. In addition, the Company has elected the practical expedient to apply a portfolio approach to certain equipment leases with similar characteristics where we reasonably expect the effects on the financial statements would not differ materially from application to the individual leases within that portfolio.

Right-of-use assets and lease liabilities are recognised at the lease commencement date. At commencement date, the lease liability is equal to the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate. At commencement date, the right-of-use asset is equal to the amount of the initial lease liability and the total amount of initial direct costs or lease payments made at or prior to commencement, less any lease incentives received.

Lease payments include fixed payments including in-substance fixed payments, less any:
- lease incentives received;
- variable lease payments that depend on an index or rate;
- amounts expected to be paid or payable under residual value guarantees;
- the exercise price of a purchase option when the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Lease payments will also include estimates of the following costs if, as a sole result of the lease agreement commencing, the Company is required to dismantle or remove an underlying asset, restore the site on which it is located on, or restore the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Other costs incurred as a result of improvements made or installation of assets performed by the Company that are subject to restoration obligations in the lease, will be accounted for as part of the cost of those assets in accordance with IAS 37.

The lease liability is measured at amortised cost using the effective interest method. Right-of-use assets are depreciated over the lesser of the end of the useful life of the asset or the lease term, applying the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option, and includes periods covered by an option to terminate if the Company is reasonably certain not to exercise that option. When determining the probability of exercising such options, we consider contract-based, asset-based, entity-based, and market-based factors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies - continued

The carrying amount of the lease liability is remeasured to reflect reassessment or lease modification if there is a change to the future lease payments, a change to the lease term, or a change to the assessment of an option to purchase the underlying asset, extend a lease, or terminate a lease. A corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Incremental borrowing rate is defined as the rate of interest that lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. To determine the incremental borrowing rate, the Company considers its parent company’s centralised treasury function, guarantees, credit risk profile, lack of publicly issued debt, and positive cash flow, in combination with the specific currency and interest rate environment of the Company.

The Company’s lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes, and other. Variable lease costs are expensed as incurred in the statement of comprehensive income. The Company’s lease agreements do not contain any residual value guarantees or restrictive covenants.

Accounting policies applied before 1 January 2019
The Company has applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company’s previous accounting policies, which are outlined below.

Operating Lease - IAS 17
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

Lease premiums and similar incentives that are received or paid are treated as deferred or accrued income and released to the profit and loss account on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.5 Foreign currencies
Functional and presentational currency
The Company's functional and presentational currency is DKK.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated into DKK at rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into DKK at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies - continued

2.6 Income tax
Income tax on the statement of profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current and deferred tax is measured according to the tax rates and regulations enacted at the reporting date.

Underpayment/overpayment of income tax is presented as part of "Income tax expense" in the Statement of Comprehensive Income.

Current tax
Current tax is the expected tax payable or receivable on the taxable income for the year and any adjustment to tax payables or receivables in respect of previous years.

The Company shall offset current tax assets and current tax liabilities if the Company has a legally enforceable right to settle the current tax assets and liabilities, the current tax assets and liabilities relate to income taxes levied by the same taxation authority, and the Company intends to either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Deferred tax
Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced when it is probable that sufficient taxable profit will not be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company shall offset deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current or deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies – continued

2.7 Cash and cash equivalents
Cash and cash equivalents include cash balances on hand, held for the purpose of meeting short-term cash commitments, and bank deposits. Cash at bank and bank deposits earn interest at floating rates based on daily deposit bank rates. Bank deposits are made for varying periods depending on the immediate cash requirements of the Company and earn interest at the respective deposit interest rates.

2.8 Share capital
Called up shares are classified as equity.

2.9 Financial instruments
(a) Financial assets

Classification
The Company classifies its financial assets in the following measurement categories:
- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial instrument and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost its contractual cash flows should be ‘solely payments of principal and interest' (SPPI)’ on the principal amount outstanding and the financial assets should be held under a business model where cash flows result from collecting contractual cash flows. Financial assets which are debt instruments are measured at fair value through other comprehensive income where the contractual cash flows are SPPI and the assets are managed under a business model where cash flows result from both collecting contractual cash flows and selling the financial assets.

For instruments measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Company reclassifies debt instruments when, and only when, its business model for managing those assets changes.

Recognition, measurement and derecognition
Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ('FVTPL'), directly attributable transaction costs. A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, except for those subsequently measured at fair value through other comprehensive income (‘FVTOCI’), the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies – continued

For derecognition of financial assets measured at FVTOCI, any cumulative gain or loss is recognised in other comprehensive income. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Debt instruments
Subsequent measurement of debt instruments depends on the entity's business model for managing the asset and the cash flow characteristics of the asset. All the Company's debt instruments are measured at amortised cost as the assets are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

The Company's debt instruments consist of the following:
- Loans and receivables owed from related parties
- Trade and other receivables
- Cash and cash equivalents

Impairment
For trade receivables, including intercompany trade receivables, the entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Company uses judgement in making assumptions around the risk of default and expected loss rates, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For loans owed from related parties, the Company applies the general approach to providing for expected credit losses, as prescribed by IFRS 9. The general expected credit loss model under IFRS 9 requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded.

Management consider amounts due from related parties to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

(b) Financial liabilities
Financial liabilities at amortised cost include borrowings and trade and other payables. These financial instruments are initially measured at fair value, net of any transaction costs in the case of borrowings, and subsequently measured at amortised cost using the effective interest rate.

Borrowings are classified as current liabilities (payables due within one year), unless the Company has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Financial liabilities are derecognised when the Company's obligations specified in the contract expire, are discharged or cancelled. Interest expense is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies – continued

(c) Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.10 Trade and other receivables
Amounts owed by parent and fellow subsidiary undertakings, trade receivables and other receivables are measured initially at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as amounts due after more than one year, within current assets.

The carrying amount of all trade and other receivables at the statement of financial position date approximate their fair values.

2.11 Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables also comprise accrued expenses, deferred revenue and various taxes payable. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as payables - amounts falling due after more than one year.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The carrying amount of all trade and other payables at the statement of financial position date approximate their fair values.

2.12 Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation, unless the impact of discounting is immaterial. The increase in the provision due to passage of time is recognised as interest expense.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies – continued

2.13 Share-based payments
Facebook, Inc. operates a share-based compensation plan. Employees of the Company receive remuneration in the form of equity instruments (restricted stock units "RSUs") of its ultimate holding company as consideration for services rendered.

The fair value of the employee services received in exchange for the grant of the RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the RSUs granted.

Non-market performance and service conditions are included in assumptions about the number of RSUs that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the ultimate holding company revises its estimates of the number of RSUs that are expected to vest based on the non-market vesting conditions. The Company recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income.

When the RSUs are exercised, the ultimate holding company issues new shares. The grant of equity instruments by the ultimate holding company to the employees of the Company is treated as equity-settled, with a corresponding increase in equity as a contribution from the ultimate holding company.

2.14 Critical accounting estimates and assumptions
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Taxation
Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on deductible temporary differences where it is probable that there will be taxable income against which these can be offset. See Note 9 for further details.

2.15 Related party transactions
The Company enters into transactions with related parties in the normal course of business. The significant transactions and balances at year-end are presented in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. Significant accounting policies – continued

2.16 Financial Highlights

Explanation of financial ratios:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Operating profit x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Total equity x 100}}{\text{Total assets}}$

3. Revenue

Revenue is the value of the principal services supplied by the Company, net of value added tax. The principal services are disclosed in Note 1.

All revenue recognised relates to revenue from contracts with customers.

	2019 DKK	19 December 2017 to 31 December 2018 DKK
Net advertising reseller revenue	37,941,259	15,928,859
Sales support and marketing services revenue	13,670,035	6,254,177
Total revenue	51,611,294	22,183,036

As detailed in Note 2.2, the Company reports advertising reseller revenue and associated direct cost of sales for reseller activity on a net basis. The table below provides a reconciliation between gross amounts from advertisers and others with the advertising reseller and other revenue reported:

	2019 DKK	19 December 2017 to 31 December 2018 DKK
Gross amounts billed	666,596,589	277,265,168
Cost of sales - reseller expense	(614,985,295)	(255,082,132)
Advertising reseller and other revenue	51,611,294	22,183,036

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Employees and directors

	2019 DKK	19 December 2017 to 31 December 2018 DKK
Employee benefit expenses:		
Wages and salaries	15,793,918	7,502,477
Contributions to defined contribution pension plan	1,731,450	441,311
Other social security costs	11,073	11,929
Share based payment (Note 18)	1,559,639	943,415
Total	19,096,080	8,899,132

The directors of the Company, during the current and previous year, were also senior executives of, and were remunerated by other Facebook entities and received no remuneration for services to this company.

The average number of employees of the Company (including directors) during the year was 10 (2018: 5)

5. Operating profit

	2019 DKK	19 December 2017 to 31 December 2018 DKK
Expenses by nature		
The profit on ordinary activities before taxation is arrived at after charging:		
Employee benefits (Note 4)	19,096,080	8,899,132
Auditor's remuneration (Note 6)	475,101	150,000
Professional fees	4,485,473	1,212,886
Marketing costs	1,560,946	206,858
Travelling, accommodation and entertainment	1,133,804	362,199
Rental expense	2,443,885	1,001,480
Donations	500,000	-
Other Administration expenses	4,644,226	1,627,506
Bad debt	(802,387)	838,624
	33,537,128	14,298,685

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Auditor's remuneration

	2019 DKK	19 December 2017 to 31 December 2018 DKK
During the year the Company obtained the following services from its auditor:		
Audit of entity financial statements	475,101	150,000

Fees paid to the Company's statutory auditors, Ernst & Young, in respect of the financial year, relate to statutory audit and other assurance services provided to the Company.

7. Finance income

	2019 DKK	19 December 2017 to 31 December 2018 DKK
Foreign exchange gains	1,836,755	450,108

8. Finance expenses

	2019 DKK	2018 DKK
Interest expense	404,268	179,987
Foreign exchange loss	2,055,930	522,719
	2,460,198	702,706

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. Income tax expense

	2019 DKK	19 December 2017 to 31 December 2018 DKK
(a) Tax expense included in profit or loss		
Current tax:		
Corporation tax on profit on ordinary activities	4,119,580	1,628,680
Current tax charge for the financial year	4,119,580	1,628,680
Deferred tax:		
Deferred tax charge/(credit)	98,510	(215,580)
Total income tax expense	4,218,090	1,413,100

Reconciliation of the expected tax charge at the statutory tax rate to the actual tax charge at the effective rate	2019 DKK	19 December 2017 to 31 December 2018 DKK
The assessed tax charge for the year is different to the rate of corporation tax in Denmark (22%). The differences are explained below:		
Profit on ordinary activities before tax	17,417,142	5,287,762
Profit on ordinary activities multiplied by rate of corporation tax in Denmark	3,831,771	1,163,309
Effects of:		
Expenses not deductible for tax purposes	386,319	249,791
Income tax expense recognised in profit or loss	4,218,090	1,413,100

10. Leases

The Company has entered into various non-cancellable lease agreements for certain of our buildings. These leases have lease periods expiring between 2019 and 2020. Certain leases include one or more options to renew. The Company does not include renewals in the determination of the lease term unless the renewals are deemed to be reasonably certain. Information presented below should be considered in conjunction with Notes 2.1, 2.4 and 21.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. Leases - continued

Lease Liabilities

The following is an analysis of lease liabilities as of 31 December 2019, by relevant maturity groupings based on contractual maturities.

	2019 DKK
Not later than 1 year	798
Later than 1 year and not later than 5 years	-
Later than 5 years	-
Total undiscounted lease liabilities	**798**
Less imputed interest	-
Lease liabilities as at 31 December 2019	**798**
Of which are:	
Current	798
Non-current	-

Current and non-current lease liabilities are included within 'Borrowings' in the statement of financial position.

As of 31 December 2019, the Company has no additional leases that have not yet commenced.

	2019 DKK
Interest expense	-
Short-term lease expense	2,792
Variable lease expense	20
Low value lease expense	-
Total cash outflows in relation to leases in 2019 were:	2,812

11. Trade and other receivables

	2019 DKK	2018 DKK
Current assets:		
Trade receivables	159,659,504	135,530,843
Amounts owed by parent and fellow subsidiary undertakings	115,502,130	57,639,930
Prepayments	210,340	-
Other receivables	504,980	-
	275,876,954	193,170,773
Amounts owed by group subsidiary undertakings are analysed as:		
Trade receivables	115,502,130	57,639,930

Trade receivables are non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. Cash and cash equivalents

	2019 DKK	2018 DKK
Cash at bank and in hand	16,992,935	36,472,097

Cash and cash equivalents are held with banks and financial institution counterparties which are rated investment grade by external credit rating agencies and are considered to have low credit risk. The maximum maturity of cash and cash equivalents is 3 months. Cash at bank earns interest at floating rates based on daily deposit rates.

13. Deferred tax

	2019 DKK	2018 DKK
Property, plant and equipment	115,041	31,535
Provisions	2,029	184,045
Total	117,070	215,580

Movement in deferred tax assets during the year were as follows:	
At 31 December 2018	215,580
Profit or loss	(98,510)
Equity	-
At 31 December 2019	117,070

The deferred tax asset of DKK 117,070 (2018: DKK 215,580) has been recognised on the basis it is probable there will be sufficient future taxable profits against which the deductible temporary differences can be utilised.

14. Borrowings	2019 DKK	2018 DKK
Current liabilities		
Bank overdrafts	27,790,000	42,000,000

Bank overdrafts
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 at 31 December 2019, the overall notionally pooled balance of all accounts in the pool was in surplus (2018: zero).

The terms of the Bank overdraft are as follows:
- Repayment period: Repayable on demand
- Interest rate: Determined day-to-day by the bank, based on overnight interbank/swap rates. The closing interest rate on 31 December 2019 for DKK balances was 0% (2018: 0%)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Borrowings - continued

The Company is a beneficiary of a guarantee given by Facebook, Inc. under the arrangement to guarantee the amounts owed to the third party-bank provider. In addition, as part of the arrangement, other Facebook legal entities that are party to the cash pool arrangement have pledged, as security, cash held under the arrangement equal to the amount of the overdraft obligations of the Company.

15. Trade and other payables

	2019 DKK	2018 DKK
Current liabilities:		
Amounts owed to parent and fellow subsidiary undertakings	209,781,285	157,378,057
Trade payables	415,813	396,022
VAT payable	18,128,033	14,073,592
A-Tax	668,712	377,749
Labour Market Supplementary Pension (ATP)	1,723	2,319
Deferred revenue	53,004	-
Accruals	4,895,533	2,230,779
	233,944,103	174,458,518
Non-current liabilities:		
Other payables	603,316	-

Other payables relates to the accrued holiday allowance from 1 September 2019 to 31 December 2019 under the new Danish Holiday Act, which is presented as long-term payables at 31 December 2019. Expected maturity of the debt is between 1 and 5 years.

16. Share capital	2019 DKK	2018 DKK
Authorised equity		
50,000 ordinary shares of DKK 1 each	50,000	50,000
Ordinary shares issued and fully paid		
50,000 ordinary shares of DKK 1 each	50,000	50,000

Share capital
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

All shares carry equal voting rights. All shares issued are fully paid. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share premium
Share premium is the difference between the par value and the consideration received for the shares issued to the Company's immediate parent, Facebook Global Holdings II LLC.

Retained earnings
Retained earnings represents accumulated comprehensive income for the financial period plus transfers in relation to reduction of share capital less dividends paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. Share capital - continued

Other reserves
Other reserves constitute amounts contributed by the ultimate parent relating to share based compensation.

Capital contribution
Capital contributions represent monetary or non-monetary assets contributed to the Company by its parent.

17. Related Party transactions
The Company has a related party relationship with its intermediate parent, ultimate parent company, and other related group companies. Related party transactions entered into by the Company are contracted in the normal course of operations at an arm's length basis.

The following were the significant related party transactions based on terms as agreed between parties during the financial year:

(a) Transactions with related parties

	2019 DKK	2018 DKK
Sales of services:		
Associated companies	13,670,035	6,254,177

Sales of services are transacted with the Company's other related entities in accordance with sales support and marketing services agreements.

	2019 DKK	2018 DKK
Purchases of services:		
Associated companies (advertising inventory)	614,985,295	255,082,132

The Company pays for advertising inventory to other related parties in accordance with an advertising reseller agreement. "Advertising Inventory" shall mean the advertising or other content inventory available for display through the Facebook Online Platform, including, but not limited to, audio spots and videos.

(b) Period end balances arising from sales/purchases of services:

	2019 DKK	2018 DKK
Amounts due from related parties (Note 11):		
Ultimate parent	-	-
Associated companies	115,502,130	57,639,838
Amounts due to related parties (Note 15):		
Ultimate parent	-	1,570,160
Associated companies	209,781,285	150,841,616
Total	209,781,285	152,411,776

The amounts due from related parties arise mainly from sale transactions and are settled in accordance with intercompany agreements. In relation to amounts due from related parties, no loss provisions have been made at the reporting date (2018: none), and no expense has been recognised during the period in respect of loss provisions (2018: none).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. Related Party transactions - continued

The payables to related parties arise mainly from purchase transactions and are settled in accordance with intercompany agreements. The payables bear no interest.

18. Share-based payment
At 31 December 2019 Facebook, Inc. had one active stock-based employee compensation plan (the 2012 Equity Incentive Plan ("the Plan")) under which new awards may be granted. Awards may include incentive share options, non-statutory share options, share purchase rights or restricted ordinary shares. The Company has granted only restricted ordinary shares (RSUs) to employees of Facebook Denmark ApS. RSUs may be settled in cash or equity however the Company intends to equity settle all RSUs. The vesting condition of the RSUs is that the employees must remain in employment until the initial vesting event.

The Plan permits the grant of RSUs over ordinary shares (class B common stock) in Facebook, Inc. The per-share exercise price of RSUs granted is generally nil.

RSUs are granted to employees under the Plan upon hire or based on performance criteria established by management. RSUs are independent of ordinary share options and are subject to forfeiture if employment terminates prior to the release of the restrictions.

During the vesting period, ownership of the shares cannot be transferred. Once shares are issued pursuant to the terms of an RSU agreement, these shares have the same dividend and voting rights as other ordinary shares.

The weighted average share price during the year for RSUs settled was DKK1,210.79 (US$ 181.64), (2018: DKK 1,082.19 (US$ 171.67)).

The total charge for the year relating to employee share-based payment plans was DKK 1,559,641 (US$239,419), (2018: DKK 943,415 (US$ 148,928)).

The fair value of RSUs granted in the year was DKK 1,226.53 (US$184.02), (2018: DKK 1,102.79 (US$ 179.09).

	2019 RSUs Number	2018 RSUs Number
A reconciliation of movements in the number of RSUs outstanding are as follows:		
Outstanding at 1 January	2,017	-
Granted	3,581	1,275
Movements*	749	1,671
Settled	(1,117)	(929)
Forfeited	(599)	-
Outstanding at 31 December	4,631	2,017

**This accounts for the net change in outstanding awards due to employee transfers across territories*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. Contingencies and commitments	2019 DKK	2018 DKK
(a) Operating lease commitments		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than one year	-	1,308,960
Later than one year and no later than five years	-	436,320
Total	-	1,745,280

In 2018 the company leased several floors situated at Havnegade 39, 1058 Copenhagen, under non-cancellable operating lease agreements. The lease terms were between four and five years, and the majority of the lease agreements were renewable at the end of the lease year at market rate.

The rentals payable under leases in respect of buildings are subject to re-negotiation at various intervals specified in the leases. Lease payments under operating leases recognised as an expense in the period amounted to DKK nil (2018:DKK 1,031,779).

(b) Contingencies and guarantees

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.

There were no other material contingent liabilities requiring disclosure as at 31 December 2019.

20. Controlling parties

At 31 December 2019, the Company is a wholly-owned subsidiary of Facebook Global Holdings II LLC, a company incorporated in Delaware, USA, its registered office being 1601 California Ave, Palo Alto, CA, 94304-1111 United States.

The Facebook website is located at www.facebook.com.

21. First time adoption of IFRS 16, Leases

The changes to the Company's accounting policies arising from the adoption of IFRS 16 set out in Note 2.1 are recognised in the opening balance sheet on 1 January 2019.

In accordance with the transitional provisions in IFRS 16, the Company has applied the modified retrospective transition method and has not restated prior year comparative information. Results for the year ended 31 December 2019 are presented under IFRS 16, whilst results for the year ended 31 December 2018 are reported in accordance with IAS 17. Under the modified retrospective transition method, any cumulative adjustment resulting from the adoption of IFRS 16 is required to be recognised in opening retained earnings as at 1 January 2019. However, following the adoption of IFRS 16, there has been no adjustment made by the Company to opening retained earnings.

IFRS 16 specifies a single lessee accounting model, requiring lessees to recognise right-of-use assets and liabilities for all major leases on the statement of financial position and to provide enhanced disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leasing arrangements. The most significant impact to the Company was the recognition of right-of-use assets and lease liabilities for leases previously recognised as operating leases under IAS 17. The recognition of depreciation and interest expense under IFRS 16 results in higher expense recognition at the beginning of a lease's term, as compared to recognising expense on a straight-line basis as previously required under IAS 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. First time adoption of IFRS 16, Leases - continued

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. We recognised right-of-use assets amounting to Nil, with corresponding liabilities of Nil in the statement of financial position as at 1 January 2019. The right-of-use assets include adjustments for any prepayments and accrued lease payments. When measuring lease liabilities, the Company discounted the remaining lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied to the lease liabilities on 1 January 2019 was 0%.

The Company has elected to apply the following practical expedients upon transition:

- to account for certain leases with lease terms ending within 12 months of the date of initial application as short-term leases, which cost is included in the disclosure of short-term expense, if applicable
- to account for each lease component and any related non-lease components as a single lease component,
- to not reassess whether an arrangement is, or contains a lease, on the date of initial application,
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- to rely on previous assessments of whether leases are onerous as an alternative to performing an impairment review at transition – there were no onerous lease contracts as at 1 January 2019, and
- to exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application for certain leases.

The following table reconciles the Company's operating lease commitments as at 31 December 2018, as previously disclosed in the Company's financial statements, to the lease obligations recognised on initial application of IFRS 16 as at 1 January 2019.

	DKK
Operating lease commitments as at 31 December 2018	
Commitments not yet recognised as an obligation as at 1 January 2019	1,745
Short-term leases not recognised as an obligation	-
Low value leases not recognised as an obligation	(1,745)
Operating lease commitments to be recognised as an obligation	-
Discounted using the incremental borrowing rate at 1 January 2019	-
Lease liability recognised as at 1 January 2019	**-**
Of which are:	
Current	-
Non-current	-

Prior to the adoption of IFRS 16, deferred rent amounting to Nil was classified within trade and other payables. Under IFRS 16, accrued lease payments must be adjusted as part of the right-of-use asset. As a result, on January 1, 2018, the Company reclassified deferred rent as part of the right-to-use lease asset within tangible assets.

22. Financial risk management
The Company maintains positions in a variety of non-derivative financial instruments. The Company's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risk and objectives, policies and processes for the management of these risks. There have been no changes to the management of these risks from prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. Financial risk management – continued

a) Market risk
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 risk includes currency risk, price risk and interest rate risk.

(i) Currency risk
Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. The Company has limited exposure to foreign exchange risk.

The Company holds no significant balances denominated in currencies other than the Company's functional currency as at the reporting date and has partaken in minimal foreign currency transactions during the year. Therefore, as at the reporting date, any exposure to foreign currency risk was deemed to not have a material effect on the financial statements. The carrying amounts of the Company's financial assets and liabilities are all denominated in the Company's functional currency.

(ii) Price risk
The Company holds no quoted investments and is therefore not exposed to equity securities price risk.

(iii) Interest rate risk
Interest rate risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in market interest rates. Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company's exposure to interest-rate risk arises from its bank overdraft. As a result, the Company does not face significant exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates therefore management does not consider this to be a risk to the Company.

b) Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company. The Board of Directors has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2019 DKK	2018 DKK
Cash and cash equivalents	16,992,935	36,472,097
Amounts due from related parties	115,502,130	57,639,930
Trade and other receivables – external	160,164,484	135,530,843
Total	292,659,549	229,642,870

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. Financial risk management – continued

Cash and cash equivalents
Substantially, all of the cash of the Company is held with Citibank. Bankruptcy or insolvency by this bank may cause the Company's rights with respect to the cash held to be delayed or limited. The Company selected Citibank as a banking partner on the basis of it being a reputable financial institution with a low risk of bankruptcy and insolvency. The expected credit loss on cash and cash equivalents at 31 December 2019 was not material.

Amounts owed by group undertakings
For amounts owed by group undertakings, the Company applies the general approach to providing for expected credit losses prescribed by IFRS 9. The general expected credit loss model under IFRS 9 requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since initial recognition, in which case lifetime expected credit losses should be recorded. Management consider amounts due from related parties to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

The Company uses judgement in making assumptions around the risk of default and expected loss rates, based on the Company's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

As at the end of the current and prior periods, the allowance for impairment on amounts due from related parties was not deemed to be material to the financial statements, and all of the above assets were deemed to have low credit risk at the reporting date.

Trade Receivables
Trade receivable are derived from revenues earned from customers. The risk with respect to accounts receivable is partially mitigated by ongoing credit evaluations. The Company performs ongoing credit evaluations of its customers to determine credit worthiness. Credit lines are granted and approved in accordance with company policy and an approved authority matrix.

IFRS 9 Financial Instruments includes the requirements for calculating provisions for impairment of financial assets. Default from trade receivables is not considered a significant risk for the Company, as the Company has historically not experienced instances of material bad debt write offs.

The Company determines the appropriate level of provisioning required based on historical experience of receivables that subsequently default on payment during the life cycle of trade receivables. This provision is based on historical experience of the previous 3 months.
The Company also incorporates forward looking information into the calculation of provisions where such information indicates that further default beyond that anticipated by management could arise, due to wider macro-economic factors.

In addition to these receivables, separate provisions are created for those receivables that are subject to bankruptcy or where a specific reserve outside of the above provision process is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. Financial risk management – continued

The following table presents the age profile and the maximum credit exposure (total gross amount receivable) relating to assets included on the Company's statement of financial position at 31 December 2019:

	Year ended 31 December 2019		
	Gross amount receivable	Loss Allowance	Net amount receivable
	DKK	DKK	DKK
Not past due	157,718,701	(7,879)	157,710,822
Past due < 30 days	2,254,662	(1,128)	2,253,534
Past due > 30 days	84,739	(217)	84,522
Past due 60 - 90 days	-	-	-
Past due > 90 days	(258,030)	-	(258,030)
Total	159,800,072	(9,224)	159,790,848

	Year ended 31 December 2018		
	Gross amount receivable	Loss Allowance	Net amount receivable
	DKK	DKK	DKK
Not past due	129,949,690	(650,009)	129,299,681
Past due > 30 days	5,526,006	(138,206)	5,387,800
Past due 60 - 90 days	547,817	(13,701)	534,116
Past due 90 - 120 days	(42)	3	(39)
Past due > 120 days	346,324	(34,653)	311,671
Total	136,369,795	(836,566)	135,533,229

Other receivables
As at the end of the current and prior reporting dates, the provision for impairment on other receivables was not deemed to be material to the financial statements, with the carrying amount in the statement of financial position reflecting the maximum exposure to credit risk.

The Company uses judgement in making assumptions around the risk of default and expected loss rates, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Other receivables are considered to be low risk when they have a low risk of default and the issuer has strong capacity to meet its contractual cash flow obligations in the near term.

c) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to ensure sufficient funds are available to meet its obligations as they fall due. The Company's trade and other payables as well as borrowings as at 31 December 2019 are payable in less than three months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. Subsequent events
The financial statements have been prepared based upon conditions existing at 31 December 2019 and considers any relevant events that occur subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period.

Events that occur that are indicative of conditions that existed after 31 December 2019 are not adjusted for in the financial statements. Non-adjusting events are listed as follows:

COVID-19
Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020, which is indicative of a condition that did not exist at the end of the reporting date.

During this period 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.

As the scale and duration of these developments remain uncertain, it is difficult to quantify the financial impact of the evolving situation. The Company will continue to monitor and assess, but as detailed in Note 2.1, does not expect a material adverse impact on its ability to continue as a going concern.

24. Approval of financial statements
The financial statements were adopted and authorised for issue by the directors on 15 July 2020.