



Impero A/S

Klamsagervej 27, 1.
8230 Åbyhøj
CVR No. 32326676

Annual report 2019

The Annual General Meeting adopted the
annual report on 20.05.2020

Carsten Gerner

Chairman of the General Meeting

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Entity details

Entity

Impero A/S

Klamsagervej 27, 1.

8230 Åbyhøj

CVR No.: 32326676

Registered office: Aarhus

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Sten Tore Sanberg Davidsen, Chairman

Carsten Gerner

Martin Pronk

Jørn Gregersen Grove

Executive Board

Jacob Engedal Sørensen

Rikke Birgitte Skov, CEO

Karsten Mayland

Morten Balle

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Impero A/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 20.05.2020

Executive Board

Rikke Birgitte Skov
CEO

Karsten Mayland

Jacob Engedal Sørensen

Morten Balle

Board of Directors

Sten Tore Sanberg Davidsen
Chairman

Jørn Gregersen Grove

Martin Pronk

Carsten Gerner

Independent auditor's report

To the shareholders of Impero A/S

Opinion

We have audited the financial statements of Impero A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 20.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne32127

Mads Juul Hansen

State Authorised Public Accountant
Identification No (MNE) mne44386

Management commentary

Primary activities

The main activity has been in the development and sale of web-based services and related business.

Development in activities and finances

It's all about growth

2019 was a yet another busy year for Impero. We are pleased with the market expansion, as we achieved a growth in Annual Recurring Revenue (ARR) of 44%. We did this, while expanding throughout Europe and building up a Partner Strategy with select Big4 firms getting a strong foothold in Germany and, welcoming new customers from various countries and industries.

Impero's vision is to create a safer world

Impero's vision is to create a safer world, making it easy for people, companies and institutions to trust each other and links directly to UN's Sustainable Development Goal number 16.

Global Customers from UK, Denmark, Germany, Luxembourg, and Finland and from multiple sectors joined the Impero community in 2019 in their effort to benefit from our affordable and flexible tool, allowing them to automate and simplify compliance processes as well as documentation hereof.

Furthermore, the amount of regulation and related demand for documentation and reporting is expanding, and with companies and their management being held responsible across even more areas, the request for proper, simple to use and affordable support of compliance processes is increasing.

Our mission is to empower and inspire with the worlds most trusted Compliance Management Solution that changes culture and behavior through ease of use.

As focus on compliance across all business areas is growing, we continue to deliver our highly innovative and intuitive Risk and Compliance SaaS Tool to large and mid-sized organizations simplifying their compliance processes in a cost-efficient manner through automation.

Our many activities in 2019 helped realise our strategic goals related to international expansion, and 2019 came with a new high in the number of user-sessions on Impero, as they have increased by almost 50% from January 2019.

Introducing Impero into new markets

We have proudly introduced new customers from Denmark, Luxembourg, Germany, Finland and UK to the world's most intuitive compliance system, and we established UK Impero Ltd in the UK late 2019 to support further expansion in one of the world's most compliance driven economies.

On top of welcoming new customers, the growth is driven by our existing customers expanding their usage by implementing Impero to new business areas. Through 2019 approximately 30% of the net growth in ARR achieved came from existing customers.

Many customers begin by utilizing Impero within finance or tax domains to automate, streamline, and document processes within risk and compliance, e.g. risk assessment and management, tax control frameworks and month-end-closing activities, etc.

We have always felt a strong commitment to making a difference and to delivering value to our customers. As they experience the benefits garnered by rapid automatization and our trusted documentation and reporting modules, many opt to expand their use of Impero's intuitive tool venturing into IT, procurement, legal, supply chain management, etc.

Fulfilling our mission through our global reach

Impero is currently being used in more than 90 countries by customers based out of Denmark, Germany, UK, Luxembourg, Switzerland, Finland and US, with main market momentum in Denmark and Germany. We are working closely with global consultancies to develop relevant markets and to secure proper implementation support for global companies. We are very pleased to see the interest from partners for working with Impero is ever increasing.

Our expectations for 2020 is an even further growth in business volume

Expansion across markets remains a strategic priority on the path to realizing our ambitious 2020 goal of +60% growth. We are also conscious of the importance of continually delivering high quality to existing customers and adding value to their businesses to support our growth strategy. Looking back at 2019, over 90% of our customers chose to extend their subscriptions with Impero and, in many cases, increase their engagement with us. Being able to retain customers is highly important to us and our retention rate as well as the expansion from existing customers is evidence of their commercial satisfaction with Impero's platform.

Product Development

We attract and retain customers through outstanding customer support and the continued development of Impero. In 2019, customers embraced our event-log as well as our reporting offering, which undergoes continuous enhancements. Furthermore, we spent 2019 on updating the technology platform and expanding our development and operations team considerably to allow for increased speed in bringing new functionality and features to the market.

Looking forward we are redefining our risk offering to support the risk management processes in complex, global organizations even better. Furthermore, we are taking our user administration and our control modules to the next level and at the same time presenting a completely new and updated look of Impero to make the user experience even more flawless. Last but not least we are also developing more APIs to support the growing need for interoperability to other solutions.

In parallel with the larger updates we are continuously bringing smaller enhancements and improvements to the market for the benefit of all Impero customers.

Security is key

Being on top of security and data integrity is considered 'license to operate' for Impero. To document our efforts in keeping the solution highly secure at all times, we are working closely with PwC as well as other advisors, and in 2019 we got our first ISAE 3000 audit statement. As in previous years, we conducted a number of security tests

with highly satisfying results. We are on an ongoing basis working with developing and enforcing our security policies and doing our utmost to live up to the expectations of the global companies doing business with Impero.

The 2020 initiatives will help our customers stay at the forefront and contribute to consolidating Impero as a secure, reliable and innovative software.

Financial results reflect Impero being a growth case

The net turnover for the year is DKK 6,8 m against DKK 5,4 m last year. The results from ordinary activities after tax are DKK -8,1m against DKK -8,5m last year.

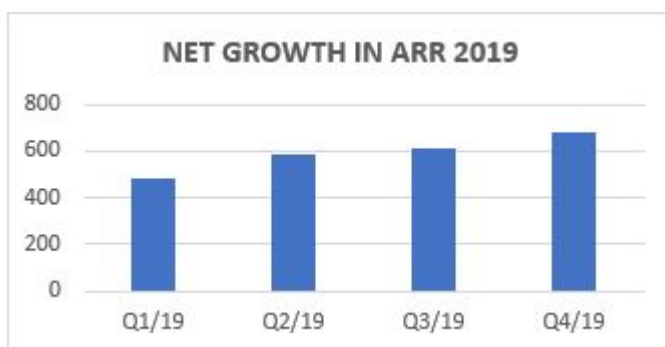
Our most important key performance indicators are Annual Recurring Revenue (ARR) and churn.

Net growth in ARR

Our net growth in ARR was developing positively over the year as shown in the graph to the right.

The revenue stems from a broad variety of industries and geographies.

As shown below we do experience a strong growth from our existing customers, as they continue to spread the use of Impero to new areas.



In 2020 approximately 30% of our growth came from existing customers, and we saw an increase of 44% in our Net ARR (ARR after churn). Our churn amounted to 8%, somewhat higher than the yearly 5% we expect. This was mainly due to one large client introducing a strategy for integrating everything on one platform.

Strong backup to Impero from current investors

Impero’s offensive growth strategy – including our strong focus on developing the solution – is cash consuming. Therefore, we are continuously monitoring and adjusting the growth investment according to the actual financial situation. Being in this phase of our development we have a strong focus on liquidity.

To support the growth, Impero has taken in new capital during 2019. In January 2019 and December 2019 Impero completed two capital increases of a total of DKK 9.0m partly through conversion of debt (DKK 4.2m) partly through cash deposit of DKK 4.8m. The capital increase was carried out with current investors and management,

and all parties have great confidence in Impero.

Outlook

The initial financial outlook for 2020, and the foundation for our growth strategy, was based on a number of assumptions, including that relevant macroeconomic trends would not significantly change the business conditions for Impero or our customers during 2020.

Late Q1/2020 that has obviously changed. We now expect a global recession.

Yet, our financial outlook for 2020 is positive. Based on current market trends and Impero’s strategy as an affordable solution for securing compliance activities are handled and documented properly, we trust in our ability to grow the company. Net Annual Recurring Revenue is expected go up +60%, (including churn which is expected to be stabilized around 5%).

Impero is confident in its ability to generate a positive cash flow from new customers over the customers’ lifetime, and the company will therefore continue acquiring new customers in already established markets as well as in new markets in Europe with special focus on DACH. Furthermore, we are following our partners into new markets with strong demands for compliance.

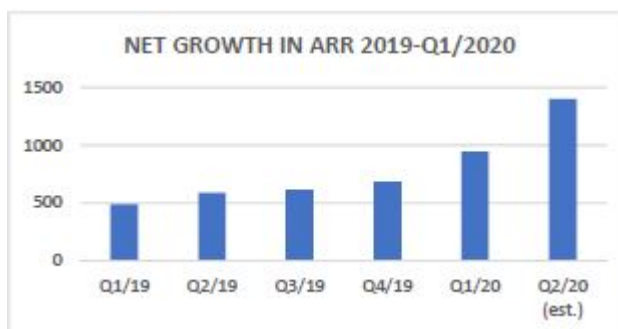
In 2020, Impero will invest its current cash funds in acquiring new customers. Revenue is recognised over the subscription period, which means revenue will be less than the Annual Recurring Revenue (ARR) as long as the company is expanding.

Events after the balance sheet date

In February 2020 Impero completed second half of the capital increase planned in late 2019. The round secured another DKK 2.8m. Again, our current investors and management team showed their trust in Impero. In addition to this group a board member joined the existing group of investors. All investors believe strongly in Impero’s business.

Impero’s first quarter was very successful with a growth of more than 90% in new NET ARR (new ARR after churn) compared to same quarter last year.

Expectations for Q2 are positive as well. Based on a very strong pipeline.



Yet, the full effect of the Corona Pandemic on the business climate remains to be seen.

No other events have occurred after the balance sheet date that would influence the evaluation of the Annual Report.

Obviously, the current pandemic will continue to affect the way we work as well as the markets we are operating in. Luckily, most of Impero’s employees are accustomed to working remotely, and the transition to working together apart has been fairly easy. Also, our client meetings, workshops with partners, etc. are continuing to take place – now based on video conferencing.

Last but not least, we would like to take the opportunity to thank our customers, partners and shareholders for their trust in Impero. We would also like to extend considerable thanks and gratitude to our employees without whom we could not deliver the excellent product and service we are known for. We are on track towards our 2020 goal and will continue to work hard to achieve it.

Income statement for 2019

| | Notes | 2019 DKK | 2018 DKK |
|--|-------|--------------------|--------------------|
| Gross profit/loss | | 2,411,087 | 1,064,493 |
| Staff costs | 1 | (9,244,015) | (8,604,445) |
| Depreciation, amortisation and impairment losses | 2 | (1,194,061) | (1,037,606) |
| Operating profit/loss | | (8,026,989) | (8,577,558) |
| Other financial income | | (344) | 84 |
| Other financial expenses | | (314,567) | (91,986) |
| Profit/loss before tax | | (8,341,900) | (8,669,460) |
| Tax on profit/loss for the year | 3 | 236,814 | 211,200 |
| Profit/loss for the year | | (8,105,086) | (8,458,260) |
| Proposed distribution of profit and loss | | | |
| Retained earnings | | (8,105,086) | (8,458,260) |
| Proposed distribution of profit and loss | | (8,105,086) | (8,458,260) |

Balance sheet at 31.12.2019

Assets

| | Notes | 2019 DKK | 2018 DKK |
|------------------------------------|-------|------------------|------------------|
| Completed development projects | 5 | 3,579,047 | 4,111,761 |
| Development projects in progress | 5 | 657,638 | 242,560 |
| Intangible assets | 4 | 4,236,685 | 4,354,321 |
| Investments in group enterprises | | 877 | 0 |
| Deposits | | 126,778 | 69,400 |
| Other financial assets | 6 | 127,655 | 69,400 |
| Fixed assets | | 4,364,340 | 4,423,721 |
| Trade receivables | | 1,998,345 | 1,195,625 |
| Receivables from group enterprises | | 63,014 | 0 |
| Deferred tax | | 434,964 | 434,964 |
| Income tax receivable | | 236,814 | 211,200 |
| Prepayments | | 68,755 | 0 |
| Receivables | | 2,801,892 | 1,841,789 |
| Cash | | 1,968,533 | 8,383 |
| Current assets | | 4,770,425 | 1,850,172 |
| Assets | | 9,134,765 | 6,273,893 |

Equity and liabilities

| | Notes | 2019 DKK | 2018 DKK |
|--|--------------|---------------------|---------------------|
| Contributed capital | | 1,236,630 | 922,727 |
| Reserve for development expenditure | | 3,304,613 | 3,396,369 |
| Retained earnings | | (2,443,818) | (4,746,585) |
| Equity | | 2,097,425 | (427,489) |
| Bank loans | | 0 | 515,607 |
| Other payables | | 232,124 | 0 |
| Non-current liabilities other than provisions | 7 | 232,124 | 515,607 |
| Bank loans | | 0 | 62,029 |
| Prepayments received from customers | | 4,494,667 | 2,826,724 |
| Trade payables | | 273,289 | 176,123 |
| Payables to associates | | 389,739 | 2,095,292 |
| Other payables | | 1,647,521 | 1,025,607 |
| Current liabilities other than provisions | | 6,805,216 | 6,185,775 |
| Liabilities other than provisions | | 7,037,340 | 6,701,382 |
| Equity and liabilities | | 9,134,765 | 6,273,893 |
| Contingent liabilities | 8 | | |

Statement of changes in equity for 2019

| | Contributed capital DKK | Reserve for development expenditure DKK | Retained earnings DKK | Total DKK |
|---|-------------------------------|--|-----------------------------|------------------|
| Equity beginning of year | 922,727 | 3,300,180 | (4,773,715) | (550,808) |
| Corrections of material errors | 0 | 96,189 | 27,130 | 123,319 |
| Adjusted equity, beginning of year | 922,727 | 3,396,369 | (4,746,585) | (427,489) |
| Increase of capital | 313,903 | 0 | 10,316,097 | 10,630,000 |
| Transfer to reserves | 0 | (91,756) | 91,756 | 0 |
| Profit/loss for the year | 0 | 0 | (8,105,086) | (8,105,086) |
| Equity end of year | 1,236,630 | 3,304,613 | (2,443,818) | 2,097,425 |

Notes

1 Staff costs

| | 2019 DKK | 2018 DKK |
|---------------------------------------|------------------|------------------|
| Wages and salaries | 8,905,504 | 8,296,970 |
| Pension costs | 19,000 | 5,000 |
| Other social security costs | 74,147 | 68,346 |
| Other staff costs | 245,364 | 234,129 |
| | 9,244,015 | 8,604,445 |
| Average number of full-time employees | 14 | 11 |

2 Depreciation, amortisation and impairment losses

| | 2019 DKK | 2018 DKK |
|-----------------------------------|------------------|------------------|
| Amortisation of intangible assets | 1,194,061 | 1,037,606 |
| | 1,194,061 | 1,037,606 |

3 Tax on profit/loss for the year

| | 2019 DKK | 2018 DKK |
|-------------|------------------|------------------|
| Current tax | (236,814) | (211,200) |
| | (236,814) | (211,200) |

The Company has a tax assets t.DKK 3.257, which is not recognised in the balance sheet.

4 Intangible assets

| | Completed development projects DKK | Development projects in progress DKK |
|---|---|---|
| Cost beginning of year | 7,072,068 | 242,560 |
| Transfers | 242,560 | (242,560) |
| Additions | 418,788 | 657,638 |
| Cost end of year | 7,733,416 | 657,638 |
| Amortisation and impairment losses beginning of year | (2,960,307) | 0 |
| Amortisation for the year | (1,194,062) | 0 |
| Amortisation and impairment losses end of year | (4,154,369) | 0 |
| Carrying amount end of year | 3,579,047 | 657,638 |

5 Development projects

Development projects in progress include the development of a new software platform. The development project essentially consists of costs in the form of direct salaries, which are registered through the company's internal project module. The management is of the opinion that it is technically possible to complete the development project during execution.

The carrying amount is 4.237 t.dkk the 31.12.2019. The software platform is expected to bring significant competitive advantages and thus a significant increase in the level of activity and profit for the company in subsequent periods.

6 Financial assets

| | Investments in group enterprises DKK | Deposits DKK |
|------------------------------------|---|-------------------------|
| Cost beginning of year | 0 | 69,400 |
| Additions | 877 | 57,378 |
| Cost end of year | 877 | 126,778 |
| Carrying amount end of year | 877 | 126,778 |

UK Impero Ltd was registered on 26th September 2019. UK Impero Ltd will prepare the first annual report by the end of 2020.

7 Non-current liabilities other than provisions

| | Due after more than 12 months 2019 DKK | Outstanding after 5 years 2019 DKK |
|----------------|---|---|
| Other payables | 232,124 | 232,124 |
| | 232,124 | 232,124 |

8 Contingent liabilities

The company has entered into operational leasing contracts with an average annual leasing payment of DKK 165,000. The leasing contracts have 22-23 months left to run, and the total outstanding leasing payment is DKK 308,800.

The company ended a rent contract with a 3 months notice period and a total termination obligation of DKK 28,500.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material errors in previous years

Material misstatements concerning previous years have been adjusted. Management became aware that the amortisation recognised for intangible assets was misstated for the financial year 2018. This has been adjusted in the Company's equity in the 2019 annual report. The comparative figures for 2018 have been adjusted accordingly, causing the pre-tax profit for the year to be positively affected by DKK 123k. The adjustment has not had any tax effect.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-10 years.

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

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.