

Exerp Holdings ApS

Amaliegade 3, 4.
1256 København K
CVR No. 42370738

Annual report 2022

The Annual General Meeting adopted the
annual report on 28.07.2023



Randy Edward Eckels

Chairman of the General Meeting

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Entity details

Entity

Exerp Holdings ApS

Amaliegade 3, 4.

1256 København K

Business Registration No.: 42370738

Date of foundation: 07.05.2021

Registered office: København

Financial year: 01.01.2022 - 31.12.2022

Executive Board

Randy Edward Eckels

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Exerp Holdings ApS for the financial year 01.01.2022 - 31.12.2022.

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

In my opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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

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

Copenhagen, 28.07.2023

Executive Board

Randy Edward Eckels

Independent auditor's report

To the shareholder of Exerp Holdings ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Exerp Holdings ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 28.07.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Flemming Larsen

State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000
Key figures		
Gross profit/loss	81,727	39,104
Operating profit/loss	(12,696)	(15,526)
Net financials	(810)	(234)
Profit/loss for the year	(18,701)	(14,408)
Balance sheet total	274,118	297,249
Investments in property, plant and equipment	359	301
Equity	(33,083)	(14,304)
Cash flows from operating activities	20,623	(21,264)
Cash flows from investing activities	(370)	(244,156)
Cash flows from financing activities	0	271,371
Ratios		
Equity ratio (%)	(12.07)	(4.81)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Equity ratio (%):

Equity * 100

Balance sheet total

Primary activities

The company's purpose is, directly or through equity participation in other companies to operate in the development, commercialisation and delivery of software and digital solutions as well as other activities deemed by the directors as related activities.

Development in activities and finances

The Company's income statement for 2022 shows a net loss of DKK 0.1M and DKK 18,7M for the Group, while the balance sheet at 31 December 2022 shows negative equity of DKK 0.2M for the Company and DKK 33.1M for the Group. Management believe that the negative equity will be restored via earnings in the operative companies.

Following the previous year's acquisition by Clubessential Holdings LLC the company embarked on a thorough transformation process at the start of 2022. The goal with this program was to improve profitability of all revenue streams, as well as laying the foundation for ambitious growth in top-line recurring revenue. Efficiencies within the Exerp group, and synergies in the wider group of Clubessential companies, have all been explored and implemented or are planned for 2023. During 2022 we have made changes in top management and the organisational structures.

The company continues to invest in its software platform and the modernisation of its IT infrastructure and technical stack. This provides exciting new opportunities to capitalise on expertise and resources in other group companies across the globe.

Exerp Group achieved year-on-year growth across both recurring and one-time revenue streams of approx 112%. Higher recurring revenue was driven by a combination of new client roll-outs and increased club numbers of existing clients, and is seen in both realised and annualised terms. One-time fees increased due to a targeted focus in the consultancy and development departments as well as higher activity in professional services in general.

Profit/loss for the year in relation to expected developments

Group revenues and EBITDA was expected to be increased by 15-18%. The group managed to increase Revenue with approx 112% and EBITDA by approx 300%.

Uncertainty relating to recognition and measurement

The company acquired in May 2021 100% of the shares in the Exerp Group for a consideration of DKK 271M.

As no active market exists for the assets and liabilities acquired, especially in regard to intangible assets, management has estimated the fair value of the fair market value recognised in the consolidated financial statements, ref. note 5. The methods applied are based on present value of future cash flows calculated based on client contracts and other expected cash flows related to the assets. Trade receivables has been recognized at the contractual amounts and no adjustments has been required.

As the fair market value is based on complex assumptions and future projections of expected cash-flow there may exist uncertainties in measurement of fair values of asset as the future may not develop as expected.

Outlook

For 2023 an EBITDA of 50-55 million DKK is expected, and expected revenue growth from FY22-FY23 is 10-15%

Consolidated income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		81,727,380	39,103,811
Staff costs	1	(52,514,429)	(30,173,503)
Depreciation, amortisation and impairment losses	2	(41,909,183)	(24,456,006)
Operating profit/loss		(12,696,232)	(15,525,698)
Other financial income		3,239	240,082
Other financial expenses		(813,515)	(474,493)
Profit/loss before tax		(13,506,508)	(15,760,109)
Tax on profit/loss for the year	3	(5,194,227)	1,352,386
Profit/loss for the year	4	(18,700,735)	(14,407,723)

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects		0	0
Acquired intangible assets		77,404,825	91,694,947
Acquired licences		14,445,490	24,642,305
Acquired trademarks		9,623,118	10,766,459
Goodwill		133,986,166	149,905,315
Intangible assets	5	235,459,599	277,009,026
Other fixtures and fittings, tools and equipment		558,688	609,219
Property, plant and equipment	6	558,688	609,219
Deposits		64,446	0
Financial assets	7	64,446	0
Fixed assets		236,082,733	277,618,245
Manufactured goods and goods for resale		37,792	38,771
Inventories		37,792	38,771
Trade receivables		9,117,425	9,654,599
Other receivables		1,910,011	1,959,223
Prepayments	8	765,454	2,026,487
Receivables		11,792,890	13,640,309
Cash		26,204,513	5,951,836
Current assets		38,035,195	19,630,916
Assets		274,117,928	297,249,161

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		40,000	40,000
Retained earnings		(33,123,160)	(14,344,424)
Equity		(33,083,160)	(14,304,424)
Deferred tax	9	22,675,048	28,254,994
Provisions		22,675,048	28,254,994
Other payables	10	4,933,206	4,815,136
Non-current liabilities other than provisions	11	4,933,206	4,815,136
Prepayments received from customers		38,375	93,103
Trade payables		686,633	754,174
Payables to group enterprises		271,371,342	271,371,342
Tax payable		4,759,134	2,333,233
Other payables	12	2,721,238	3,931,603
Deferred income	13	16,112	0
Current liabilities other than provisions		279,592,834	278,483,455
Liabilities other than provisions		284,526,040	283,298,591
Equity and liabilities		274,117,928	297,249,161
Group relations	15		
Subsidiaries	16		

Consolidated statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	40,000	(14,422,425)	(14,382,425)
Profit/loss for the year	0	(18,700,735)	(18,700,735)
Equity end of year	40,000	(33,123,160)	(33,083,160)

Consolidated cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		(12,696,232)	(15,525,698)
Amortisation, depreciation and impairment losses		41,909,183	24,456,005
Working capital changes	14	(3,055,611)	(25,167,671)
Other adjustments		(2)	195,592
Cash flow from ordinary operating activities		26,157,338	(16,041,772)
Financial income received		(587,606)	240,082
Financial expenses paid		(222,670)	(474,493)
Taxes refunded/(paid)		(4,724,531)	(4,987,335)
Cash flows from operating activities		20,622,531	(21,263,518)
Investments in business acquisitions incl cash acquired		0	(243,854,883)
Investments in fixed assets		(369,854)	(301,105)
Cash flows from investing activities		(369,854)	(244,155,988)
Free cash flows generated from operations and investments before financing		20,252,677	(265,419,506)
Repayments of loans etc.		0	271,371,342
Cash flows from financing activities		0	271,371,342
Increase/decrease in cash and cash equivalents		20,252,677	5,951,836
Cash and cash equivalents beginning of year		5,951,836	0
Cash and cash equivalents end of year		26,204,513	5,951,836
Cash and cash equivalents at year-end are composed of:			
Cash		26,204,513	5,951,836
Cash and cash equivalents end of year		26,204,513	5,951,836

Notes to consolidated financial statements

1 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	49,141,265	28,588,436
Pension costs	2,727,290	1,276,825
Other social security costs	586,365	308,242
Other staff costs	59,509	0
	52,514,429	30,173,503
Average number of full-time employees	66	69

2 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	41,549,427	24,237,166
Depreciation on property, plant and equipment	359,756	218,840
	41,909,183	24,456,006

3 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	11,085,574	1,969,292
Change in deferred tax	(5,891,347)	(3,321,678)
	5,194,227	(1,352,386)

4 Proposed distribution of profit/loss

	2022 DKK	2021 DKK
Retained earnings	(18,700,735)	(14,407,723)
	(18,700,735)	(14,407,723)

5 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Acquired licences DKK	Acquired trademarks DKK	Goodwill DKK
Cost beginning of year	20,926,000	100,030,851	30,590,448	11,433,408	159,191,485
Cost end of year	20,926,000	100,030,851	30,590,448	11,433,408	159,191,485
Amortisation and impairment losses beginning of year	(20,926,000)	(8,335,904)	(5,948,143)	(666,949)	(9,286,170)
Amortisation for the year	0	(14,290,122)	(10,196,815)	(1,143,341)	(15,919,149)
Amortisation and impairment losses end of year	(20,926,000)	(22,626,026)	(16,144,958)	(1,810,290)	(25,205,319)
Carrying amount end of year	0	77,404,825	14,445,490	9,623,118	133,986,166

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	611,099
Additions	358,958
Disposals	(49,733)
Cost end of year	920,324
Depreciation and impairment losses beginning of year	(1,880)
Depreciation for the year	(359,756)
Depreciation and impairment losses end of year	(361,636)
Carrying amount end of year	558,688

7 Financial assets

	Deposits DKK
Additions	64,446
Cost end of year	64,446
Carrying amount end of year	64,446

8 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions and interest relating to the financial year 2023.

9 Deferred tax

	2022	2021
	DKK	DKK
Intangible assets	22,616,333	27,943,592
Property, plant and equipment	(109,685)	(117,619)
Other deductible temporary differences	168,400	429,021
Deferred tax	22,675,048	28,254,994

	2022	2021
	DKK	DKK
Changes during the year		
Beginning of year	28,254,994	0
Recognised in the income statement	(5,579,946)	28,254,994
End of year	22,675,048	28,254,994

10 Other payables

	2022	2021
	DKK	DKK
Holiday pay obligation	4,933,206	4,815,136
	4,933,206	4,815,136

11 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK
Other payables	4,933,206
	4,933,206

12 Other payables

	2022	2021
	DKK	DKK
Wages and salaries, personal income taxes, social security costs, etc. payable	31,063	1,636,705
Other costs payable	2,690,175	2,294,898
	2,721,238	3,931,603

13 Deferred income

Deferred income comprises non-recognised revenue from service contracts.

14 Changes in working capital

	2022	2021
	DKK	DKK
Increase/decrease in receivables	(1,841,047)	1,023,254
Increase/decrease in trade payables etc.	(1,214,564)	(26,190,925)
	(3,055,611)	(25,167,671)

15 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Clubessential Holdings, LLC

4600 McAuley Place, Suite 350

Cincinnati, OH 45242

16 Subsidiaries

	Corporate	Ownership
	form	%
Exerp ApS	ApS	100.00

Parent income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		(157,000)	(100,000)
Profit/loss before tax		(157,000)	(100,000)
Tax on profit/loss for the year	1	34,540	22,000
Profit/loss for the year	2	(122,460)	(78,000)

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Investments in group enterprises		271,371,342	271,371,342
Financial assets	3	271,371,342	271,371,342
Fixed assets		271,371,342	271,371,342
Other receivables		40,000	40,000
Joint taxation contribution receivable		56,540	22,000
Receivables		96,540	62,000
Current assets		96,540	62,000
Assets		271,467,882	271,433,342

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		40,000	40,000
Retained earnings		(200,460)	(78,000)
Equity		(160,460)	(38,000)
Trade payables		157,000	100,000
Payables to group enterprises		271,471,342	271,371,342
Current liabilities other than provisions		271,628,342	271,471,342
Liabilities other than provisions		271,628,342	271,471,342
Equity and liabilities		271,467,882	271,433,342
Contingent liabilities	4		
Related parties with controlling interest	5		

Parent statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	40,000	(78,000)	(38,000)
Profit/loss for the year	0	(122,460)	(122,460)
Equity end of year	40,000	(200,460)	(160,460)

Notes to parent financial statements

1 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(34,540)	(22,000)
	(34,540)	(22,000)

2 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Retained earnings	(122,460)	(78,000)
	(122,460)	(78,000)

3 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	271,371,342
Cost end of year	271,371,342
Carrying amount end of year	271,371,342

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

4 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

5 Related parties with controlling interest

Clubessential Holdings, LLC
4600 McAuley Place, Suite 350
Cincinnati, OH 45242

owns all shares in the Entity, thus exercising control.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and plant and equipment.

Other financial income

Other financial income comprises interest income, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, 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

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc comprise development projects completed 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 in the reserve for development costs that is reduced as the development projects are amortised and written down.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

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

Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-8 years

Items of property, plant and equipment 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.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

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

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are 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.

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.

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.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and including lease liabilities.

Cash and cash equivalents comprise cash.