# Market Pay Nordic & Baltic ApS

**Lottenborgvej 24, 2800 Kongens Lyngby**

**Company reg. no. 42 40 22 57**

## Annual report

## 1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 30 July 2024.

Signed by:
558028E91A9F47C...

Signed by:
191F370CEA1D411...

Casper Simonsen
Chairman of the meeting

Nikolaj Juhl Hansen
Chair

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Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## Management's statement

Today, the Executive Board has approved the annual report of Market Pay Nordic & Baltic ApS for the financial year 1 January - 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

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

Kongens Lyngby, 30 July 2024

**Executive board**

Signed by:
Jacob Sørensen
D483910E81B14FB...

Jacob Halvoring Kofoed Sørensen

Signé par :
Frédéric Mazurier
19BA1F94A0B4411...

Frédéric Jean Pierre Mazurier

# Independent auditor's report

**To the Shareholder of Market Pay Nordic & Baltic ApS**

**Opinion**

We have audited the financial statements of Market Pay Nordic & Baltic ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under 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 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

**Basis for conclusion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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 Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance 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 judgment and maintain professional skepticism 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Statement on Management’s Review**

Management is responsible for Management’s Review.

Our opinion on the financial statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

## Independent auditor's report

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

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

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

Copenhagen, 30 July 2024

**KPMG P/S**

Company reg. no. 25 57 81 98

Signed by:
Karsten Bøgel
5EEF118447CC4EB...

Karsten Bøgel
State Authorised Public Accountant
mne27849

# Company information

| | | |
|---|---|---|
| **The company** | Market Pay Nordic & Baltic ApS<br>Lottenborgvej 24<br>2800 Kongens Lyngby | |
| | Company reg. no. | 42 40 22 57 |
| | Financial year: | 1 January 2023 - 31 December 2023<br>3rd financial year |
| **Executive board** | Jacob Halvoring Kofoed Sørensen<br>Frédéric Jean Pierre Mazurier | |
| **Auditors** | KPMG P/S<br>Dampfærgevej 28<br>2100 København Ø | |

## Financial highlights

| DKK in thousands. | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Income statement:** | | | |
| Gross profit | 70.219 | 61.210 | 13.462 |
| Profit from operating activities | 14.497 | 10.711 | -5.879 |
| Net financials | -6.528 | -5.454 | -3.130 |
| Net profit or loss for the year | 7.591 | 5.258 | -9.009 |
| **Statement of financial position:** | | | |
| Balance sheet total | 150.439 | 144.619 | 135.818 |
| Investments in property, plant and equipment | 1.282 | 2.324 | 3.416 |
| Equity | 41.060 | 33.470 | 28.212 |
| **Employees:** | | | |
| Average number of full-time employees | 55 | 55 | 17 |
| **Key figures in %:** | | | |
| Solvency ratio | 27,3 | 23,1 | 20,8 |
| Return on equity | 20,4 | 17,0 | -63,9 |

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

**Solvency ratio**

$$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

**Return on equity**

$$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

### Description of key activities of the company

Market Pay Nordic & Baltic's business activities is to deliver enterprise payment solutions to some of the world's most famous brands in retail, travel & transportation, financial services and B2B services. None of the services delivered to our clients involve transfer or processing of cash.

### Uncertainties connected with recognition or measurement

The recognition and measurement of items in the annual report is not associated with any significant uncertainty.

### Unusual matters

The company's financial position at 31 December 2023 and the results of its operations for the financial year ended 31 December 2023 are not affected by any unusual matters.

### Development in activities and financial matters

The company's income statement for the year ended 31 December 2023 shows a profit of DKK 7.590.776, and the balance sheet at 31 December 2023 shows equity of DKK 41.060.285.

The expectations of the financial results in 2023 was not included in the 2022 annual report, and the 2023 result can therefore not be held up against any previous expectations.

This year's financial result reflects the consequence of an increased investment made in further development of the Market Pay core product & services.

Management considers the financial result of 2023 to be satisfactory.

### Outlook

Investments in development of the Market Pay core product and services is expected to continue in 2024 in order to further strengthen the position of Market Pay in the market. In 2024 the company will continue to invest in the sales teams and activities to increase Market Pay's brand and win new clients. This is expected to result in a lower EBIT of 7-9 MDKK, compared to 14.5 MDKK in 2023 even though the revenue is expected to increase from 73 MDKK to 75-80 MDKK.

### The company's knowledge resources is of particular importance to its future earnings

The company know-how consists of knowledge accumulated in processes, techniques and systems applied when rendering services to customers.

### Research and development activities in or for the company

The company has a strong dependency on internal development of the core product in order to accommodate the client requirements and to ensure that the product is leading in the payment industry market. The further development of the core product was a focus point in 2023 and will continue in 2024.

## Management´s review

### Foreign branches

The company has a branch office in Lithuania. The annual accounts of the branch office are included in the Market Pay Nordic & Baltic annual report.

### Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

## Income statement 1 January - 31 December

All amounts in DKK.

| Note | | 2023 | 2022 |
|---|---|---|---|
| | **Gross profit** | **70.219.204** | **61.209.866** |
| 3 | Staff costs | -40.658.636 | -38.163.937 |
| | Depreciation and impairment of non-current assets | -15.064.012 | -12.334.450 |
| | **Profit before net financials** | **14.496.556** | **10.711.479** |
| | Other financial income | 666.160 | 1.626.523 |
| 4 | Other financial expenses | -7.194.648 | -7.080.272 |
| | **Results before tax** | **7.968.068** | **5.257.730** |
| 5 | Tax on result for the year | -377.292 | 0 |
| **6** | **Net result for the year** | **7.590.776** | **5.257.730** |

## Balance sheet at 31 December

All amounts in DKK.

| Note | Assets | 2023 | 2022 |
|---|---|---|---|
| | **Non-current assets** | | |
| 7 | Completed development projects, including patents and similar rights arising from development projects | 15.681.308 | 5.360.263 |
| 8 | Goodwill | 80.432.579 | 91.277.422 |
| 9 | Development projects in progress and prepayments for intangible assets | 20.421.415 | 12.837.380 |
| | Total intangible assets | 116.535.302 | 109.475.065 |
| 10 | Other fixtures, fittings, tools and equipment | 4.765.911 | 4.756.287 |
| | Total property, plant, and equipment | 4.765.911 | 4.756.287 |
| 11 | Deposits | 900.268 | 713.623 |
| | Total investments | 900.268 | 713.623 |
| | **Total non-current assets** | **122.201.481** | **114.944.975** |
| | **Current assets** | | |
| | Trade receivables | 6.776.172 | 5.720.032 |
| | Receivables from group entities | 611.032 | 362.298 |
| | Other receivables | 1.395.876 | 2.147.771 |
| 12 | Prepayments | 6.946.888 | 6.177.513 |
| | Total receivables | 15.729.968 | 14.407.614 |
| | Cash and cash equivalents | 12.507.297 | 15.266.618 |
| | **Total current assets** | **28.237.265** | **29.674.232** |
| | **Total assets** | **150.438.746** | **144.619.207** |

## Balance sheet at 31 December

All amounts in DKK.

| Note | Equity and liabilities | 2023 | 2022 |
|---|---|---|---|
| | **Equity** | | |
| | Contributed capital | 50.000 | 50.000 |
| | Reserve for development costs | 28.160.124 | 14.194.162 |
| | Retained earnings | 12.850.161 | 19.225.347 |
| | **Total equity** | **41.060.285** | **33.469.509** |
| | **Provisions** | | |
| 13 | Provisions for deferred tax | 377.292 | 0 |
| 14 | Other provisions | 3.485.057 | 3.611.777 |
| | **Total provisions** | **3.862.349** | **3.611.777** |
| | **Liabilities other than provisions** | | |
| | Payables to group entities | 99.354.819 | 95.375.800 |
| | Other payables | 1.965.838 | 4.750.338 |
| 15 | Total long term liabilities other than provisions | 101.320.657 | 100.126.138 |
| | Trade payables | 2.533.340 | 5.208.550 |
| | Payables to group entities | 750.458 | 686.092 |
| | Other payables | 911.657 | 1.517.141 |
| | Total short term liabilities other than provisions | 4.195.455 | 7.411.783 |
| | **Total liabilities other than provisions** | **105.516.112** | **107.537.921** |
| | **Total equity and liabilities** | **150.438.746** | **144.619.207** |

**1 Subsequent events**
**2 Other income**
**16 Contingencies**
**17 Related parties**

## Statement of changes in equity

All amounts in DKK.

| | Contributed capital | Reserve for development costs | Retained earnings | Total |
|---|---|---|---|---|
| Equity 1 January 2023 | 50.000 | 14.194.162 | 19.225.347 | 33.469.509 |
| Retained earnings for the year | 0 | 13.965.962 | -6.375.186 | 7.590.776 |
| | **50.000** | **28.160.124** | **12.850.161** | **41.060.285** |

# Notes

All amounts in DKK.

**1. Subsequent events**

The company's financial position at 31 December 2023 and the results of its operations for the financial year ended 31 December 2023 are not affected by any unusual matters.

**2. Other income**

During 2023 provisions related to the SPA has been reversed. As a consequence, other debt has been reduced by DKK 2,8 million against other income.

| | | 2023 | 2022 |
|---|---|---|---|
| **3.** | **Staff costs** | | |
| | Salaries and wages | 37.049.482 | 34.305.358 |
| | Pension costs | 3.270.933 | 3.575.747 |
| | Other costs for social security | 338.221 | 282.832 |
| | | **40.658.636** | **38.163.937** |
| | Executive board and board of directors | 1.175.041 | 964.967 |
| | Average number of employees | 55 | 55 |
| **4.** | **Other financial expenses** | | |
| | Financial costs, group entities | 5.839.019 | 5.848.350 |
| | Other financial costs | 1.355.629 | 1.231.922 |
| | | **7.194.648** | **7.080.272** |
| **5.** | **Tax on result for the year** | | |
| | Adjustment of deferred tax for the year | 377.292 | 0 |
| | | **377.292** | **0** |
| **6.** | **Proposed distribution of net profit** | | |
| | Transferred to reserve for development costs | 13.965.962 | 10.709.147 |
| | Allocated from retained earnings | -6.375.186 | -5.451.417 |
| | **Total allocations and transfers** | **7.590.776** | **5.257.730** |

All amounts in DKK.

| | | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| **7.** | **Completed development projects, including patents and similar rights arising from development projects** | | |
| | Cost 1 January | 6.088.646 | 1.666.359 |
| | Transfers | 13.267.797 | 4.422.287 |
| | **Cost 31 December** | **19.356.443** | **6.088.646** |
| | Amortisation and write-down 1 January | -728.383 | -56.333 |
| | Amortisation and depreciation for the year | -2.946.752 | -672.050 |
| | **Amortisation and write-down 31 December** | **-3.675.135** | **-728.383** |
| | **Carrying amount, 31 December** | **15.681.308** | **5.360.263** |

Completed development projects relates to products that has been launched on the market. The completed projects have already generated substantial revenue.

| | | | |
|---|---|---|---|
| **8.** | **Goodwill** | | |
| | Cost 1 January | 108.448.422 | 108.448.422 |
| | **Cost 31 December** | **108.448.422** | **108.448.422** |
| | Amortisation and write-down 1 January | -17.171.000 | -6.326.158 |
| | Amortisation and depreciation for the year | -10.844.843 | -10.844.842 |
| | **Amortisation and write-down 31 December** | **-28.015.843** | **-17.171.000** |
| | **Carrying amount, 31 December** | **80.432.579** | **91.277.422** |

Goodwill is initially recognized at the amount by which the purchase price for a business combination exceeds the recognized value of identifiable assets and liabilities acquired.

All amounts in DKK.

| | | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| **9.** | **Development projects in progress and prepayments for intangible assets** | | |
| | Cost 1 January | 12.837.380 | 2.857.942 |
| | Additions during the year | 20.607.514 | 9.979.438 |
| | Transfers | -13.023.479 | 0 |
| | **Cost 31 December** | **20.421.415** | **12.837.380** |
| | **Carrying amount, 31 December** | **20.421.415** | **12.837.380** |

Development projects in progress relate to development of new payment methods, payment facilitators, and security enhancements in our core payment application, used by all clients. The relating expenses comprises of internal expenses in the form of payroll costs which are recorded in the Company's internal project module. Development projects are not eligible for depreciation until they are completed and launched on the market.

| | | | |
|---|---|---|---|
| **10.** | **Other fixtures, fittings, tools and equipment** | | |
| | Cost 1 January | 5.739.397 | 3.415.663 |
| | Additions during the year | 1.282.041 | 2.323.734 |
| | **Cost 31 December** | **7.021.438** | **5.739.397** |
| | Depreciation and write-down 1 January | -983.110 | -165.551 |
| | Amortisation and depreciation for the year | -1.272.417 | -817.559 |
| | **Depreciation and write-down 31 December** | **-2.255.527** | **-983.110** |
| | **Carrying amount, 31 December** | **4.765.911** | **4.756.287** |

## Notes

All amounts in DKK.

| | | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| **11.** | **Deposits** | | |
| | Cost 1 January | 713.623 | 370.129 |
| | Additions during the year | 186.645 | 343.494 |
| | **Cost 31 December** | **900.268** | **713.623** |
| | **Carrying amount, 31 December** | **900.268** | **713.623** |

**12. Prepayments**

Prepayments comprise prepaid invoices and accured sales

| | | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| **13.** | **Provisions for deferred tax** | | |
| | Deferred tax relating to the net profit or loss for the year | 377.292 | 0 |
| | | **377.292** | **-1.551.442** |
| | The following items are subject to deferred tax: | | |
| | Intangible assets | 8.839.453 | 3.877.822 |
| | Property, plant, and equipment | 232.386 | 240.278 |
| | Accounting provisions for liabilities | -766.712 | -794.590 |
| | Losses carried forward to next years | -7.927.835 | -4.874.952 |
| | | **377.292** | **-1.551.442** |

In the financial year 2022, the company had unrecognized deferred tax asset amounting to DKK 1.551.442 due to uncertainty about whether it could be realized within the next few years.

| | | 31/12 2023 | 31/12 2022 |
|---|---|---|---|
| **14.** | **Other provisions** | | |
| | Other provisions 1 January | 3.611.777 | 2.576.308 |
| | Change in other provisions for the year | -126.720 | 1.035.469 |
| | | **3.485.057** | **3.611.777** |

## Notes

All amounts in DKK.

### 15. Long term labilities other than provisions

| | Total payables 31 Dec 2023 | Current portion of long term payables | Long term payables 31 Dec 2023 | Outstanding payables after 5 years |
|---|---|---|---|---|
| Payables to group entities | 99.354.819 | 0 | 99.354.819 | 0 |
| Other payables | 1.965.838 | 0 | 1.965.838 | 0 |
| | **101.320.657** | **0** | **101.320.657** | **0** |

### 16. Contingencies

**Contingent liabilities**

The company has assumed liabilities of total amounts to TDKK 1.174. Apart from this, the company has not assumed any liabilities, in excess of the lliabilities resulting from its ordinary business.

### 17. Related parties

**Controlling interest**

Match Bidco SAS
9 rue du Quatre Septembre
FR-75002 Paris
France

**Transactions**

The company has the following related party transactions:

| | 2023 | 2022 |
|---|---|---|
| Purchase of services from group entities | 2.994.639 | 6.481.252 |
| Sales to group entities | 4.156.168 | 786.557 |
| Financial expenses group entities | 5.839.019 | 5.848.350 |
| Loan from group entities | 84.650.496 | 86.510.496 |
| Receivables from group entities | 611.032 | 362.298 |
| Payables to group entities | 100.105.277 | 100.105.277 |

# Notes

All amounts in DKK.

**Consolidated financial statements**

The company is included in the consolidated financial statements of Match Topco SAS.

The consolidated financial statement can be obtained at the following address:
9 rue du Quatre Septembre
FR-75002 Paris
France

## Accounting policies

The annual report for Market Pay Nordic & Baltic ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C companies (medium-sized companies).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

In pursuance of section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared for the company, as the cash flows are included in the consolidated cash flow statement of Match Topco SAS.

The consolidated financial statement can be obtained at the following address:
9 rue du Quatre Septembre
FR-75002 Paris
France

**Recognition and measurement in general**

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

## Income statement

**Gross profit**

Gross profit comprises the revenue,  own work capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

**Other external expenses**

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

**Own work capitalised**

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

**Staff costs**

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

**Depreciation, amortisation, and write-down for impairment**

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

**Other operating expenses**

Other operating expenses comprise items of secondary nature as regards the principal activities of the company, including losses on the disposal of intangible and tangible assets.

**Development costs**

Development costs comprise costs, salaries, and wages and depreciation directly or indirectly attributable to the company’s research and development activities.

Development costs are recognised in the income statement in the year incurred. Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. Furthermore, there must be a proven correlation between the costs incurred and future earnings. However, lack of official approvals, customer approvals, and other uncertainties will often imply that the requirements for recognition as assets are not met and that development costs are charged to the income statement as incurred.

**Financial income and expenses**

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

**Tax on net profit or loss for the year**

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

## Balance sheet

**Intangible assets**

**Development projects**

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and write-downs for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 10 years.

**Goodwill**

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 10 years.

**Property, plant, and equipment**

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

| | Useful life |
|---|---|
| Other fixtures and fittings, tools and equipment | 3-5 years |

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

**Fixed asset investments**

**Deposits**

Deposits are measured at amortised cost and represent lease deposits, etc.

**Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group entities are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

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

**Prepayments**

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand.

**Equity**

**Reserve for development costs**

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

**Income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

**Provisions**

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

**Liabilities other than provisions**

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group entities, and other payables are measured at amortised cost which usually corresponds to the nominal value.

**Foreign currency translation**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.