CONSOLIDATED FINANCIAL STATEMENTS (IFRS) 2020

Consolidated comprehensive income statement

In thousands of euro	Note	2020	2019
Net sales	6	**65 161**	**57 955**
Other operating income	7	121	372
Materials and services	8	-2 466	-3 598
Employee benefit expense	9, 21	-33 947	-29 912
Depreciation, amortisation and impairment losses	10	-10 398	-8 498
Other operating expenses	11	-5 589	-5 911
Operating profit (EBIT)		**12 881**	**10 409**
Financial income	12	82	64
Financial expenses	12	-939	-906
Net financial expenses		**-857**	**-843**
Profit (loss) before taxes		**12 024**	**9 566**
Income taxes	13	-2 445	-1 951
Profit (loss) for the financial year		**9 579**	**7 615**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging		0	60
Taxes on items that may be reclassified subsequently to profit or loss		0	-12
Other comprehensive income for the financial year, net of tax		**0**	**48**
Total comprehensive income for the financial year		**9 579**	**7 663**
Earnings per share calculated on the profit attributable to owners of the parent company			
Basic earnings per share (euro)	14	0,22	0,18
Diluted earnings per share (euro)	14	0,22	0,18

Consolidated balance sheet

In thousands of euro	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Goodwill	16	23 956	20 728
Other intangible assets	16	22 921	14 930
Right-of-use assets	15	7 965	8 400
Property, plant and equipment	15	2 479	2 584
Other non-current financial assets	17	337	237
Deferred tax assets	13	64	67
Capitalised contract costs	6	11 033	10 054
Total non-current assets		**68 754**	**57 000**
Current assets			
Trade and other receivables	18	7 055	6 521
Current tax assets		10	34
Cash and cash equivalents	19	9 104	7 786
Total current assets		**16 168**	**14 342**
Total assets		**84 923**	**71 342**
CAPITAL AND RESERVES			
Share capital	20	80	80
Reserve for invested unrestricted equity	20	14 818	11 234
Fair value reserve	20	0	-45
Retained earnings	20, 21	17 271	12 304
Total equity		**32 169**	**23 573**
LIABILITIES			
Non-current liabilities			
Financial liabilities	23	30 000	28 000
Trade and other payables	25	556	215
Lease liabilities	24	5 859	6 553
Other non-current financial liabilities	24	0	56
Deferred tax liabilities	13	732	307
Total non-current liabilities		**37 147**	**35 130**
Current liabilities			
Trade and other payables	25	12 134	10 208
Lease liabilities	24	2 280	1 940
Current tax liabilities	25	1 193	491
Total current liabilities		**15 607**	**12 638**
Total liabilities		**52 754**	**47 769**
Total equity and liabilities		**84 923**	**71 342**

Consolidated cash flow statement

In thousands of euro	Note	2020	2019
Cash flow from operating activities			
Profit (loss) before taxes		12 024	9 566
Adjustments:			
Depreciation, amortisation and impairment losses	10	10 398	8 498
Financial income	12	-82	-64
Financial expenses	12	939	906
Other adjustments		636	330
Changes in working capital:			
Change in trade and other receivables	18	182	-559
Change in trade payables and other liabilities	25	1 169	1 995
Interest received		82	64
Taxes paid		-1 912	-2 399
Net cash flow from operating activities		**23 436**	**18 337**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	15	252	240
Acquisition of property, plant and equipment	15	-792	-1 107
Capitalisation of contract costs	6	-4 239	-4 567
Acquisition of intangible assets	16	-10 332	-5 580
Acquired businesses	5	-2 352	-2 080
Investments		-100	0
Net cash flow from investing activities		**-17 563**	**-13 094**
Cash flow from financing			
Proceeds from share issue		1 878	0
Acquisition of treasury shares		0	-674
Interest paid		-943	-888
Repayment of capital / dividends paid		-5 211	-3 777
Realisation of options		0	-684
Change in instalment payment liabilities	23	-148	-106
Repayment of lease liabilities	24	-2 129	-1 746
Proceeds from loans and borrowings	23	30 000	4 500
Repayments of loans and borrowings	23	-28 000	0
Net cash flow from financing		**-4 554**	**-3 375**
Change in cash and cash equivalents		**1 320**	**1 869**
Cash and cash equivalents at 1 January		7 786	5 914
Net effect of exchange rate fluctuations on cash and cash equivalents held		-2	3
Cash and cash equivalents at 31 December	**19**	**9 104**	**7 786**

Consolidated statement of changes in equity

		Attributable to owners of the parent company				
In thousands of euro	**Note**	**Share capital**	**Reserve for invested unrestricted equity**	**Fair value reserve**	**Retained earnings**	**Total**
Total equity at 1 January 2020	20	**80**	**11 234**	**-45**	**12 304**	**23 573**
Comprehensive income						
Profit for the financial year					9 579	9 579
Cash flow hedging						0
Total comprehensive income for the financial year		**0**	**0**	**0**	**9 579**	**9 579**
Transactions with owners of the parent company						
Dividend distribution and capital repayment					-5 211	-5 211
Average rate difference and other exchange rate differences					-2	-2
Share issue			3 585			3 585
Redeemed share options						0
Acquisition of treasury shares						0
Share-based payments	21				643	643
Total transactions with owners of the parent company		**0**	**3 585**		**-4 570**	**-983**
Other adjustments				**45**	**-42**	**3**
Total equity at 31 December 2020	**20**	**80**	**14 818**	**0**	**17 271**	**32 169**

		Attributable to owners of the parent company				
In thousands of euro	**Note**	**Share capital**	**Reserve for invested unrestricted equity**	**Fair value reserve**	**Retained earnings**	**Total**
Total equity at 1 January 2019	20	**80**	**10 608**	**-93**	**8 092**	**18 688**
Comprehensive income						
Profit for the financial year					7 615	7 615
Cash flow hedging				48		48
Total comprehensive income for the financial year		**0**	**0**	**48**	**7 615**	**7 663**
Transactions with owners of the parent company						
Dividend distribution and capital repayment					-3 777	-3 777
Average rate difference and other exchange rate differences					3	3
Share issue			2 159			2 159
Redeemed share options			-859			-859
Acquisition of treasury shares			-674			-674
Share-based payments					370	370
Total transactions with owners of the parent company		**0**	**625**	**0**	**-3 403**	**-2 778**
Total equity at 31 December 2019	**20**	**80**	**11 234**	**-45**	**12 304**	**23 573**

NOTE 1

Corporate information

Talenom is a service company that offers for its growing number of customers a wide range of accountancy and other services supporting their customers' business activities. Talenom provides services to clients using software generated by its own software development unit and it also offers its clients tools for digital financial management.

When these financial statements were released, the company had a total of 47 offices in Finland and Sweden.

The company had an average of 868 employees during the financial year.

The parent company of the Group, Talenom Plc (company ID 2551454-2), is a Finnish public limited liability company that operates under the laws of Finland. It is domiciled in Oulu and the company's registered address is Yrttipellontie 2, 90230 Oulu, Finland. A copy of the financial statements is available on the company's web site at www.talenom/fi/en/investors or at the head office of the parent company of the Group.

The financial statements were authorised for issue by the Board of Directors in their meeting on 8 February 2021.

NOTE 2

Basis of accounting

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) comprising IAS and IFRS standards as well as SIC and IFRIC interpretations, as adopted by the European Union and in force as at 31 December 2020. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation that supplement the IFRS requirements. The consolidated financial statements for the financial year 2020 incorporate the financial statements of the parent company and of all of its subsidiaries (together 'the Group'). Besides the parent company the Group includes 20 subsidiaries. The coronavirus pandemic poses uncertainties to Talenom's financial forecasts. These uncertainties will increase if these exceptional circumstances continue for a long time, causing bankruptcies among Talenom's customer companies, weaker sales to new customers and a decline in high-volume invoicing. The subsidiary Talenom Yritystilit Oy owns the share capital of Talenom Audit Oy in its entirety and the subsidiary Frivision AB owns the entire share capital of seven subsidiaries. The parent company Talenom Plc owns 100% of the other subsidiaries. The Group has 100 % control of all subsidiaries. The list of subsidiaries is disclosed in Note 5.

Consolidated financial statements are prepared for a calendar year, which is the financial year of the parent company and other companies of the Group. The figures in the financial statements are presented in thousands of euro and consequently the sum of individual figures may deviate from the presented aggregate figure. Consolidated financial statements are prepared on a historical cost basis, except for the derivative instruments measured at fair value or financial assets recognised at fair value through profit or loss.

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements under IFRS requires management to make judgments, estimates and assumptions that affect application of the accounting policies, reporting of assets and liabilities as well as the amounts of income and expenses. Although these estimates are based on management's best current knowledge, actual results may ultimately differ from those estimates. Group management has used judgement in capitalisation of contract costs. Management believes that personnel expenses related to persons which are involved in the introduction of a service and service deployment as well as other expenditures allocated to start-up and deployment are direct costs without which the Group is not able to fulfil its obligations under the contract. Management uses judgment in determining the amortisation period and method for those costs. The Group reviews realisation of the estimates and assumptions and changes in the underlying factors regularly. Changes in estimates and assumptions are recognised in the period in which the estimate or the assumption is revised and in all subsequent periods. Information on the assumptions made about the future, and major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the impairment testing of uncompleted development projects and goodwill, where the key assumptions applied require use of estimates. The following areas also involve estimates: recognition and measurement of assets arisen in business acquisitions and recognition of uncompleted software projects and deferred tax assets on losses.

The coronavirus pandemic poses uncertainties to Talenom's financial forecasts. These uncertainties will increase if these exceptional circumstances continue for a long time, causing bankruptcies among Talenom's customer companies, weaker sales to new customers and a decline in high-volume invoicing.

NOTE 3

Accounting policies for the consolidated financial statements

SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the parent company Talenom Plc and all of its subsidiaries. The consolidated financial statements include all companies in which the parent company owns directly or indirectly more than half of the voting rights or it otherwise has control of the company. Subsidiaries are companies which the Group controls. Control over an entity is deemed to exist when a group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are incorporated in the consolidated financial statements from the date on which the Group has acquired control of the subsidiary. Consolidation ends when control ceases. All intercompany transactions, such as outstanding balances of receivables and liabilities, as well as unrealised gains and profit-sharing between the parent and subsidiaries are eliminated in preparing consolidated financial statements. The financial statements of the subsidiaries consolidated have been prepared using the same reporting period. If necessary, the accounting principles of subsidiaries' financial statements are adjusted to reflect the Group's principles. All the subsidiaries consolidated are fully owned by the parent company, consequently there are no non-controlling interests in the Group.

Business combinations are accounted for using the acquisition method. Goodwill is not subject to amortisation but is instead tested annually for impairment or whenever there is an indication that the value may be impaired.

BUSINESS COMBINATIONS

Goodwill arising from business combinations is recognised at the amount of the consideration transferred, the non-controlling interest in the acquiree and any previously held interest in excess of the fair value of the net assets acquired. Acquisition-related costs are expensed, except for costs arising from the issuance of debt or equity securities.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or a group of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose. At Talenom, goodwill is allocated to Accounting Services in Finland and to Accounting Services in Sweden. These cash-generating units are tested for impairment annually or more frequently if there are indications of impairment. If the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is recognised, first on goodwill and then on the other assets of the unit pro rata on the basis of the carrying amounts. Impairment of goodwill is recognised in profit or loss. Impairment loss on goodwill is not reversed in subsequent financial periods.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the estimated future net cash flows expected to be derived from an asset or a cash-generating unit.

FOREIGN CURRENCY TRANSLATION

The figures for Group units' financial performance and position are in the currency of each unit's principal operating environment (functional currency). The consolidated financial statements are presented in Euro, which is the parent company's functional and reporting currency.

INTANGIBLE ASSETS

Intangible assets are recognised in the balance sheet only if the cost can be reliably determined and it is probable that the Group will receive future economic benefits from the asset. Intangible assets are recognised at historical cost. Costs that are directly attributable to the acquisition are included in the cost of that asset.

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated or known useful lives, and are tested for impairment if there are any indications of such impairment. Residual values, amortisation periods and amortisation methods are reviewed at least at each financial year-end. The useful life is determined separately for each intangible asset. The Group has no intangible assets with indefinite useful lives.

The Group applies the following estimated useful lives for its intangible assets:

Software	5 years
Customized software	5 years
Customer relationships	10 years

Development costs are capitalised only if they meet the capitalisation criteria set under IAS 38. Customised software includes the Group's capitalised development costs related to financial management tools for managing customers' daily financial management routines and developing the quality and efficiency of the company's own service production. Those development costs that do not meet the capitalisation criteria, as well as all research expenditures, are expensed in the period in which they are incurred. The development costs previously expensed are not capitalised in subsequent periods.

Gains and losses arising from decommisioning and disposal of intangible assets are determined by comparing the sale proceeds to the remaining carrying amount, and they are recognised in profit or loss in the period in which they arise.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. The cost includes costs directly attributable to the acquisition of an item of property, plant and equipment. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and are tested for impairment if there are any indications of such impairment.

The estimated useful lives are as follows:

Office furniture	10 years
IT equipment	4 years
Cars	3 years
Other tangible assets	5 years

Residual values, depreciation periods and depreciation methods are reviewed at least at each financial year-end and adjusted, if necessary, to reflect changes in expectations of economic benefits.

A previously recognised impairment loss is reversed if there is a significant positive change in the estimates used to determine the recoverable amount of the asset. However, the impairment loss is not to be reversed beyond the carrying amount of the asset that would have been recognised without the impairment loss.

An item of property, plant and equipment is derecognised on disposal or when its use or disposal is not expected to generate future economic benefits. Gains and losses arising on decommissioning and disposal of property, plant and equipment are recognised in profit or loss and are presented under other operating income or other operating expenses in the period in which they arise.

CONTRACT COSTS

Sales commissions paid to sales persons and client managers are capitalised as incremental costs of obtaining a new client contract. The capitalised amounts are based on the data obtained from the company's ERP system (CRM). These sales commissions would not have been paid without a new client contract.

The capitalised costs to fulfil a contract comprise direct costs related to the implementation of a service and other service deployment costs. These costs are incurred on the basis of a specific contract and relate to the fulfillment of future performance obligations arising from the contract and are expected to generate the corresponding amount of money.

Expenditures from the introduction of a service and service deployment for a new client are based on the hourly records of the ERP software. The numbers of hours entered in the ERP are contract- and client-specific and can be directly allocated to a new client contract. The capitalised amount is computed by multiplying the number of hours spent on the start-up by the average cost per hour.

Capitalised costs are amortised consistently with the transfer to the customer of the services, over the estimated contract term. In determining the contract term the expected renewal period of the contract is taken into account, in addition to the basic contract term. At Talenom, the average duration of a customer relationship is 10 years, relying on the assessment made by management based on historical experience.

The capitalised contract costs are reviewed for impairment in each reporting period. The asset is compared with the remaining amount of consideration expected to be received for the service, less costs that relate to providing those future services and that have not yet been expensed. If the asset exceeds the latter, an impairment loss is recognised. An impairment loss recognised is reversed if the situation or circumstances subsequently improve.

Later the capitalised contract costs are tested in accordance with IAS 36 as part of the cash-generating unit Accounting Services.

IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

At each reporting date the Group assesses whether there is any indication that a non-financial asset is impaired. If there are indications of impairment, the recoverable amount of the asset is estimated. Uncompleted intangible assets and goodwill are tested at least annually, and always if there is any indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use refers to estimated future net cash flows from the asset or the cash-generating unit discounted to their present value. The discount rate is the pre-tax interest rate that reflects the market view of the time value of money and the asset-specific risks.

For impairment testing purposes, assets are allocated to cash-generating units, i.e. the lowest unit level, which is largely independent of other units and whose cash flows are separable and largely independent of the cash flows of other similar units. An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit. An impairment loss is recognised through profit or loss. An impairment loss on a cash-generating unit is first allocated to reduce the goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro-rata basis.

An impairment loss recorded on goodwill is not reversed. Impairment losses recognised for other assets in earlier periods are assessed at each reporting date for factors indicating the reversal of an impairment loss. An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount of the asset. However, an impairment loss is not reversed beyond the carrying amount of the asset without an impairment loss.

FINANCIAL INSTRUMENTS
FINANCIAL ASSETS

The Group's financial assets are classified into the following measurement categories: financial assets at fair value through profit or loss and financial assets at amortised cost. The classification of financial assets is based on the purpose of the acquisition (business model for managing the asset) that is determined upon initial recognition. Transaction costs are included in the original carrying amount of a financial asset when the item is not measured at fair value through profit or loss. All purchases and sales of financial assets are recorded on the trade date. The items recognised at fair value through profit or loss include derivative receivables as well as shares and interests. Items recognised at amortised cost comprise trade receivables.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial liability. Subsequently financial liabilities, except for derivative liabilities, are measured at amortised cost using the effective interest rate (EIR) method. Financial liabilities may include both non-current and current liabilities and they can be interest-bearing or non-interest-bearing.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group may use interest rate swaps to hedge against risks arising from fluctuations of future interest rates. They are initially recognised at fair value on the date on which the Group becomes a party to the contract and are subsequently measured at fair value. In the balance sheet derivative instruments are presented as assets if their fair value at the reporting date is positive, and as liabilities if their fair value is negative, respectively.

The Group uses interest rate derivative instruments for hedging purposes and applies cash flow hedge accounting in accordance with IFRS 9. The effective portion of the change in the fair value of a hedging derivative is recognised in equity in the fair value reserve and the ineffective portion in profit or loss. Interest income and interest expenses on derivatives are accrued through profit or loss.

Derivatives that do not qualify for hedge accounting are classified as financial assets and financial liabilities at fair value through profit or loss. The items included in this category are measured at fair value, and positive fair values of the derivative instruments are shown under the non-current or current assets, and negative fair values under the non-current or current liabilities. Both unrealised and realised gains and losses arising from changes in fair value are recognised in profit or loss for the period in which they arise.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses the need to recognise an allowance for expected credit losses on trade receivables measured at amortised cost when it becomes a party to the financial asset contract. The estimate is based on historical experience on credit losses, taking into account the financial circumstances at the time of the review, and is recognised at the amount that corresponds to the amount of expected credit losses for the entire life of the instrument. The amount to be recognised is estimated collectively. The amount to be subequently recognised is also collectively assessed, unless there is any indication that the credit risk of an individual item has increased significantly. Credit risk is estimated to have increased significantly if the delay is over 30 days. If the allowance recorded for expected credit losses proves to be unfounded in a subsequent period because the credit risk has decreased, the entry is cancelled in this respect.

EQUITY

The Group classifies the financial instruments that it has issued as equity when they do not include a contractual obligation to deliver cash or other financial assets to another entity, or to exchange financial assets or liabilities with another entity in adverse circumstances, and which demonstrate a share of the Group's assets after deducting all of its liabilities.

The costs of issuing or acquiring own equity instruments are presented as a deduction from equity. If the Group repurchases its equity instruments, their cost is deducted from equity.

The share capital of the Group consists of ordinary shares.

TREASURY SHARES AND DIVIDENDS

The costs directly attributable to the acquisition of Talenom Plc's treasury shares are recognised as a deduction from equity. The dividend proposed by the Board of Directors is not deducted from distributable equity until the approval of the Annual General Meeting.

EMPLOYEE BENEFITS

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods to which the charges relate. The Group's all pension plans are classified as defined contribution plans.

SHARE-BASED PAYMENTS

Talenom Plc has incentive schemes where payments are made either in equity instruments or in cash. The benefits granted are measured at fair value at the grant date and recognised in equity and as an expense over the vesting period, respectively. The impact of the schemes on the result is presented in the income statement under the line item Employee benefit expenses.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that a payment will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The change in provisions is recorded in the income statement in the same item as the provision was originally recognised.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of an uncertain future event that is outside the control of the Group. An existing obligation that probably does not require a settlement or the amount of which cannot be reliably measured is also a contingent liability.

EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit or loss attributable to the owners of the parent company by
the weighted average number of outstanding shares during the financial year, except for treasury shares acquired by Talenom Plc.
Diluted earnings per share is calculated assuming that all subscription rights and options have been exercised
at the beginning of the financial year. In addition to the weighted average number of shares outstanding, the denominator also includes presumed shares received from the use of subscription rights and options. The expected use of subscription rights and options is excluded in calculating earnings per share, if the exercise price exceeds the average price of the shares during the financial year.

LEASES

The Group's lease contracts mainly relate to the premises used in business operations. Part of the leases have fixed term ranging from 0.5 to 10 years, for some the term is non-fixed. In applying IFRS 16 the Group recognised right-of-use assets and lease liabilities for most of these contracts on the balance sheet.

At the commencement date, the Group separates non-lease components from leases of premises. The Group measures a right-of-use asset at cost including the following components: lease liability, initial direct costs, prepaid lease payments less lease incentives and estimated cost to dismantle or restore. Right-of-use assets are depreciated over the lease term using the straight-line method.

At the commencement date, the Group measures the lease liability at the present value of future payments, including the following payments: fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option that the lessee is reasonably certain to exercise, and payments for terminating the lease if reasonably certain to terminate.

Lease payments are discounted using the interest rate implicit in the lease. Usually that cannot be readily determined, and the Group then uses the incremental borrowing rate, i.e. the rate that a lessee would have to pay on the commencement date of the lease for a loan to obtain a similar asset.

The Group applies the optional exemptions not to account for short-term leases (the lease term of 12 months or less) and low-value leases (the value of the underlying asset is about USD 5,000 or less) on the balance sheet. Such leases are expensed on a straight-line basis over the lease term.

For the non-fixed-term contracts the lease term is determined based on the length of the non-cancellable period of a lease and the management judgement of the future lease term for which it is reasonable certain that an extension option is used / a termination option is not used.

The Group acts as a lessor to a limited extent as it sub-leases some of the premises.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Talenom provides accountancy services to its customers, including outsourcing of financial processes, care services and financial management software. Customers are also provided with professional services including legal, tax and financial advisory services. Other services provided include administration and support services for customer service and personnel services as well as for workstations and software, and enterprise resource planning and reporting solutions. In addition to these, Talenom has entered into several partnership agreements aimed at expanding the range of services offered to customer companies.

Accounting Services consist of monthly service packages, the size of which varies from customer to customer. The service package may include bookkeeping, sales invoicing, invoice payment, payroll accounting, performance monitoring, care services and financial management software solutions. The provision of accountancy services is based on customer contracts that are valid for an indefinite period, but on average, these customer relationships are proved to be long-lasting.

In accounting services, each monthly sold service package forms a separate contract. If a customer does not terminate an existing contract for an indefinite period, a new contract will automaticly be created for the following month. The transaction price of the monthly service package is the amount of consideration that the Group expects to be entitled to against the services performed on the basis of the customer contract. The price of a monthly service package depends on the amount of services it contains. The contract states fixed prices for separate services. Contracts do not include substantial variable considerations. Revenues from accounting services are recognised as the Group provides a monthly service for the customer and the customer acquires control of it.

Revenues from administration and support services related to customer service, personnel service and workstation and software maintenance, as well as ERP and reporting solutions are recognised over time, as the customer benefits from the service when it is performed.

The implementation and charging of advisory services related to law, taxation and financial advisory is agreed upon in advance. The charge is based on an hourly rate or a fixed price. Revenues from advisory services are recognised at point of time when the service is completed and the control has been transferred to the customer. Control is considered to have been transferred when the Group has the right to receive payment for the service rendered, the risks and benefits of the services have been transferred to the customer, and the customer has accepted the service.

In its partnership agreements, where a device is supplied to the customer, Talenom acts as an agent, as it does not have control of the device delivered to the customer. For these agreements, revenue is recognised on a net basis. As a financial services provider, Talenom also acts as an agent, whereby the commission is recognized as revenue. In its other partnership agreements, Talenom, on the other hand, usually acts as a principal, whereby revenues are recorded on a gross basis.

OPERATING PROFIT

Talenom has determined the operating profit to be a net amount attained when net sales are added by other operating income, less the following items:

- External services
- Employee benefit expenses
- Depreciation, amortisation and impairment losses
- Other operating expenses.

All other income statement items than those mentioned above are presented below operating profit.

INCOME TAXES

The tax expense in the income statement comprises current tax and deferred tax. Taxes are recognised in profit or loss, except when they relate to a business combination or to items recognised directly in equity or other comprehensive income.

Current tax is calculated on the basis of the taxable income using the tax rate enacted or substantively enacted at the balance sheet date, and is adjusted by any taxes for the previous years.

Deferred taxes are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred taxes are determined using tax rates enacted or substantively enacted by the end of the reporting period. A deferred tax liability is recognised for all temporary differences between the carrying amount and the taxable amount, except in the case of investments in subsidiaries, and the Group is able to determine the date of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences and tax deductible losses. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilised. Recognition criteria for deferred tax assets are always assessed at the end of each reporting period.

A deferred tax asset is not recognised if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

In the balance sheet current taxes are presented under current assets and current liabilities, and deferred tax assets and deferred tax liabilities under non-current assets and non-current liabilities.

ADOPTION OF NEW AND AMENDED STANDARDS IN FUTURE FINANCIAL YEARS

Other new and revised standards, amendments and interpretations are not expected to have a significant impact on the the consolidated financial statements when adopted.

NOTE 4

Operating segments

REPORTABLE SEGMENTS

The Group has one reportable business segment, Accounting Services, that is assessed monthly by the Board of Directors and the CEO as the chief operating decision-makers.

The segment's performance assessment is based on the segment's operating profit.

UNALLOCATED ITEMS

The Group's assets and liabilities are not allocated to the business segment because the chief operating decision maker does not allocate resources based on segment assets or liabilities and does not review the segment assets or segment liabilities. Assets and liabilities are reviewed at Group level.

Financial income and expenses and income taxes are not allocated to the segment.

Income and expenses related to the segment other than accounting services are presented under unallocated items as they do not form a business segment to be reported separately.

GROUP-WIDE INFORMATION

EUR 61,315 thousand of the consolidated net sales was generated in Finland and EUR 3,845 thousand in Sweden (2019: 56,398 thousands in Finland and 1,557 thousands in Sweden).

The Group had no customers accounting for at least 10% of the consolidated net sales in the financial years 2019 and 2020.

Disclosures on the reportable segments' result are presented below.

OPERATING SEGMENTS 2020

In thousands of euro	Accounting services	Unallocated items and eliminations	Total Group
External net sales	62 480	2 681	65 161
Total net sales	62 480	2681	65 161
Operating expenses	-39 533	-2 470	-42 003
Other income	121	0	121
Depreciation and amortisation	-8 542	0	-8 542
Impairment losses	-1 856	0	-1 856
Operating result	**12 670**	**211**	**12 881**

OPERATING SEGMENTS 2019

In thousands of euro	Accounting services	Unallocated items and eliminations	Total Group
External net sales	55 143	2 812	57 955
Total net sales	**55 143**	**2 812**	**57 955**
Operating expenses	-36 425	-2 996	-39 421
Other income	344	28	372
Depreciation and amortisation	-6 809	0	-6 809
Impairment losses	-1 689	0	-1 689
Operating result	**10 565**	**-156**	**10 409**

NOTE 5

Group structure and business combinations

The following companies are incorporated into the consolidated financial statements:

Subsidiary	Domicile	Shareholding, %
Talenom Plc	Oulu	Parent
Talenom Taloushallinto Oy	Oulu	100 %
Talenom Talouspalvelu Oy	Kalajoki	100 %
Talenom Consulting Oy	Helsinki	100 %
Talenom Yritystilit Oy	Jyväskylä	100 %
Talenom Audit Oy	Jyväskylä	100 %
Talenom Talousosastopalvelut Oy	Oulu	100 %
Talenom Konsultointipalvelut Oy	Oulu	100 %
Talenom Software Oy	Oulu	100 %
Talenom Balance Oy	Oulu	100 %
Talenom Kevytyrittäjä Oy	Oulu	100 %
Talenom Redovisning Ab (previously Wakers Consulting Ab)	Stockholm	100 %
Talenom Haninge Ab (previously Niva Ekonomi Ab)	Haninge	100 %
Frivision Ab	Göteborg	100 %
Frivision Göteborg AB	Göteborg	100 %
Frivision Stockholm AB	Göteborg	100 %
Frivision Malmö AB	Göteborg	100 %
Plusvision AB	Göteborg	100 %
Plusvision Stockholm AB	Göteborg	100 %
Plusvision Göteborg AB	Göteborg	100 %
Plusvision Malmö AB	Göteborg	100 %

BUSINESS ACQUISITIONS IN 2020

On 28 February 2020, the Group acquired the accounting business operations of Addvalue Advisors Oy through an asset deal. The acquisition cost of this asset deal was 268 thousand euros, which was paid in cash and shares.

On 4 May 2020, the Group acquired the shares in the Swedish accounting firm Niva Ekonomi Ab. The acquisition cost of these shares was 1,082 thousand euros, which was paid in cash and shares. In connection with the transaction, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration ranges from 0 to 2 million Swedish krona. Based on the management's estimate, 1.5 million Swedish krona (140 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

On 20 August 2020, the Group acquired the software business operations of Vanaja Technologies Oy through an asset deal. The acquisition cost was 400 thousand euros, which was paid in cash.

On 1 September 2020, the Group acquired the shares in the Swedish accounting firm Frivision Ab. The acquisition cost of these shares was 1,457 thousand euros, which was paid in cash and shares. In connection with the transaction, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration ranges from 0 to 6.4 million Swedish krona. Based on the management's estimate, 4.35 million Swedish krona (420 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

On 30 September 2020, the Group acquired the accounting business operations of Larsen & Co Tilitoimisto Oy through an asset deal. The acquisition cost of this asset deal was 1,000 thousand euros, which was paid in cash and shares.

On 1 December 2020, the Group acquired the accounting business of TiliTeam / E-P:n Yrityspalvelu Oy through an asset deal. The acquisition cost of this asset deal was 210 thousand euros, which was paid in cash.

The combined values of acquired assets and liabilities at the time of the acquisition were as follows:

Thousand euro	Share transactions	Asset deals
Development expenditure	19	10
Property, plant and equipment	30	38
Customer relationships	946	923
Right-of-use assets	538	0
Current assets	997	0
Total assets	**2 530**	**971**
Trade and other payables	702	0
Lease liabilities	538	0
Deferred tax liabilities	202	93
Total liabilities	**1 442**	**93**
Net assets	**1 087**	**879**
Consideration transferred	3 145	**1 878**
Net assets of acquired company	-1 087	**-879**
Goodwill	**2 057**	**999**

Expenses from the acquisitions have been recognised under other operating expenses in the income statement.

If the acquisitions had been carried out at the beginning of the 2020 financial year, their estimated impact on the result for the financial period would have been 260 thousand euros and on net sales 3,340 thousand euros.

BUSINESS ACQUISITIONS IN 2019

On 2 May 2019, the Group acquired the shares in Wakers Consulting Ab in Stockholm. The cost of the acquisition of Wakers Consulting Ab was EUR 2,571 thousand and it was paid in both cash and shares.

In connection with the transaction, it was agreed with the owners that they may be paid contingent consideration tied to the three-year development in the price of the Talenom share. This consideration will not be paid if the specified share price is achieved. The consideration will be paid in the amount of SEK 0-10 million if the share price falls short of the specified level. The amount of contingent consideration payable will decrease if the shareholders sell shares they have subscribed. Management estimates that contingent consideration will not be paid and thus none has been recognised.

On 31 May 2019, the Group acquired the accounting business operations of Oy Wasa Tilit Ab and WT Företagstjänster Ab Oy in an asset deal. The cost of the business operations of Oy Wasa Tilit Ab and WT Företagstjänster Ab Oy was EUR 1,368 thousand and it was paid in both cash and shares.

The values of assets acquired and liabilities assumed at the date of acquisition were as follows:

In thousands of euro	Share transactions	Asset deals
Property, plant and equipment	92	105
Customer relationships	1182	808
Right-of-use assets	267	132
Current assets	476	
Total assets	**2017**	**1 045**
Trade and other payables	556	222
Lease liabilities	267	132
Deferred tax liabilities	253	162
Total liabilities	**1076**	**516**
Net assets	**941**	**529**
Consideration transferred	2571	1368
Net assets of acquiree	-941	-529
Goodwill	**1630**	**839**

The acquisition-related costs have been recognised under other operating expenses in the income statement.
If the acquisitions had been carried out at the beginning of the 2019 financial year, their estimated impact on the result for the financial year would have been EUR 200 thousand and on net sales EUR 1,900 thousand.

NOTE 6

Revenue from contracts with customers

CONTRACTS WITH CUSTOMERS

All revenues of the Group arise from contracts with the customers. By their nature, customer contracts are mainly service type contracts with indefinite duration that do not involve significant assets or liabilities recognised in the balance sheet. The amount of recorded liabilities arising from customer contracts is disclosed in Note 25, the item Prepayments received for contracts with customers. There were no assets arising from customer contracts recorded in the balance sheet as at 31 December 2019 and 2020.

The Group has no unsatisfied performance obligations to which the transaction prices would have been allocated. The Group satisfies a performance obligation as the service is performed and the customer benefits from the service. Billing is performed on a monthly basis and invoices are due within 1 to 2 weeks. Consideration amounts are fixed and do not include a separable financing component. The services do not involve specific return or refund obligations or warranties.

COSTS OF OBTAINING OR FULFILLING A CUSTOMER CONTRACT

Recognised assets

In thousands of euro	2020	2019
Opening balance	10 054	8 357
Costs of obtaining a contract	2 715	2 992
Implementation costs	1 523	1 574
	14 293	12 923
Amortisation for the financial year	-1 404	-1 181
Impairment losses	-1 856	-1 689
Capitalised contract costs in the balance sheet	**11 033**	**10 054**

The costs are amortised over 10 years on the basis of the average duration of customer contracts.

NOTE 7

Other operating income

In thousands of euro	2020	2019
Gains on disposal of property, plant and equipment and intangible assets	6	61
Sublease income	10	154
Grants and subsidies	12	57
Other	93	100
Total	**121**	**372**

NOTE 8

Materials and services

In thousands of euro	2020	2019
Materials and services		
External services	2 466	3 598
Total	**2 466**	**3 598**

NOTE 9

Employee benefit expense

In thousands of euro	2020	2019
Wages and salaries	26 605	23 033
Equity-settled share-based options and share-based payments	643	370
Social security contributions		
Pension expenses - defined contribution plans	3 687	4 396
Other personnel expenses	3 012	2 112
Total	**33 947**	**29 912**

Average number of employees during the financial year	2020	2019
White-collar	867	746
Total	**867**	**746**
The number of employees at the end of the financial year	**912**	**799**

Disclosures on the employee benefits of the Group management are provided in Note *29 Related party transactions.*

NOTE 10

Depreciation, amortisation and impairment losses

DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES BY ASSET CLASS

Intangible assets

In thousands of euro	2020	2019
Intangible rights	208	178
Other intangible assets	4 011	2 955
Total	**4 219**	**3 133**

Capitalised contract costs

In thousands of euro	2020	2019
Capitalised contract costs	3 260	2 869
Total	**3 260**	**2 869**

Property, plant and equipment

In thousands of euro	2020	2019
Machinery and equipment	632	589
Right-of-use assets, buildings	2 196	1 837
Other tangible assets	91	70
Total	**2 919**	**2 496**
Total depreciation, amortisation and impairment losses	**10 398**	**8 498**

NOTE 11

Other operating expenses

In thousands of euro	2020	2019
Premises	1 204	1 499
Machinery and equipment	3 394	3 064
Other expenses (marketing, administrative etc.)	992	1 347
Total	**5 589**	**5 911**

Audit fees

In thousands of euro	2020	2019
Audit assignments	153	94
Auditor 's statements and certificates	7	
Tax advisory	1	
Other services	36	57
Total	**197**	**151**

NOTE 12

Financial income and expenses

RECOGNISED IN PROFIT OR LOSS

Financial income

In thousands of euro	2020	2019
Other financial income	82	64
Total	**82**	**64**

Financial expenses

In thousands of euro	2020	2019
Interest expenses		
Liabilities measured at amortised cost	-648	-681
Lease liabilities	-207	-206
Change in fair values of derivatives		
Interest rate swaps		
Other financial expenses	-84	-19
Total	**-939**	**-906**
Net financial expenses	**-857**	**-843**

Income taxes

RECOGNISED IN PROFIT OR LOSS

Current tax

In thousands of euro	2020	2019
Current tax expense	2 485	1 963
Tax expense from previous years	0	1
Total	**2 485**	**1 964**

Changes in deferred taxes

In thousands of euro	2020	2019
Change in deferred tax assets	**-8**	**-17**
Change in deferred tax liabilities	-31	4
Total	**-40**	**-13**
Total tax expense in the consolidated income statement	**2 445**	**1 951**

Reconciliation between the income tax expense in the income statement and the tax expense calculated at the corporate tax rate applicable in Finland

In thousands of euro	2020	2019
Profit before taxes	**12 024**	**9 566**
Income tax using the Finnish corporate tax rate (20%)	-2 405	-1 913
Previously unrecognised tax losses used to reduce the taxes for the period	94	0
Unrecognised deferred tax assets on tax losses	-53	-3
Tax-exempt income and non-deductible expenses	-2	2
Taxes from previous years	0	-1
Other differences	-79	-37
Income tax expense reported in the income statement	**-2 445**	**-1 951**

NOTE 13

CHANGES IN DEFERRED TAXES 2020

In thousands of euro	At 1 Jan 2020	Recognised in profit or loss	Recognised in equity	Exchange rate differences and other changes	At 31 Dec 2020
Deferred tax assets					
Derivatives	11		11		0
Right-of-use assets	18	13			32
Other temporary differences	37	-5			32
Total deferred tax assets	**67**	**8**	**-11**	**0**	**64**
Deferred tax liabilities					
Acquisition of subsidiary	-236	39	-457		-654
Property, plant and equipment	-71	3			-68
Other temporary differences	0	-10			-10
Total deferred tax liabilities	**-307**	**31**	**-457**	**0**	**-732**

CHANGES IN DEFERRED TAXES 2019

In thousands of euro	At 1 Jan 2020	Recognised in profit or loss	Recognised in equity	Exchange rate differences and other changes	At 31 Dec 2020
Deferred tax assets					
Derivatives	23		-12		11
Right-of-use assets		18			18
Other temporary differences	38	-1			37
Total deferred tax assets	**62**	**17**	**-12**	**0**	**67**
Deferred tax liabilities					
Acquisition of subsidiary	0	17	-253		-236
Property, plant and equipment	-50	-21			-71
Total deferred tax liabilities	**-50**	**-4**	**-253**	**0**	**-307**

DEFERRED TAX ASSETS FOR LOSSES

The Group had no confirmed losses under the Finnish Business Income Tax Act (BITA; EVL) at the financial year-end 2019 and 2020.

At the end of the financial year 2020 the Group had confirmed losses amounting to EUR 469 thousand (2019: EUR 456 thousand) under the Finnish Income Tax Act (TVL), for which no deferred tax asset has been recognised. Due to a change in the taxation of sources of income, losses have been taken into consideration in the calculation of the taxes payable for the 2020 financial year.

NOTE 14

Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the financial year.
The outstanding shares exclude the treasury shares held by the company.

	2020	2019
Profit for the financial year attributable to owners of the parent company (EUR thousand)	9 579	7 615
Weighted average number of ordinary shares outstanding during the financial year (1,000 pieces)	42 654	41 575
Impact of share options	540	1 624
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000 pieces)	43 194	43 199
Basic earnings per share (euro per share)	0,22	0,18
Diluted earnings per share (euro per share)	0,22	0,18

In calculating diluted earnings per share, the dilutive effect resulting from all potential ordinary shares is taken into account in the weighted average number of shares.

*) the share amounts for 2019 have been adjusted in line with the share issue without payment carried out in 2020

NOTE 15

Right-of-use assets and property, plant and equipment

RIGHT-OF-USE-ASSETS 2020 / PROPERTY, PLANT AND EQUIPMENT 2020

In thousands of euro	Buildings	Machinery and equipment	Other tangible assets	Total
Cost at 1 Jan 2020	10 238	6 544	652	7 196
Additions	1 222	722	69	792
Additions through business combinations	538	78		78
Disposals		-476		-476
Exchange rate differences	-1			0
Cost at 31 Dec 2020	**11 998**	**6 868**	**722**	**7 589**
Cumulative depreciation and impairment losses at 1 Jan 2020	-1 837	-4 220	-392	-4 612
Depreciation for the financial year	-2 196	-632	-91	-723
Accumulated depreciation on disposals		224		224
Accumulated depreciation and impairment losses at 31 Dec 2020	-4033	-4 628	-483	-5 111
Carrying amount at 1 Jan 2020	**8 401**	**2 323**	**260**	**2 583**
Carrying amount at 31 Dec 2020	**7 965**	**2 240**	**239**	**2 478**

RIGHT-OF-USE-ASSETS 2019 / PROPERTY, PLANT AND EQUIPMENT 2019

In thousands of euro	Buildings	Machinery and equipment	Other tangible assets	Total
Cost at 1 Jan 2019	0	6 076	421	6 497
Right-of-use assets under IFRS 16 at 1 Jan 2019	8 005			
Additions	1 965	807	231	1 039
Additions through business combinations	267	197		197
Disposals		-537		-537
Exchange rate differences	1			0
Cost at 31 Dec 2019	**10 238**	**6 544**	**652**	**7 196**
Cumulative depreciation and impairment losses at 1 Jan 2019	0	-3 927	-321	-4 249
				0
Depreciation for the financial year	-1 837	-590	-70	-660
Accumulated depreciation on disposals		297		297
Accumulated depreciation and impairment losses at 31 Dec 2019	**-1 837**	**-4 220**	**-392**	**-4 612**
Carrying amount at 1 Jan 2019	**0**	**2 149**	**99**	**2 248**
Carrying amount at 31 Dec 2019	**8 401**	**2 323**	**260**	**2 583**

NOTE 16

Intangible assets

INTANGIBLE ASSETS 2020

In thousands of euro	Goodwill	Intangible rights	Software development costs	Customer relationships	Total
Cost at 1 Jan 2020	20 728	2 004	22 684	3 510	48 926
Additions		203	10 148		10 351
Additions through business combinations	3 229			1 858	5 087
Cost at 31 Dec 2020	**23 956**	**2 208**	**32 832**	**5 369**	**64 364**
Cumulative amortisation and impairment losses at 1 Jan 2020	0	-1 350	-11 440	-478	-13 268
Amortisation for the financial year	0	-208	-3 571	-440	-4 219
Cumulative amortisation and impairment losses at 31 Dec 2020	**0**	**-1 558**	**-15 011**	**-918**	**-17 487**
Carrying amount at 1 Jan 2020	**20 728**	**654**	**11 244**	**3 032**	**35 659**
Carrying amount at 31 Dec 2020	**23 956**	**650**	**17 821**	**4 450**	**46 877**

INTANGIBLE ASSETS 2019

In thousands of euro	Goodwill	Intangible rights	Software development costs	Customer relationships	Total
Cost at 1 Jan 2019	18 420	1 707	17 401	1 515	39 043
Additions		298	5 283		5 580
Additions through business combinations	2 308			1 996	4 303
Cost at 31 Dec 2019	**20 728**	**2 004**	**22 684**	**3 510**	**48 926**
Cumulative amortisation and impairment losses at 31 Dec 2020	0	-1 172	-8 762	-195	-10 129
Amortisation for the financial year	0	-178	-2 678	-283	-3 139
Cumulative amortisation and impairment losses at 31 Dec 2019	**0**	**-1 350**	**-11 440**	**-478**	**-13 268**
Carrying amount at 1 Jan 2019	**18 420**	**535**	**8 639**	**1 320**	**28 914**
Carrying amount at 31 Dec 2019	**20 728**	**654**	**11 244**	**3 032**	**35 659**

NOTE 16

IMPAIRMENT TEST OF GOODWILL

The Group assesses annually the recoverable amount of goodwill irrespective of whether there is any indication of impairment.
An impairment test is performed at the level of cash-generating units.
For goodwill impairment testing purposes goodwill is allocated to the cash-generating units as shown in the table below.

In thousands of euro	2020	2019
Accounting Services, Finland - Book value	56 029	48 011
Accounting Services, Sweden - Book value	6 529	2 921
Total	**62 558**	**50 932**

Cash-generating unit

The recoverable amount of a cash-generating unit is determined based on value in use. The recoverable amount is calculated by discounting future cash flows from the continuing use of the cash-generating unit.

Accounting Services, Finland

The carrying amount of the cash-generating unit was estimated to be EUR 109 million (2019: EUR 173 million) lower than its recoverable amount.
The key variables used to calculate the recoverable amount are presented below:

Per cent	2020	2019
Terminal growth rate	1,7 %	1,5 %
Pre-tax discount rate (WACC)	8,8 %	8,6 %

The terminal growth rate and the discount rate (WACC) used in the calculations are based on market information from external sources.

Net sales and profitability forecasts rely on past performance and management view of the likely future development over the next three years.

Management has estimated that a reasonably possible change in any of the key variables used would not result in a unit's recoverable amount being lower than its carrying amount.

Accounting Services, Sweden

The carrying amount of the cash-generating unit was estimated to be EUR 582 thousand (2019: EUR 607 thousand) lower than its recoverable amount.
The key variables used to calculate the recoverable amount are presented below:

Per cent	2020	2019
Terminal growth rate	1,7 %	1,5 %
Pre-tax discount rate (WACC)	14,9 %	14,8 %

The terminal growth rate and the discount rate (WACC) used in the calculations are based are based on market information from external sources.

Since the acquisitions in Sweden were carried out in the current and previous financial year, net sales and profitability forecasts were prepared on a prudent basis and are clearly below the target level set by management.

The sensitivity analysis below discloses how each of the changes, with all other variables held constant, would cause the carrying amount to equal its recoverable amount:

Percentage points	2020	2019
Net sales (annual average growth rate, three years)	-4,2%	-10,1 %
Budgeted EBITDA (average, three years)	-0,6 %	-2,1 %
Terminal growth rate	-1,2 %	-3,2 %
Discount rate (WACC)	1,1 %	2,7 %

NOTE 17

Other financial assets

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS:

In thousands of euro	2020	2019
Other investments	337	237
Total	**337**	**237**
Current	-	-
Non-current	**337**	**237**

TThe Group's other financial assets consist of investments in shares and in corporate loan receivables. These financial assets are measured at fair value through profit or loss and are classified in the category 'at fair value through profit or loss'.

Unquoted shares and securities that do not have a quoted price on an active market are measured at the probable disposal price estimated by management.

Disclosures on fair value measurement are provided in Note 22.

NOTE 18

Trade and other receivables

In thousands of euro	2020	2019
Trade receivables	4 727	4 735
Other receivables	2 328	1 787
Total	**7 055**	**6 521**
Current	**7 055**	**6 521**
Non-current	**0**	**0**

Major items under Other receivables, Prepayments and Accrued income

In thousands of euro	2020	2019
Prepayments made	1 084	1 161
Rental guarantees	195	169
Other accrued receivables	1 050	457
Total	**2 328**	**1 787**

The carrying amount of trade and other receivables is a reasonable approximation of fair value. The Group has recognised a provision for expected credit losses totaling EUR 218 thousand in 2020 (2019: EUR 278 thousand). The carrying amounts of trade and other receivables correspond best to the maximum credit risk exposure of the Group.

NOTE 18

Ageing analysis of trade receivables and expected credit losses

In thousands of euro	2020	Expected credit loss	Net 2020
Current trade receivables	4 244	-76	4 168
Past due			
1-30 days	406	-4	402
31-60 days	83	-9	74
61-90 days	47	-16	31
91-120 days	44	-17	27
More than 120 days	120	-95	25
Total past due	701	-142	559
Total	**4 945**	**-218**	**4 727**

In thousands of euro	2019	Expected credit loss	Net 2019
Current trade receivables	3 879	-72	3 806
Past due			
1-30 days	743	-8	735
31-60 days	110	-12	97
61-90 days	49	-16	32
91-120 days	38	-15	23
More than 120 days	196	-155	41
Total past due	1 134	-206	928
Total	**5 013**	**-278**	**4 735**

Details of the Group's exposure to credit and market risks and the description on how the Group assesses and manages credit risk related to trade receivables are provided in Note 26.

The company recognises expected credit losses based on the ageing analysis of its receivables and past experience.

NOTE 19

Cash and cash equivalents

In thousands of euro	2020	2019
Cash at bank and in hand	9 104	7 786
Cash and cash equivalents in the balance sheet	**9 104**	**7 786**
Cash and cash equivalents in the cash flow statement	**9 104**	**7 786**

At the balance sheet date the Group had a EUR 3.0 million revolving credit facility available. The limit was not used during the financial year 2020.

NOTE 20

Capital and reserves

In thousands of euro	Number of shares, 1000 pieces	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Total
At 1 Jan 2019	6 872	80	10 608	-93	10 595
Share issue	101		2 159		2 159
Redeemed share options			-859		-859
Acquisition of treasury shares			-674		-674
Cash flow hedges				48	48
At 31 Dec 2019	6 973	80	11 234	-45	11 269
At 1 Jan 2020	6 973	80	11 234	-45	11 269
Share issue	36 242		3 585		3 585
Redeemed share options					0
Acquisition of treasury shares					0
Cash flow hedges				45	45
At 31 Dec 2020	43 215	80	14 818	0	14 899

SHARE CAPITAL
The share capital consists of one share series and each share carries one vote. The share has no nominal value.

The 2020 AGM resolved to issue new shares free of charge in order to enhance the liquidity of the company's share. The new shares were issued to shareholders in proportion to their holdings such that five new shares were issued for each share. The shares were issued to shareholders who were registered in the shareholder list maintained by Euroclear Finland Oy on the record date, 27 February 2020.

On 31 December 2020, the Group held 150,600 of its own shares.

The subscription price of a share received by the company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the reserve for invested unrestricted equity.

DIVIDENDS
A dividend of EUR 0,15 per share is proposed by the Board of Directors
In 2019 a dividend of EUR 0.125 per share was paid.

RESERVE FOR INVESTED UNRESTRICTED EQUITY
The reserve for invested unrestricted equity comprises other equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

FAIR VALUE RESERVE
The fair value reserve includes the accumulated effective portions of changes in the fair value of derivative instruments used to hedge cash flows.

NOTE 21

Share-based payments

OPTION-BASED INCENTIVE SCHEMES

Talenom has option-based incentive and commitment schemes for the key personnel of the Group. The aim of the option rights is to encourage the key employees to work on a long-term basis in order to increase shareholder value, and to commit the key employees to the company.

The Board of Directors decided, based on the approval given by the Annual General Meeting (AGM) on 17 March 2016, on the Option Rights 2016 and related additional conditions. An additional condition is the ownership obligation upon by the Board, which means that a share option owner must use 20 % of the gross earnings received from the share options to acquire the company's shares. This number of shares must be owned for two years after their acquisition. The Board of Directors decided, based on the approval given by the AGM on 14 March 2018, on the Option Rights 2018. The terms of the 2018 share option scheme correspond to the terms of the 2016 share option scheme. The Board of Directors decided, based on the approval given by the AGM on 26 February 2019, on the Option Rights 2019. The terms of the 2019 share option scheme correspond to the terms of the 2016 and 2018 share option schemes. Besides the option schemes introduced in 2016, 2018 and 2019 the company has no other option schemes. The schemes are in the scope of IFRS 2.

Various option-based incentive schemes are aimed at the Group's key personnel. In accordance with the scheme terms options are issued without consideration and all schemes are conditional. The share subscription periods by option rights are as follows: for 2016A 1 March 2018 - 28 February 2019, for 2016B 1 March 2019 - 28 February 2020, for 2016C and 2018 1 March 2020 - 28 February 2021 and for 2019 1 March 2022 - 28 February 2023. The option rights 2016A and 2016B have either been exercised or cancelled.

The 2020 AGM resolved to issue new shares free of charge in order to enhance the liquidity of the company's share. The new shares were issued to shareholders in proportion to their holdings such that five new shares were issued for each share. Due to the share issue without payment, the Board of Directors decided on 25 February 2020 to change the number and subscription price of the shares subscribed for with the options. After these amendments, the total number of shares to be subscribed with 2016 option rights is 1,176,000, the total number of shares to be subscribed with 2018 option rights is 360,000 and the total number of shares to be subscribed with 2019 option rights is 1,200,000.

The maximum share issue-adjusted total number of option rights issued is 3,660,000, and they are issued without consideration. The option rights entitle their holders to subscribe for a maximum of 3,660,000 new shares of the company or existing shares held by the company. In total 1,309,630 new shares have been subscribed with options rights and 656,520 option rights have been cancelled.

Share issue-adjusted subscription price for the 2016 option rights was EUR 1.10 at the grant date, for the 2018 option rights EUR 2.07 and for the 2019 option rights EUR 3.38. The funds received from share subscriptions are recorded in the reserve for invested unrestricted equity of the company.

Should a share option holder cease to be employed by the group company, the holder immediately loses the option rights received without consideration if the share subscription period had not commenced at the time of termination of the employment. The grantee of the option right has no right to receive any compensation related to option rights during or after termination of the employment for any reason.

If the company distributes dividends or funds from the unrestricted equity fund, the subscription price for options will be decreased following the decision made by the Board of Directors, from 17 March 2016 for the Option Rights 2016, from 14 March 2018 for the Option Rights 2018 and from 26 February 2019 for the Option Rights 2019, based on the pre-subscription date decided per-share amounts of dividends and and capital repayments from the unrestricted equity fund, on the record date for each dividend or capital repayment. The company will act respectively, should it reduce its share capital by issuing share capital to shareholders. The key terms of the schemes are disclosed in the table on next page.

KEY TERMS OF CURRENT OPTION SCHEMES (SHARE ISSUE-ADJUSTED)

Scheme	2016C	2016C
Nature of the scheme	Share option	Share option
Grant date	21 Apr 2016	31 Dec 2016
Vesting period	21 Apr 2016 - 28 Feb 2020	31 Dec 2016 - 28 Feb 2020
Subscription period	1 Mar 2020 - 28 Feb 2021	1 Mar 2020 - 28 Feb 2021
Vesting condition	Employment requirement	Employment requirement
Maximum number of options	1 014 000	162 000
Current exercise price (EUR)	0,79	0,79
Price at grant date	0,85	1,20
Settlement	In shares	In shares

Scheme	2018	2019
Nature of the scheme	Share option	Share option
Grant date	29 Mar 2018	20 Mar 2019
Vesting period	29 Mar 2018 - 28 Feb 2020	20 Mar 2019 - 28 Feb 2022
Subscription period	1 Mar 2020 - 28 Feb 2021	1 Mar 2022 - 28 Feb 2023
Vesting condition	Employment requirement	Employment requirement
Maximum number of options	360 000	1 200 000
Current exercise price (EUR)	1,8	3,25
Price at grant date	2,06	4,55
Settlement	In shares	In shares

Numbers of the options held by Talenom Plc or undistributed options are disclosed in the table below:

	2016C	2018	2019	Total
Options held by the company	467 100	12 000	276 000	755 100

NOTE 21

KEY ASSUMPTIONS USED IN BLACK-SCHOLES VALUATION MODEL (SHARE ISSUE-ADJUSTED)

Scheme	2016C	2016C
Grant date	**21 Apr 2016**	**31 Dec 2016**
Volatility, %	42,33 %	38,16 %
Option life (years)	4,86	4,16
Risk-free interest rate, %	-0,24	-0,47
Price at grant date	0,85	1,20
Option value at grant date	0,20	0,35

Scheme	2018	2019
Grant date	**29 Mar 2018**	**20 Mar 2019**
Volatility, %	22,71 %	29,31 %
Option life (years)	2,92	3,95
Risk-free interest rate, %	-0,46	-0,44
Price at grant date	2,06	4,55
Option value at grant date	0,30	1,57

The table below discloses the changes in the number of outstanding share options during the financial year.

CHANGES IN OUTSTANDING SHARE OPTIONS (SHARE ISSUE-ADJUSTED)

Pieces	2020	2019
At 1 January	**2 046 300**	**1 699 200**
Granted during the year	0	1 152 000
Returned during the year	-65 400	-357 000
Exercised during the year	-1 042 150	-447 900
Expired during the year		0
At 31 December	938 750	2 046 300
Exercisable	14 750	0

The subscription price for the options in question is shown above.

SHARE-BASED INCENTIVE PLANS

Talenom has two share-based incentive plans for the Group's key personnel, which the Board of Directors decided to establish on 25 February 2020.

Performance Share Plan 2020-2024
The Performance Share Plan 2020–2024 consists of three performance periods, covering the calendar years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors decides on the earnings criteria and the targets set for each criterion at the beginning of the performance period. During the performance period 2020-2022, approximately 50 persons are included in the target group of the plan, including the company's Executive Board members. The potential reward based on the plan will be paid partly in the company's shares and partly in cash after the end of a performance period. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. The rewards to be paid correspond to the value of an approximate maximum total of 330,000 Talenom Plc shares, including the cash component.

Restricted Share Plan 2020
The Restricted Share Plan 2020 is intended for selected key employees only, including the Executive Board members. The reward from the Restricted Share Plan 2020 is paid partly in the company's shares and partly in cash after the end of a 12-36-month vesting period. The rewards to be granted based on the Restricted Share Plan in 2020-2022 correspond to the value of a maximum total of 185,950 Talenom Plc shares, including the cash component.

IMPACT OF SHARE-BASED PAYMENT SCHEMES ON PROFIT OR LOSS FOR THE FINANCIAL YEAR

In thousands of euro	2020	2019
Share-based payments	643	370
Total	**643**	**370**

Share-based compensation is expensed over the vesting period and presented under the line item Employee benefit expense and Retained earnings under equity, respectively.

Classification of financial assets and financial liabilities

CLASSIFICATION AND FAIR VALUES

The table discloses carrying amounts, fair values and respective fair value hierarchy levels for financial assets and financial liabilities. The table excludes those financial assets and financial liabilities not measured at fair value, if the carrying amount is a reasonable approximation of fair value. The Group applies the classification under IFRS 9 to financial assets and financial liabilities.

At 31 December 2020

	CARRYING AMOUNT					FAIR VALUE			
In thousands of euro	Note	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities under hedge accounting	Financial assets and liabilities recognised at amortised cost using EIR	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial assets measured at fair value									
Equity investments	17	237			237			237	237
Total		**237**			**237**	-	-	**237**	**237**
Financial assets not repeatedly measured at fair value									
Trade and other receivables	18			7 155	7 155		100		100
Cash and cash equivalents	19			9 104	9 104				
Total				**16 259**	**16 259**	0	100	0	100
FINANCIAL LIABILITIES									
Financial liabilities measured at fair value									
Interest rate swaps	24		0		0		0		0
Total			**0**		**0**	-	**0**	-	**0**
Financial assets not repeatedly measured at fair value									
Bank borrowings	23			30 000	30 000		30 000		30 000
Trade payables	25			1 787	1 787				
Total				**31 787**	**31 787**	-	**30 000**	**0**	**30 000**

NOTE 22

At 31 December 2019

CARRYING AMOUNT						FAIR VALUE			
In thousands of euro	Note	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities under hedge accounting	Financial assets and liabilities recognised at amortised cost using EIR	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity investments	17	237			237			237	237
Total		**237**			**237**	**-**	**-**	**237**	**237**
Financial assets not repeatedly measured at fair value									
Trade and other receivables	18			6 521	6 521				
Cash and cash equivalents	19			7 786	7 786				
Total				**14 308**	**14 308**				
Financial liabilities measured at fair value									
Interest rate swaps	24		56		56		56		56
Total		**0**	**56**		**56**	**-**	**56**	**-**	**56**
Financial assets not repeatedly measured at fair value									
Bank borrowings	23			28 000	28 000		28 000		28 000
Trade payables	25			1 704	1 704				
Total				**29 704**	**29 704**	**-**	**28 000**	**0**	**28 000**

FAIR VALUE MEASUREMENT

Fair value for a financial asset and a financial liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management estimates that the carrying amounts of cash and cash equivalents, trade receivables and trade payables do not materially deviate from their fair values considering the short maturities of these instruments.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Derivative instruments
The Group determines fair values for derivative instruments by using confirmations for derivative contracts obtained from banks.

Publicly quoted securities
The fair values of publicly quoted securities are based on quoted prices at the balance sheet date.

Unquoted securities
Unquoted securities that do not have a quoted price on an active market are measured the probable disposal price estimated by management.

Financial instruments not measured at fair value
Discounted cash flows: the pricing model used estimates the present value of future cash flows by using risk-adjusted discount rate.

Level definitions
Level 1 = quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 = inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices or by using price components available from the market).
Level 3 = inputs not based on observable market data (unobservable inputs).

Transfers between levels
There were no transfers between levels 1, 2 and 3 for fair value measurements during the years 2020 and 2019.

NOTE 23

Financial liabilities

This note provides information about terms of the Group's interest-bearing liabilities measured at amortised cost. Details for the Group's exposures to interest rate risk and credit risk are disclosed in Note 26.

TERMS AND REPAYMENT PLAN

Non-current liabilities measured at amortised cost

			CARRYING AMOUNT	
In thousands of euro	**Interest rate**	**Expiry date**	**2020**	**2019**
Financial liabilities	1,65 %	2.5.2023	30 000	28 000
Instalment payment liabilities	1,65 %		122	215
Total			**30 122**	**28 215**

Current liabilities measured at amortised cost

			CARRYING AMOUNT	
In thousands of euro	**Interest rate**	**Expiry date**	**2020**	**2019**
Instalment payment liabilities	1,65 %		171	226
Total			**171**	**226**
Total interest-bearing liabilities			**30 293**	**28 441**

On 6 April 2020, Talenom agreed on a 30 million euro collateralised loan with Danske Bank A/S, Finland branch. The loan was used to repay a collateralised loan of 28.0 million euros from OP Financial Group. The loan period is three years and according to the loan agreement this period can be extended by one year up to 30 April 2024. The loan is tied to the six-month Euribor plus a margin. In addition, Talenom has agreed on an additional loan of 10 million euros for potential acquisitions and projects in support of growth.

Cash flows from financing activities and non-cash changes

		Cash flows	Non-cash changes		
	2018		**New leases**	**Changes in fair values**	**2019**
Non-current liabilities	23 730	4 485			28 215
Current liabilities	317	-90			226
Lease liabilities		-1 746	10 238		8 492
Assets used for hedging non-current liabilities	116			-60	56
Total liabilities for financing activities	**24 163**	**2 648**	**10 238**	**-60**	**36 990**

		Cash flows	Non-cash changes		
	2019		**New leases**	**Changes in fair values**	**2020**
Non-current liabilities	28 215	1 907			30 122
Current liabilities	226	-56			171
Contingent consideration from business acquisitions				583	583
Lease liabilities	8 492	-2 129	1 775		8 138
Assets used for hedging non-current liabilities	56			-56	0
Total liabilities for financing activities	**36 990**	**-277**	**1 775**	**527**	**39 014**

NOTE 24

Lease liabilities and other non-current financial liabilities

In thousands of euro	**2020**	**2019**
Lease liabilities		
Non-current lease liabilities	5 859	6 552
Current lease liabilities	2 280	1 940
Total lease liabilities	**8 138**	**8 492**

The maturity analysis for the lease liabilities is provided in Note 26.

In thousands of euro	**2020**	**2019**
Derivative instruments - under hedge accounting		
Interest rate swaps - fair value	**0**	**56**
Nominal value	**0**	**11 805**
Current	**0**	**56**
Non-current	**0**	**0**

Other non-current financial liabilities measured at fair through profit or loss comprise both derivative instruments to which hedge accounting is and is not applied. The carrying amounts of the derivative liabilities reflect the year-end negative fair values of the interest rate swaps. Cash flow hedge accounting is applied to the derivative contracts under hedge accounting. For those instruments fair value changes are recognised in the fair value reserve under equity to the extent that the hedges are effective. The Group uses such hedging derivative instruments to mitigate its exposure to risks arising from fluctuations in interest rates for loans and borrowings. The Group determines fair values for derivative instruments by using confirmations for derivative contracts obtained from banks.

Disclosures for fair value measurement are provided in Note 22.

NOTE 25

Trade and other payables

In thousands of euro	2020	2019
Instalment payment liabilities	293	441
Trade payables	1 494	1 263
Prepayments received for contracts with customers	443	266
Other accrued expenses and deferred income	9 877	8 453
Contingent consideration from business acquisitions	583	0
Total	**12 690**	**10 422**
Total current	**12 134**	**10 208**
Total non-current	**556**	**215**

The carrying amounts of trade and other payables approximate their fair values. Major items under Accrued expenses and deferred income are presented in the table below.

The maturity analysis for financial liabilities is disclosed in Note 26.

More information about the Group's exposure to liquidity risk is provided in Note 26.

MAJOR ITEMS UNDER ACCRUED EXPENSES AND DEFERRED INCOME

In thousands of euro	2020	2019
Employee benefits	7 379	6 333
Interest payable	87	136
VAT liability	2 285	1 919
Other	96	64
Total	**9 847**	**8 453**

NOTE 26

Financial risk management

ECONOMIC RISK MANAGEMENT AND GENERAL PRINCIPLES

The objective of the Group's risk management is to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor the realisation of risks in relation to the risk limits. The risk management principles and policies are regularly reviewed to reflect changes in market conditions and the Group's operation models.

The Group and its operations are exposed to financial risks, the major financial risks being interest rate risk and liquidity risk.

Management is responsible for monitoring business-related financial risks. The objective of financial risk management is to reduce the volatility in earnings, balance sheet and cash flows, while securing effective and competitive financing for the Group.

Interest rate risk is negative effect on the company's result arising from changes in market interest rates. At Talenom interest rate risk is primarily derived from outstanding floating-rate bank borrowings and the Group may use plain vanilla interest rate swaps for risk management purposes. Hedges are generally allocated at individual borrowings. Basically the terms of the hedging instruments match the terms of the underlying borrowing (nominal amount, term period, reference interest rate and interest reset dates).

INTEREST RATE RISK

The interest-bearing loans and borrowings of the Group exposure Talenom to interest rate risk, i.e. re-pricing and price risks arising from changes in market interest rates. CFO is responsible for interest rate risk management. Interest rate risk management is aimed at reducing the interest rate fluctuation impact on the results between financial years, enabling a more stable net income. The Group may hedge against interest rate risk by using interest rate forwards and interest rate swaps. The Group has an interest rate swap valid from 30 September 2016 - 30 September 2020.

The level of the interest rate hedge is regularly reviewed, considering changes in interest rate.

The tables below detail the Group's sensivity to changes in market interest rates. The following assumptions were applied in sensitivity analyses:

- The change in interest rate was assumed to be +/- 0.50 percentage point from the interest rate quoted for individual instruments at balance sheet date.
- The analysis covers those instruments with interest reset dates within the following 12 months
- In case a variable-rate instrument would be paid back in full in the following 12-month period it was assumed that the instrument would be re-acquired under current prevailing interest rate.

Interest rate risk position

The following table discloses the Group's exposure to interest rate risk arising from interest-bearing financial liabilities.

	Nominal value	
In thousands of euro	**2020**	**2019**
Instruments with variable rates		
Bank borrowings	30 000	28 000
Impact of the interest rate swaps	0	11 805
Open position	**30 000**	**16 195**

Sensitivity analysis for fair values of instruments with fixed interest rates

The Group has no financial assets nor financial liabilities with fixed interest rates measured at fair value through profit or loss.

Sensitivity analysis for cash flows of instruments with variable rates

A change of 0.5 percentage point in reference interest rate at the balance sheet date would have increased or decreased the consoidated result as shown in the the tables below. The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

Sensitivity analysis at 31 December 2020, interest rates rising / falling 0.5 percentage point as at 31 December 2020, from the applicable level

	Vaikutus tuloslaskelmaan	
In thousands of euro	**+ 0,5 %**	**- 0,5 %**
Liability	0	0
Pre-tax impact		

Sensitivity analysis at 31 December 2019, interest rates rising / falling 0.5 percentage point as at 31 December 2019, from the applicable level

	Income statement impact	
In thousands of euro	**+ 0,5 %**	**- 0,5 %**
Liability	-10	0
Interest rate swaps - impact on interest variable rate	**19**	**0**
Pre-tax impact		

	Impact on equity	
In thousands of euro	**+ 0,5 %**	**- 0,5 %**
Interest rate swaps - fair value	38	-38

CREDIT RISK

Credit risk is the risk of a financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables.

The Group is exposed to credit risk arising from its commercial receivables. The Group policy sets out the investment principles and credit rating requirements related to customers, investment transactions and derivative contract counterparties. Apart from trade receivables, the Group has no significant concentrations of credit risk, since it has a broad clientele Credit quality and credit limits of the clients with a credit account are reviewed regularly.

The ageing analysis of trade receivables is presented in Note 18 Trade and other receivables.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under different conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group continuously strives to evaluate and monitor the amount of financing required for its operations to ensure that it will have sufficient liquid funds to finance its business activities and investments and to repay loans and borrowings falling due.

At the end of the financial year 2020 the Group's financial liabilities included financial covenants. For more information on the restrictions imposed on the Group's assets and business transactions refer to Note 28 Contingent commitments.

At the balance sheet date the Group had an available overdraft limit amounting to EUR 3.0 million. The limit was not used in 2020.

The cash flows presented in the tables below comprise the financial year-end fair values of interest rate derivatives, repayments of loans and borrowings, amounts of estimated interest payable known at the balance sheet date as well as trade and other payables. Lease liabilities include increases in rental charges known at the year-end.

MATURITY ANALYSIS FOR FINANCIAL LIABILITIES, 2020

In thousands of euro	**Carrying amount**	**Cash flow**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Financial liabilities								
Bank borrowings	**30 000**	**31 155**	495	495	30 165			
Trade and other payables	**12 690**	**2 370**	1 814	495	61			
Lease liabilities	8 138	8 612	2 321	1 665	1 527	1 389	1 236	475
Total	**50 828**	**42 137**	**4 630**	**2 655**	**31 753**	**1 389**	**1 236**	**475**

MATURITY ANALYSIS FOR FINANCIAL LIABILITIES, 2019

In thousands of euro	**Carrying amount**	**Cash flow**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025-2026**
Financial liabilities								
Bank borrowings	28 000	29 093	662	28 431				
Trade and other payables	1 704	1 704	1 490	107	107			
Lease liabilities	8 492	9 667	2 243	1 638	1 461	1 364	1 357	1 604
Total	**38 196**	**40 464**	**4 395**	**30 176**	**1 568**	**1 364**	**1 357**	**1 604**

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard normal operational preconditions in all circumstances and to maintain optimal cost of capital. The table below discloses the Group's net interest-bearing loans and borrowings, equity and net gearing.

Management of capital structure

In thousands of euro	**2020**	**2019**
Interest-bearing financial liabilities	30 000	28 000
Lease liabilities	8 138	8 492
Interest rate swaps	0	56
Instalment payment liabilities	293	441
Cash and cash equivalents	9 104	7 786
Net debt	**29 327**	**29 204**
Total equity	**32 169**	**23 573**
Net gearing, %	**91 %**	**124 %**

NOTE 27

Leases

Amounts recognised in profit or loss	2020	2019
In thousands of euro		
Interest expense on lease liabilities	207	206
Expenses relating to short-term leases	97	274
Expenses relating to low-value assets	0	0

The total cash outflow for leases in 2020 was EUR 2,417 thousand (2019: EUR 2,226 thousand).

Sublease income is disclosed in Note 7.

NOTE 28

Contingent commitments

COLLATERALS AND COMMITMENTS

In thousands of euro	2020	2019
Liabilities secured under company mortgages given by Talenom		
Loans and borrowings from financial institutions	30 000	28 000
Mortgages	45 360	31 860
Other pledges and commitments		
Pledges (in own possession)	3 072	3 072
Other*	3 895	2 441

*Other commitments relate to the issued but unused overdraft limit, bank guarantee limit, and commitments for instalment payment obligations.

Covenants
The credit agreement entered into with Danske Bank A/S is subject to ordinary financial covenants, such as net debt to EBITDA and equity ratio. The Group complied with the both financial covenants of its credit agreement as at 31 December 2020. Covenants are reviewed every six months.

Legal proceedings
The Group was not involved in any material legal proceedings as at 31 December 2020.

Operating leases
For information on leases that have not been recognised in the balance sheet, see Note 27

NOTE 29

Related party transactions

The Group's related parties include the parent company Talenom Plc and its subsidiaries. The list of subsidiaries is provided in Note 5. Furthermore, related parties comprise the key management personnel of Talenom Group, consisting of the Board of Directors, CEO and the Group Management Team, including their family members. Related parties also comprise such entities in/over which the persons referred to above have control or significant influence.

TRANSACTIONS WITH ENTITIES UNDER CONTROL OF KEY MANAGEMENT PERSONNEL:

In thousands of euro	2020	2019
HTM Beta Service Oy: service rent for headquarters	0	228
HTM Beta Service Oy: compensation for termination of service rent contract	0	38
Hemmo Capital Oy: lease charges for holiday homes	41	42
Silta Partners Oy: consultation and subcontracting	0	14
Total	**41**	**322**

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

KEY MANAGEMENT PERSONNEL COMPENSATION

During the financial year the compensation to CEO and other Group management was as follows (including any fringe benefits):

In thousands of euro	2020	2019
Salaries and other short-term employee benefits	2 194	1 221
Post-employment benefits	119	137
Share-based payments	132	92
Total	**2 445**	**1 450**

The amounts disclosed in the table above represent the expenses recognised in those financial years.

The total compensation of the key management personnel comprises salaries, non-cash benefits and the amounts paid into defined contribution plans. The pension commitments of the Management Team are arranged through statutory pension insurance and an additional defined contribution pension plan and the Board of Directors annually decides on the amount payable into the additional pension plan. During the financial years 2019 and 2020 no contributions were made in the plan.

Group management has no defined benefit pension plans.

The CEO is entitled to the statutory pension, and the retirement age is determined by the Finnish statutory pension system. The statutory pension expense for the CEO totaled EUR 30 thousand in 2020 (2019: EUR 43 thousand).

Remuneration of the Board of Directors and CEO, by person (paid and expensed)

In thousands of euro		2020	2019
	Jussi Paaso, CEO		327
	Otto-Pekka Huhtala, CEO	712	82
Board of Directors			
	Harri Tahkola, Chairman of the Board	70	60
	Olli Hyyppä, Board member	23	18
	Mikko Siuruainen, Board member	23	18
	Anne Riekki, Board member	23	18
	Johannes Karjula, Board member	23	18
	Sampsa Laine, Board member	20	
Total		**894**	**541**

NOTE 30

Events after the end of the reporting period

On 4 January 2021, the share capital of the Swedish accounting firms Ekonomianalys KL Ab and Persson & Thorin AB was transferred to Talenom Plc. The combined net sales of the acquirees during the past 12-month period amounted to around 3.5 million euros and their operating profit to around 0.3 million euros. The total acquisition cost of these shares was 2,879 thousand euros, which was paid in cash and shares. In connection with the transactions, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration ranges from 0 to 23 million Swedish krona. Based on the management's estimate, 15.2 million Swedish krona (1,507 thousand euros) of the contingent consideration will be recognised in the purchase price and as a liability.

The 136,807 new shares subscribed for in the directed share issue related to the acquisition were registered in the Trade Register on 7 January 2021. The total number of Talenom Plc shares is 43,351,587 shares following the registration of the new shares.

The combined values of acquired assets and liabilities (preliminary estimate) at the time of the acquisition were as follows:

1,000 euros, pro forma	
Property, plant and equipment	153
Customer relationships	1 141
Current assets	794
Total assets	**2 088**
Trade and other payables	650
Deferred tax liabilities	235
Total liabilities	**886**
Net assets	1 203
Consideration transferred	4 386
Net assets of acquired companies	-1 203
Goodwill	**3 183**

No other significant events occurred after the end of the reporting period.

Income Statement, parent company

EUR	**1 Jan 2020 - 31 Dec 2020**	**1 Jan 2019 - 31 Dec 2019**
NET SALES	27 112 049,22	18 696 249,82
Other operating income	1 258 565,62	1 361 041,51
Material and services		
External services	-14 926 329,32	-9 459 339,43
Total material and services	-14 926 329,32	-9 459 339,43
Personnel expenses		
Wages and salaries	-3 444 971,10	-3 557 913,26
Social security expenses		
Pension expenses	-511 934,10	-627 299,54
Other social security expenses	-27 602,16	-33 902,55
Total personnel expenses	-3 984 507,36	-4 219 115,35
Depreciation, amortisation and impairment losses		
Depreciation and amortisation according to plan	-6 555 637,45	-5 234 644,78
Impairment losses on non-current assets	-1 352 028,32	-701 164,26
Total depreciation, amortisation and impairment losses	-7 907 665,77	-5 935 809,04
Other operating expenses	-2 653 478,69	-4 233 946,54
OPERATING PROFIT (LOSS)	-1 101 366,30	-3 790 919,03
Financial income and expenses		
Other interest and financial income		
From Group companies	7 668,88	124 696,91
From others	31 249,89	15 103,89
Interest and other financial expenses		
To others	-717 957,47	-690 699,65
Total financial income and expenses	-679 038,70	-550 898,85
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1 780 405,00	-4 341 817,88
Appropriations		
Change in cumulative accelerated depreciation (addition (-), decrease (+)	27 494,41	-83 327,23
Group contributions		
Group contributions received	12 650 000,00	12 620 000,00
Total appropriations	12 677 494,41	12 536 672,77
Income taxes		
Taxes for the financial year	-2 456 529,47	-1 915 845,16
Total income taxes	-2 456 529,47	-1 915 845,16
PROFIT (LOSS) FOR THE FINANCIAL YEAR	8 440 559,94	6 279 009,73

Balance Sheet, parent company

EUR	31 Dec 2020	31 Dec 2019
A S S E T S		
NON-CURRENT ASSETS		
Intangible assets		
Development costs	17 804 529,80	11 243 714,57
Intangible rights	648 557,64	652 663,84
Goodwill	9 627 973,83	10 643 287,17
Other intangible assets	8 390 075,91	6 473 935,88
Total intangible assets	36 471 137,18	29 013 601,46
Property, plant and equipment		
Machinery and equipment	1 471 889,15	1 568 135,60
Total property, plant and equipment	1 471 889,15	1 568 135,60
Investments		
Shares in Group companies	9 286 403,89	6 141 749,78
Other receivables	100 000,00	0,00
Total investments	9 386 403,89	6 141 749,78
TOTAL NON-CURRENT ASSETS	47 329 430,22	36 723 486,84
CURRENT ASSETS		
Receivables		
Non-current		
Receivables from Group companies	0,00	400 000,00
Total non-current	0,00	400 000,00
Current		
Trade receivables	1 773 810,82	1 484 655,90
Receivables from Group companies	15 943 409,21	14 340 039,10
Loan receivables	8 529,61	0,00
Other receivables	323 183,50	212 881,47
Accrued income and prepayments	733 632,91	812 585,60
Total current	18 782 566,05	16 850 162,07
Cash at bank and in hand	8 765 479,91	7 654 711,59
TOTAL CURRENT ASSETS	27 548 045,96	24 904 873,66
TOTAL ASSETS	74 877 476,18	61 628 360,50

EUR	31 Dec 2020	31 Dec 2019
E Q U I T Y & L I A B I L I T I E S		
EQUITY		
Share capital		
Share capital	80 000,00	80 000,00
	80 000,00	80 000,00
Other reserves		
Reserve for invested unrestricted equity	15 224 757,88	11 640 159,84
Total other reserves	15 224 757,88	11 640 159,84
Retained earnings	2 442 395,61	1 374 064,87
Profit (Loss) for the financial year	8 440 559,94	6 279 009,73
TOTAL EQUITY	26 187 713,43	19 373 234,44
APPROPRIATIONS		
Cumulative accelerated depreciation	189 497,94	216 992,35
TOTAL APPROPRIATIONS	189 497,94	216 992,35
LIABILITIES		
Non-current		
Loans from financial institutions	30 000 000,00	28 000 000,00
Trade payables	6 103,90	74 481,40
Other liabilities	433 513,05	0,00
Total non-current	30 439 616,95	28 074 481,40
Current		
Advances received	60 161,48	33 211,54
Trade payables	757 822,67	795 828,47
Liabilities to Group companies	14 761 064,19	11 253 835,82
Other liabilities	292 321,27	152 028,58
Accruals and prepaid income	2 189 278,25	1 728 747,90
Total current	18 060 647,86	13 963 652,31
TOTAL LIABILITIES	48 500 264,81	42 038 133,71
TOTAL EQUITY AND LIABILITIES	74 877 476,18	61 628 360,50

Cash flow statement, parent company

EUR	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Cash flow from operating activities		
Profit (loss) before taxes	-1 780 405,00	-4 341 817,88
Adjustments:		
Depreciation and amortisation according to plan	7 907 665,77	5 935 809,04
Financial income and financial expenses	679 038,70	550 898,85
Capital gains	-5 351,86	-60 671,80
Capital losses	6 501,39	7 731,90
Other adjustments	-15 979,21	0,00
Change in working capital:		
Increase (-) / decrease (+) of current receivables	-1 303 259,09	971 553,85
Increase (-) / decrease (+) of non-current receivables	300 000,00	3 197 512,96
Increase (+) / decrease (-) of current liabilities	2 788 549,76	1 043 377,36
Cash flow from operating activities before financial items and taxes	8 576 760,46	7 304 394,28
Interest received	38 918,77	139 800,80
Interest paid	-720 922,53	-671 968,93
Taxes	-1 918 845,17	-2 285 746,51
Net cash from operating activities	**5 975 911,53**	**4 486 479,64**
Cash flows from investing activities:		
Acquisition of subsidiary shares	-1 335 714,45	-1 276 774,28
Acquisitions of businesses*)	-1 297 872,78	-690 000,00
Proceeds from sale of businesses*)	1 346 702,46	1 380 000,00
Investments in software	-10 334 688,29	-5 580 110,86
Capitalisation of contract costs	-4 190 844,58	-4 493 905,62
Investments in other intangible assets	-5 900,00	-231 329,55
Purchases of property, plant and equipment	-421 771,70	-631 189,61
Proceeds from sale of property, plant and equipment	84 249,53	175 380,56
Net cash used in investing activities	**-16 155 839,81**	**-11 347 929,36**
Cash flows from financing activities:		
Acquisition of treasury shares	0,00	-674 416,85
Proceeds from non-current loans and borrowings	30 000 000,00	4 500 000,00
Repayments of non-current loans and borrowings	-28 000 000,00	0,00
Increase (+) / decrease (-) in installment liabilities	-85 278,52	-72 638,34
Proceeds from share issue	1 877 978,50	0,00
Dividends paid	-5 210 678,99	-3 776 719,65
Realisation of options	0,00	-684 261,00
Group contributions received	12 620 000,00	9 450 000,00
Change in Group financing	88 675,61	-137 493,29
Net Cash flow from financing	11 290 696,60	8 604 470,87
Change in cash and cash equivalents (increase (+) / decrease (-)	**1 110 768,32**	**1 743 021,15**
Cash and cash equivalents at 1 January	**7 654 711,59**	**5 911 690,44**
Cash and cash equivalents at 31 December	8 765 479,91	7 654 711,59

*) Business operations acquired during the financial year have been transferred to the subsidiaries in an intra-group transaction.

NOTE 1

Notes on the preparation of financial statements

VALUATION AND RECOGNITION PRINCIPLES AND METHODS

The financial statements of Talenom Plc are prepared in accordance with the Finnish Accounting Act and Ordinance and other laws and regulations governing the preparation of financial statements in Finland (Finnish Accounting Standards, FAS).

The company's property, plant and equipment and intangible assets shown under the non-current assets are valued at cost less depreciation and amortisation according to plan. Depreciation and amortisation according to plan are calculated on a straight-line basis over the useful lives of intangible assets and property, plant and equipment. Depreciation and amortisation have been applied from the month in which the asset was taken into use.

The company capitalises the direct costs of obtaining a new customer contract and implementation of the service. The capitalised costs incurred from obtaining and implementation of customer contracts are recognised in intangible assets in the balance sheet. The amortisation period for the capitalised costs is 10 years, based on the average duration of a customer relationship. The expected revenues from capitalised costs are estimated in each financial year. If the customer has left or the expected returns are not sufficient to cover the remaining capitalised amount, an impairment loss is recognised.

The company also capitalises costs related to its own software development. Software development costs are treated as investments and capitalised in the balance sheet under development costs. The capitalised software development costs are amortised over five years.

NOTE 2

Notes to income statement

CAPITALISATIONS IN INCOME STATEMENT

During the financial year, the development and production costs of own software as well as costs relating to obtaining customer contracts and deploying the service were capitalised as follows:

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Own software		
External services	10 054 738,47	5 176 555,36
Personnel expenses	72 666,90	76 232,00
Other operating expenses	0,00	0,00
	10 127 405,37	**5 252 787,36**
Costs arising from customer contracs		
External services	1 496 960,98	1 494 833,51
Personnel expenses	1 653 933,22	1 557 308,88
Other operating expenses	1 039 950,42	1 441 763,23
	4 190 844,62	**4 493 905,62**

OTHER OPERATING INCOME

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
License fees from subsidiaries	1 200 000,00	1 200 000,00
Capital gains	5 351,86	60 671,80
Other income	53 213,76	100 369,71
	1 258 565,62	**1 361 041,51**

BASIS OF DEPRECIATION AND AMORTISATION ACCORDING TO PLAN AND CHANGES AT 31 DECEMBER 2020

Class of asset	Estimated life of asset	Residual value	Depreciation / amortisation method
Intangible assets			
Software (readymade, purchased)	5 years	0	straight-line amortisation
Merger gains	15 years	0	straight-line amortisation
Brand advertising	3 years	0	straight-line amortisation
Renovation costs of leased premises	5 years	0	straight-line amortisation
Costs of own software development	5 years	0	straight-line amortisation
Property, plant and equipment			
Office furniture	10 years	0	straight-line depreciation
IT equipment	4 years	0	straight-line depreciation
Cars	3 years	50 %	straight-line depreciation

The amortisation period of the merger gain is based on the useful life estimated by management.

TOTAL DIVIDEND INCOME, INTEREST INCOME AND INTEREST EXPENSE:

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Dividend income from Group companies	0,00	0,00
Interest income from Group companies	7 668,88	124 696,91
Interest expenses to Group companies	0,00	0,00
Dividend income from others	0,00	0,00
Interest income from others	31 249,89	15 103,89
Interest expenses to others	-717 957,47	-690 699,65
	-679 038,70	-550 898,85

NOTES TO INCOME TAXES

	1.1.2020-31.12.2020	1.1.2019-31.12.2019
Income taxes on business operations	-2 456 529,47	-1 915 845,16
Deferred taxes	0,00	0,00
	-2 456 529,47	-1 915 845,16

NOTE 3

Notes to the balance sheet, assets

Changes in non-current assets 1 January 2020 - 31 December 2020

	Development costs	Intangible rights	Goodwill	Other intangible assets	Machinery and equipment
Cost at 1 January	22 175 621,13	1 236 960,54	18 247 844,01	9 762 080,01	3 945 561,80
Increases during the financial year	10 131 448,29	203 240,01	1 370 000,00	4 196 744,58	441 771,70
Decreases during the financial year			-990 000,00		-84 249,53
Cost at 31 December	32 307 069,42	1 440 200,55	18 627 844,01	13 958 824,59	4 303 083,97
Accumulated depreciation/ amortisation and impairment losses at 1 January	-10 931 906,56	-584 296,71	-7 604 556,84	-3 288 144,13	-2 377 426,20
Depreciation / amortisation according to plan for the financial year	-3 570 633,06	-207 346,20	-1 395 313,34	-928 576,23	-453 768,62
Impairment losses				-1 352 028,32	
Accumulated depreciation / amortisation and impairment losses at 31 December	-14 502 539,62	-791 642,91	-8 999 870,18	-5 568 748,68	-2 831 194,82
Accumulated depreciation difference at 1 January	0,00	0,00	0,00	0,00	216 992,35
Depreciation difference for the financial year	0,00	0,00	0,00	0,00	-27 464,41
Accumulated depreciation difference at 31 December	0,00	0,00	0,00	0,00	189 527,94
Cost at 31 December	32 307 069,42	1 440 200,55	18 627 844,01	13 958 824,59	4 303 083,97
Accumulated depreciation / amortisation at 31 December	-14 502 539,62	-791 642,91	-8 999 870,18	-5 568 748,68	-2 831 194,82
Undepreciated / unamortised balance at 31 December	17 804 529,80	648 557,64	9 627 973,83	8 390 075,91	1 471 889,15
Accumulated depreciation difference at 31 December	0,00	0,00	0,00	0,00	189 527,94
Undepreciated / unamortised balance at 31 December, less total depreciation / amortisation	17 804 529,80	648 557,64	9 627 973,83	8 390 075,91	1 282 361,21

Changes in non-current assets 1 January 2019 - 31 December 2019

	Development costs	Intangible rights	Goodwill	Other intangible assets	Machinery and equipment
Cost at 1 January	16 893 010,27	939 460,54	18 247 844,01	5 036 844,84	3 436 006,65
Increases during the financial year	5 282 610,86	297 500,00		4 725 235,17	631 189,61
Decreases during the financial year					-121 634,46
Cost at 31 December	22 175 621,13	1 236 960,54	18 247 844,01	9 762 080,01	3 945 561,80
Accumulated depreciation / amortisation at 1 January	-8 254 071,75	-408 325,43	-6 221 910,14	-2 007 975,18	-1 957 432,44
Depreciation / amortisation according to plan for the financial year	-2 677 834,81	-175 971,28	-1 382 646,70	-579 004,69	-419 993,76
Impairment losses				-701 164,26	
Accumulated depreciation / amortisation at 31 December	-10 931 906,56	-584 296,71	-7 604 556,84	-3 288 144,13	-2 377 426,20
Accumulated depreciation difference at 1 January	0,00	0,00	0,00	0,00	133 665,12
Depreciation difference for financial year	0,00	0,00	0,00	0,00	83 327,23
Accumulated depreciation difference at 31 December	0,00	0,00	0,00	0,00	216 992,35
Cost at 31 December	22 175 621,13	1 236 960,54	18 247 844,01	9 762 080,01	3 945 561,80
Accumulated depreciation / amortisation at 31 December	-10 931 906,56	-584 296,71	-7 604 556,84	-3 288 144,13	-2 377 426,20
Undepreciated / unamortised balance at 31 December	11 243 714,57	652 663,83	10 643 287,17	6 473 935,88	1 568 135,60
Accumulated depreciation difference at 31 December	0,00	0,00	0,00	0,00	216 992,35
Undepreciated / unamortised balance at 31 December, less total depreciation / amortisation	11 243 714,57	652 663,83	10 643 287,17	6 473 935,88	1 351 143,25

Depreciation, amortisation and impairment losses of other non-current expenditures and non-current assets:

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Development costs	3 570 633,06	2 677 834,81
Immaterial rights	207 346,20	175 971,27
Goodwill	1 395 313,34	1 382 646,70
Other intangible assets	928 576,23	579 004,69
Machinery and equipment	453 768,62	419 187,31
Impairment losses	1 352 028,32	701 164,26
Total depreciation and amortisation	7 907 665,77	5 935 809,04

Receivables from Group companies:

	31 Dec 2020	31 Dec 2019
Non-current		
Loan receivables from Group companies	0,00	400 000,00
	0,00	400 000,00
Current		
Trade receivables from Group companies	610 853,05	488 369,66
Other receivables from Group companies	13 738 877,90	12 964 863,29
Prepayments and accruals from Group companies	1 593 678,26	886 806,15
	15 943 409,21	14 340 039,10
Total receivables from Group companies	15 943 409,21	14 740 039,10

Prepayments and accruals

	31.12.2020	31.12.2019
Lease deposits paid	36 616,26	19 173,02
Other prepaid items	697 016,65	793 412,58
	733 632,91	812 585,60

NOTE 4

Notes to balance sheet, equity and liabilities

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Equity		
Share capital at 1 January	80 000,00	80 000,00
Change during the financial year	0,00	0,00
Share capital at 31 December	80 000,00	80 000,00
Total restricted equity	**80 000,00**	**80 000,00**
Reserve for invested unrestricted equity at 1 January	11 640 159,84	11 014 692,52
Share issue	3 584 598,04	2 158 688,90
Capital repayment	0,00	0,00
Purchases of treasury shares (own shares)	0,00	-674 416,85
Redeemed options	0,00	-858 804,73
Transfers to other equity items	0,00	0,00
Reserve for invested unrestricted equity at 31 December	15 224 757,88	11 640 159,84
Retained earnings at 1 January	1 374 064,87	819 895,07
Profit/loss for the previous financial year	6 279 009,73	4 330 889,45
Dividend distribution	-5 210 678,99	-3 776 719,65
Retained earnings at 31 December	2 442 395,61	1 374 064,87
Profit/loss for the financial year	8 440 559,94	6 279 009,73
Total unrestricted equity	**26 107 713,43**	**19 293 234,44**
Total equity	**26 187 713,43**	**19 373 234,44**

Distributable equity

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Retained earnings at 1 January	7 653 074,60	5 150 784,52
Profit/loss for the financial year	8 440 559,94	6 279 009,73
Dividend distribution	-5 210 678,99	-3 776 719,65
Reserve for invested unrestricted equity	15 224 757,88	11 640 159,84
Capitalised development costs	-17 804 529,80	-11 243 714,57
Total distributable equity	8 303 183,63	8 049 519,87

LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

Non-current liabilities due after more than five years

	31 Dec 2020	31 Dec 2019
Loans and borrowings from financial institutions	0,00	0,00

Liabilities to Group companies

Current	**31 Dec 2020**	**31 Dec 2019**
Trade payables	4 604 232,85	1 902 544,50
Other	10 156 831,34	9 351 291,32
	14 761 064,19	11 253 835,82

Accruals and deferred income

	31.12.2020	31.12.2019
Holiday pay	567 313,99	562 893,91
Social security costs for holiday pay liability	102 740,61	117 363,45
Interest	86 625,00	136 270,25
Taxes	1 027 529,51	489 845,21
Other items	405 069,14	422 375,08
	2 189 278,25	1 728 747,90

NOTE 5

Collaterals and commitments

Liabilities for which company mortgage has been given as a security	31 Dec 2020	31 Dec 2019
Loans and borrowings from financial institutions	30 000 000	28 000 000
Company mortgages given	45 100 000	31 600 000
Other pledges and company mortgages		
Pledges given	2 865 837	2 865 837
Company mortgages	45 100 000	31 600 000

Overdraft limits	31 Dec 2020	31 Dec 2019
Total amount of the granted limit	3 000 000	1 000 000
In use	0	0

Instalment payment commitments	31 Dec 2020	31 Dec 2019
Total instalment payment liabilities	32 240,65	117 519,17
Book value of assets given as security	106 257,60	231 912,11

Off-balance sheet lease obligations	31 Dec 2020	31 Dec 2019
	8 427 840,37	9 961 303,73

Interest rate swaps	31 Dec 2020	31 Dec 2019
Fair value	0,00	-56 040,26
Value of the underlying	0,00	11 805 000,00

The company acquired an interest rate swap to hedge a bank borrowing against changes in interest rates. The contract term of the interest rate swap matches the term of the underlying borrowing. The interest rate swap exchanges floating-rate interest payments of the hedged borrowing for fixed-rate interest payments. The swap has expired at 30 September 2020.

NOTE 6

Financial covenants

The credit agreement entered into with Danske Bank is subject to ordinary financial covenants, such as net debt to EBITDA and equity ratio. The company complied with the both financial covenants of its credit agreement as at 31 December 2020.

NOTE 7

Notes to auditor’s fees

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Statutory audit	117 210,46	72 220,00
Other assurance assignments	7 400,00	
Tax advisory	1 300,00	
Other services	35 583,56	57 138,92
	161 494,02	129 358,92

NOTE 8

Notes to related party transactions

	1 Jan 2020 - 31 Dec 2020	1 Jan 2019 - 31 Dec 2019
Other operating expenses	0,00	266 172,80

Related party transactions were made on terms equivalent to those that prevail in arm’s length transactions.

NOTE 9

Notes to personnel and members of governing bodies

Number of personnel

	31 Dec 2020	31 Dec 2019
During the financial year, the company's average number of personnel	88	87

Remuneration of top management

	1.1.2020–31.12.2020	1.1.2019–31.12.2019
CEO	712 320,50	409 145,03
Board of Directors	182 000,00	131 860,00

The pension commitments of the Management Team are arranged through statutory pension insurance and an additional pension plan, and the Board of Directors annually decides on the amount payable into the additional pension plan. During the financial years 2020 and 2019 no contributions were made in the plan.

LIITE 10

Holdings in other entities

Entities in which the company's holding is at least one fifth, at 31 December 2020

Name	Domicile	Holding, %
Talenom Taloushallinto Oy	Oulu	100 %
Talenom Talouspalvelu Oy	Kalajoki	100 %
Talenom Consulting Oy	Helsinki	100 %
Talenom Yritystilit Oy	Tampere	100 %
Talenom Talousosastopalvelut Oy	Oulu	100 %
Talenom Konsultointipalvelut Oy	Oulu	100 %
Talenom Software Oy	Oulu	100 %
Talenom Balance Oy	Oulu	100 %
Talenom Kevytyrittäjä Oy	Oulu	100 %
Talenom Redovisning Ab	Stockholm	100 %
Talenom Haninge Ab	Haninge	100 %
Frivision Ab	Göteborg	100 %

NOTE 11

Other information as intended in the limited liability companies act

Share series of the company:

Share series	number
Shares	43 214 780 of which held by the company 150,600 pcs

NOTE 12

List of accounting books and materials

Financial statements and report by the Board of Directors	As paper documents
Journal ledger	electronic PDF file
General ledger	electronic PDF file
Sales ledger	electronic PDF file
Purchase ledger	electronic PDF file
Payroll management	electronic PDF file
Balance sheet specifications	electronic PDF file
Note vouchers	electronic PDF file

	Voucher type	Method of storage
Bank vouchers Danske Bank	7	electronic PDF file
Bank vouchers OP	5	electronic PDF file
Payroll vouchers	50	electronic PDF file
Travel invoice vouchers	53,54,55,56	electronic PDF file
Credit card slips	10	electronic PDF file
Sales vouchers	35,39,80	electronic PDF file
Purchase vouchers	20,21,22,25,41,42,45,46	electronic PDF file
Intra-group vouchers	60,98	electronic PDF file
Memo vouchers	9	electronic PDF file
Accrual vouchers	90	electronic PDF file
VAT vouchers	99	electronic PDF file

Talenom group

Oulu, 8 February 2021

Signatures of the Board of Directors and CEO for Management report and Financial statements

Harri Tahkola | Johannes Karjula | Olli Hyyppä

Anne Riekki | Mikko Siuruainen | Otto-Pekka Huhtala, CEO

Sampsa Laine

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Oulu, 8 February 2021

KPMG Oy Ab

Juho Rautio, Authorised Public Accountant, KHT

Auditor's Report To the Annual General Meeting of Talenom Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Talenom Oyj (business identity code 2551454-2) for the year ended 31 December 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.
In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 11 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of goodwill (Basis of Preparation for the consolidated and parent company financial statements as well as Note 16 to the consolidated financial statements and Notes 2 and 3 to the parent company financial statements)

- Goodwill in the consolidated financial statements amounts to EUR 24.0 million, while goodwill in the parent company financial statements totals EUR 9.6 million. The balance of goodwill is significant in proportion to consolidated and parent company equity. No depreciation is recorded on the consolidated goodwill, but the goodwill asset is tested for impairment at one-year interval or more frequently. The goodwill stated in the parent company’s financial statements is depreciated according to plan on a straight-line basis over 15 years.

- As stated in the notes to the consolidated financial statements, goodwill is allocated in its entirety to the ‘Accounting Services’ segment. For purposes of impairment testing, goodwill has been allocated to cash-generating units, comprising ‘Accounting Services – Finland’ and ‘Accounting Services – Sweden’. The recoverable amount for cash-generating units is determined based on value in use, which is derived from projected discounted cash flows. The method employed in impairment testing involves management judgment and an element of uncertainty is present in the estimation of future cash flows.

- Resulting from elements of uncertainty present in the estimation of future cash flows, management judgment underlying estimates and the significance of the book value of goodwill, the valuation of goodwill is perceived as a key audit matter.

Our audit procedures included, among others:

- We have assessed the cash flow estimates employed in the calculations, the appropriateness of the discount rate applied, and the technical integrity of the calculations prepared. We have assessed critically the foundations and management assumptions underlying the future cash flow projections. For the parent company, we have assessed the appropriateness of depreciation period employed.

- We have assessed the goodwill stated in the consolidated accounts and the appropriateness of notes concerning impairment testing as well as the notes concerning the goodwill stated by the parent company.

Correctness and valuation of capitalized incremental contract costs (Basis of Preparation for the consolidated and parent company financial statements as well as Note 6 to the consolidated financial statements and Note 2 to the parent company financial statements)

- The Group has during the financial year capitalized costs totaling EUR 4.2 million, of which EUR 3.2 million by the parent company, arising from incremental costs of obtaining new customer contracts and fulfilling the customer contracts. Costs of customer contracts are capitalized in the consolidated balance sheet providing that they meet the conditions of the relevant financial reporting standard (IFRS 15). The capitalized costs are expensed evenly as services are being rendered over the expected duration of the contracts, which based on management judgment and experience is estimated at 10 years. Capitalized contract costs have, considering the above, a significant effect on the company’s operating profit and consequently it is perceived as a key audit matter.

- The total balance of capitalized incremental customer contract costs in the consolidated financial statements amounted to EUR 11.0 million or 34 % in proportion to consolidated equity at the end of the financial year, while the balance of capitalized contract costs stated in the parent company’s financial statement totaled EUR 8.2 million or 31 % in proportion to parent company equity. The impairment of the value of asset in the balance sheet is evaluated by comparison of the book value to projected proceeds from rendering the service deducted by related costs that have not yet been expensed. The estimation of projected proceeds and related costs involves management judgment and consequently the valuation of the asset is perceived as a key audit matter.

Our audit procedures included, among others:

- We have assessed the functionality of the process of recording capitalized customer contract costs and performed tests of related controls in place in the process. Additionally, we have assessed the conditions for capitalization of the customer contract costs during the financial year considering the requirements of the financial reporting standard as well as the basis of the hourly fee, derived from the company’s internal accounting, employed in the capitalization of incremental costs of obtaining new customer contracts.

- We have performed sample tests and analytical audit measures aimed at verifying the correctness of capitalization transactions of contract costs in the bookkeeping records.

- As regards the valuation calculations of incremental contract costs, we have assessed critically the foundations and management judgment underlying projections of proceeds and related costs. Additionally, we have assessed the appropriateness of depreciation period employed.

- We have assessed the appropriateness of the notes to the consolidated financial statements concerning incremental contract costs.

Correctness and valuation of software development costs (Basis of Preparation for the consolidated and parent company financial statements as well as Note 16 to the consolidated financial statements and Notes 2 and 3 to the parent company financial statements)

- The development of proprietary software tailored to meet the needs of customers is an essential part of the business model of Talenom Group. Development costs of software are capitalized in the consolidated financial statements and parent company financial statements providing that they meet the conditions of relevant financial reporting framework and economic benefit is expected from the costs. During the financial year, a total of EUR 10.1 million of software-related development costs have been capitalized in the consolidated and parent company balance sheet.

- Capitalized software development costs are expensed on a straight-line basis over five years of useful life, and, as a result, capitalized costs have a significant effect on the company’s operating profit. Consequently, the correctness of capitalized software development costs is perceived as a key audit matter.

- The balance of the capitalized software development costs in the consolidated and parent company balance sheet amounted to EUR 17.8 million, which accounted for 55 % of consolidated and 68 % of parent company equity. The company employs projected cash flows in the estimation of the recoverable amount from software development costs. The estimate of future economic benefit to be collected can be subject to adjustments over short periods of time owing to e.g. technological development.

Our audit procedures included, among others:

- We have assessed the functionality of the process of recording capitalized software development costs and conditions for the capitalization of the software development costs during the financial year considering the requirements of the applicable laws and regulations governing the preparation of financial statements.

- We have performed sample tests and analytical audit measures aimed at verifying the correctness of capitalization transactions of software development costs in the bookkeeping records.

- We have assessed the correctness of valuation of software development costs by reviewing the cash flow projections related to the most significant projects and the technical integrity of the calculations.

- We have assessed the appropriateness of the notes to the consolidated financial statements concerning software development costs.

Auditor's Report 1 January - 31 December 2020

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, 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 parent company's or the group'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 the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group'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 parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 4 July 2013, and our appointment represents a total period of uninterrupted engagement of 8 years. Talenom Oyj became a public interest entity on 15 June 2017. We have been the company´s auditors since it became a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Oulu, Finland, 8 February 2021
KPMG OY AB

Juho Rautio
Authorised Public Accountant, KHT

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