



Baby Dan A/S

Niels Bohrs Vej 14
8670 Låsby
CVR No. 16092045

Annual report 2022

The Annual General Meeting adopted the
annual report on 20.06.2023

Torben Stærkær Frandsen
Chairman of the General Meeting

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Entity details

Entity

Baby Dan A/S
Niels Bohrs Vej 14
8670 Låsby

Business Registration No.: 16092045
Registered office: Skanderborg
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Torben Stærkær Frandsen
Klas Boris Erik Cleasson

Executive Board

Per Crone Christensen
Søren Pjengaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Baby Dan A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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

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

Skanderborg, 20.06.2023

Executive Board

Per Crone Christensen

Søren Pjenggaard

Board of Directors

Torben Stærkær Frandsen

Klas Boris Erik Cleasson

Independent auditor's report

To the shareholders of Baby Dan A/S

Opinion

We have audited the financial statements of Baby Dan A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

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

Aarhus, 20.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Morten Gade Steinmetz

State Authorised Public Accountant

Identification No (MNE) mne34145

Management commentary

Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	46,609	58,131	44,799	33.146	41.427
Operating profit/loss	5,446	14,185	14,572	2.251	11.359
Net financials	(1,207)	(1,271)	(3,244)	(13)	(1.598)
Profit/loss for the year	2,816	12,262	9,783	1.753	7.793
Total assets	143,658	160,985	152,716	133.471	140.565
Investments in property, plant and equipment	1,770	470	3,325	598	1,079
Equity	42,156	58,800	46,509	36.726	40.973
Average number of employees	74	85	86	77	71
Ratios					
Return on equity (%)	5.58	23.29	42.04	4.50	17.28
Equity ratio (%)	29.34	36.53	30.45	27.52	29.15

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

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

The Group's primary activities are the development, production and sale of safety products for children, primarily aged 0-3 years. Moreover, the Group develops and sells a wide range of quality products within children's furniture, textiles and accessories, and also sells products from specific quality agencies in selected markets.

The Group has an export share of approximately 90%, and the products are sold worldwide. In addition to its own sales representatives in the UK and Germany, the Company has signed business agreements with the respective distributors in all countries where its products are marketed and sold.

The Group's main production is located at its headquarters in Denmark. In addition, a large number of moulded plastic components and finished products are produced by a wholly-owned subsidiary in Denmark, and production is also carried out by selected business partners and subcontractors in various countries, primarily in Eastern Europe and Asia.

The Group has set up an online trading platform for BTC sales in Denmark as well as in selected export countries.

During the financial year, continuous investments have been made in a wide range of production-optimising initiatives as well as in new IT systems at Baby Dan A/S as well as in subsidiaries, with a view to increasing sales, supply chain efficiency and thus earnings going forward.

Development in activities and finances

The Company's income statement for 2022 shows a profit of DKK 2,815,752 and at 31.12.2022 equity amounted to DKK 42,156,372

Profit/loss for the year in relation to expected developments

During the financial year, the Company has prepared the implementation of a new business plan.

The cornerstones of the new business plan are a consistent adjustment of the business to the current demand in the market and using this adjustment as a launch pad for a growth plan targeting specific product groups and growth markets.

Going forward, there will therefore be the greatest possible focus on safety products, the environment and sustainability as well as own production at the Group's production facilities in Denmark, combined with the continued development of a selectively chosen product range of goods for resale.

In this connection, both self-produced goods, goods for resale as well as packaging will, as far as possible, have to meet significant sustainability requirements. This will be achieved both in the production process by maximising the use of bio-based and recycled materials as well as by using biodegradable packaging.

Profit/loss for the year is negatively affected by heavily increasing production costs as well as participation in a project completed during the financial year and is considered less satisfactory.

Uncertainty relating to recognition and measurement

The company's currency cash flow is managed through an internal risk management model combined with the option of entering forward exchange contracts if considered advantageous.

Unusual circumstances affecting recognition and measurement

The war in Ukraine, the inflation, rising energy prices and interest rates have had a negative impact on consumers' disposable income and thus sales to the entire retail sector.

Outlook

In continuation of the new business plan, the Group will further develop and expand the Company's lead in the development, production and sale of sustainable products so that all facets of the Group's activities pay maximum regard to the environment.

As a result of the internal preparation of the new business plan as well as a significant investment in building a new brand focused on products for the PET sector, a growth in earnings is expected to be realised in the future.

To support the growth initiatives, subsidiaries have been established in UK and the US.

Knowledge resources

Baby Dan A/S has initiated new development activities in its core areas during the year.

Environmental performance

Baby Dan A/S is environmentally certified according to DS/EN 14001.

The Company's procedures and action plans are based on this certification. This, together with the Company's fundamental attitude towards and respect for the environment and environmentally correct behavior in all the Company's processes, means that Baby Dan A/S is one of the industry's leading companies within sustainable environmental impact.

Research and development activities

During the financial year, new development activities have been initiated within Baby Dan A/S's core areas.

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		46,609,404	58,131,442
Staff costs	2	(35,251,216)	(38,354,416)
Depreciation, amortisation and impairment losses	3	(5,912,248)	(5,592,136)
Operating profit/loss		5,445,940	14,184,890
Income from investments in group enterprises		(818,929)	1,852,438
Other financial income	4	2,142,959	3,101,501
Other financial expenses	5	(3,350,218)	(4,372,516)
Profit/loss before tax		3,419,752	14,766,313
Tax on profit/loss for the year	6	(604,000)	(2,504,401)
Profit/loss for the year	7	2,815,752	12,261,912

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	9	8,908,889	12,089,137
Acquired intangible assets		4,316,659	1,345,488
Development projects in progress	9	7,275,000	2,575,000
Intangible assets	8	20,500,548	16,009,625
Plant and machinery		4,675,096	3,961,783
Other fixtures and fittings, tools and equipment		156,040	220,509
Property, plant and equipment	10	4,831,136	4,182,292
Investments in group enterprises		2,933,163	5,835,905
Deposits		1,642,392	1,990,161
Financial assets	11	4,575,555	7,826,066
Fixed assets		29,907,239	28,017,983
Raw materials and consumables		15,812,086	18,197,617
Manufactured goods and goods for resale		15,966,324	16,824,658
Prepayments for goods		1,143,289	1,193,918
Inventories		32,921,699	36,216,193
Trade receivables		14,090,219	11,958,415
Receivables from group enterprises		53,668,844	10,432,037
Other receivables		9,453,209	66,045,451
Prepayments	12	742,700	770,347
Receivables		77,954,972	89,206,250
Cash		2,874,510	7,544,320
Current assets		113,751,181	132,966,763
Assets		143,658,420	160,984,746

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		1,670,448	1,670,448
Reserve for net revaluation according to the equity method		869,749	3,772,491
Reserve for development expenditure		12,623,433	11,438,026
Retained earnings		26,992,742	41,919,468
Equity		42,156,372	58,800,433
Deferred tax	13	3,692,000	3,088,000
Provisions		3,692,000	3,088,000
Bank loans		23,816,666	6,389,804
Lease liabilities		2,793,302	2,258,332
Debt to other credit institutions		0	3,415,725
Other payables		3,794,780	4,731,411
Non-current liabilities other than provisions	14	30,404,748	16,795,272
Current portion of non-current liabilities other than provisions	14	5,014,032	2,317,133
Bank loans		44,366,191	49,075,561
Prepayments received from customers		320,817	0
Trade payables		11,240,114	17,826,445
Payables to group enterprises		0	2,465,727
Tax payable		39,513	24,946
Joint taxation contribution payable		0	2,930,619
Other payables		6,424,633	7,660,610
Current liabilities other than provisions		67,405,300	82,301,041
Liabilities other than provisions		97,810,048	99,096,313
Equity and liabilities		143,658,420	160,984,746
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Assets charged and collateral	17		
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Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	1,670,448	3,772,491	11,438,026	41,919,468	0
Extraordinary dividend paid	0	0	0	0	(19,376,000)
Exchange rate adjustments	0	(83,813)	0	0	0
Dividends from group enterprises	0	(2,000,000)	0	2,000,000	0
Transfer to reserves	0	0	1,185,407	(1,185,407)	0
Profit/loss for the year	0	(818,929)	0	(15,741,319)	19,376,000
Equity end of year	1,670,448	869,749	12,623,433	26,992,742	0

	Total DKK
Equity beginning of year	58,800,433
Extraordinary dividend paid	(19,376,000)
Exchange rate adjustments	(83,813)
Dividends from group enterprises	0
Transfer to reserves	0
Profit/loss for the year	2,815,752
Equity end of year	42,156,372

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2022	2021
	DKK	DKK
Wages and salaries	29,713,081	32,197,622
Pension costs	4,299,677	4,617,386
Other social security costs	833,669	900,540
Other staff costs	404,789	638,868
	35,251,216	38,354,416
Average number of full-time employees	74	85

	Remuneration	
	of	of
	Management	Management
	2022	2021
	DKK	DKK
Executive Board	2,367,298	2,566,308
Board of Directors	200,000	250,000
	2,567,298	2,816,308

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK	DKK
Amortisation of intangible assets	4,791,456	4,415,187
Depreciation of property, plant and equipment	1,120,792	1,216,949
Profit/loss from sale of intangible assets and property, plant and equipment	0	(40,000)
	5,912,248	5,592,136

4 Other financial income

	2022	2021
	DKK	DKK
Financial income from group enterprises	487,309	100,023
Other interest income	1,644,151	2,323,626
Exchange rate adjustments	0	619,918
Other financial income	11,499	57,934
	2,142,959	3,101,501

5 Other financial expenses

	2022	2021
	DKK	DKK
Financial expenses from group enterprises	0	43,911
Other interest expenses	2,010,318	4,013,191
Exchange rate adjustments	782,862	0
Other financial expenses	557,038	315,414
	3,350,218	4,372,516

6 Tax on profit/loss for the year

	2022	2021
	DKK	DKK
Current tax	0	2,930,619
Change in deferred tax	604,000	(426,218)
	604,000	2,504,401

7 Proposed distribution of profit and loss

	2022	2021
	DKK	DKK
Extraordinary dividend distributed in the financial year	19,376,000	0
Retained earnings	(16,560,248)	12,261,912
	2,815,752	12,261,912

8 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Development projects in progress DKK
Cost beginning of year	47,412,270	4,787,875	2,575,000
Additions	294,379	4,288,000	4,700,000
Cost end of year	47,706,649	9,075,875	7,275,000
Amortisation and impairment losses beginning of year	(35,323,133)	(3,442,387)	0
Amortisation for the year	(3,474,627)	(1,316,829)	0
Amortisation and impairment losses end of year	(38,797,760)	(4,759,216)	0
Carrying amount end of year	8,908,889	4,316,659	7,275,000

9 Development projects

Development projects relate to the development of new baby safety equipment with particular focus on safety and sustainability. Some projects have been initiated and are being amortised whereas other projects are expected to be completed within one to three years. All projects progress as planned.

10 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	45,621,235	2,843,818
Additions	1,769,636	0
Cost end of year	47,390,871	2,843,818
Depreciation and impairment losses beginning of year	(41,659,452)	(2,623,309)
Depreciation for the year	(1,056,323)	(64,469)
Depreciation and impairment losses end of year	(42,715,775)	(2,687,778)
Carrying amount end of year	4,675,096	156,040
Recognised assets not owned by entity	2,730,202	0

11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	2,063,414	1,990,161
Disposals	0	(347,769)
Cost end of year	2,063,414	1,642,392
Revaluations beginning of year	3,772,491	0
Exchange rate adjustments	(83,813)	0
Amortisation of goodwill	(144,715)	0
Share of profit/loss for the year	(674,214)	0
Dividend	(2,000,000)	0
Revaluations end of year	869,749	0
Carrying amount end of year	2,933,163	1,642,392
Goodwill or negative goodwill recognised during the financial year	349,728	

Investments in subsidiaries	Registered in	Equity interest %
BD Plast ApS	Låsby, Danmark	100.00
Baby Dan UK Ltd.	United Kingdom	100.00
Baby Dan US Inc.	USA	100.00

12 Prepayments

Prepayments consists of prepaid expenses concerning insurance premiums and subscriptions.

13 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	4,510,000	3,523,000
Property, plant and equipment	(403,000)	(435,000)
Tax losses carried forward	(415,000)	0
Deferred tax	3,692,000	3,088,000

Changes during the year	2022 DKK	2021 DKK
Beginning of year	3,088,000	3,514,218
Recognised in the income statement	604,000	(426,218)
End of year	3,692,000	3,088,000

14 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Bank loans	3,483,334	0	23,816,666	9,883,335
Lease liabilities	1,530,698	1,112,312	2,793,302	0
Debt to other credit institutions	0	1,204,821	0	0
Other payables	0	0	3,794,780	0
	5,014,032	2,317,133	30,404,748	9,883,335

Non-current Other payables consists of frozen holiday pay in accordance with the Danish Holiday Act. It is currently not possible to determinate the short-term part of the frozen holiday debt, nor the outstanding debt after 5 years.

There are no other non-current liabilities which are outstanding after 5 years.

15 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	34,187,629	34,719,915

16 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Aika Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

17 Assets charged and collateral

The company has issued a mortgage deed letter to the company's bank capped at MDKK 4.3 in other fixtures, fittings, tools and equipment and goodwill.

The company has issued a letter of indemnity to the company's bank capped at MDKK 6 in in other fixtures, fittings, tools and equipment and goodwill.

The company has issued a letter of indemnity to the company's bank capped at MDKK 87 with floating charge in unsecured claims, inventories, machinery, goodwill, etc.

The booked value of Property, plant and equipment, Raw materials and consumables, Manufactured goods and goods for resale and Trade receivables is KDKK 51.542

Collateral provided for group enterprises

The Entity has guaranteed the group enterprises' debt to bank. There is no maximum limit of the guarantee.

Bank loans of group enterprises amount to KDKK 2.687

18 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

19 Group relations

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

Aika Invest ApS, Vejle

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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

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

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

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

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

Income statement

Gross profit or loss

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

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and inventory.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary

activities.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

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

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

Intellectual property rights etc

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

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

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

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

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

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

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

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

	Useful life
Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 10 years. Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect

on profit or loss or on taxable income.

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

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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

Prepayments received from customers

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

Tax receivable or payable

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, no cash flow statement have been made for the company. The cash flow statement is included in the group financial statements in Aika Invest ApS.