



## Baby Dan A/S

Niels Bohrs Vej 14  
8670 Låsby  
CVR No. 16092045

## Annual report 2023

The Annual General Meeting adopted the annual report on 04.07.2024

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**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: 01.01.2023 - 31.12.2023

## Board of Directors

Torben Stærkær Frandsen  
Klas Boris Erik Cleasson

## Executive Board

Per Crone Christensen  
Søren Pjenggaard

## 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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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, 04.07.2024

## 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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 04.07.2024

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

**Morten Gade Steinmetz**

State Authorised Public Accountant

Identification No (MNE) mne34145

# Management commentary

## Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	45,909	46,615	58,131	44,799	33.146
Operating profit/loss	5,915	5,445	14,185	14,572	2.251
Net financials	(3,907)	(1,206)	(1,271)	(3,244)	(13)
Profit/loss for the year	1,924	2,816	12,262	9,783	1.753
Total assets	145,569	143,658	160,985	152,716	133.471
Investments in property, plant and equipment	1,527	1,770	470	3,325	598
Equity	44,094	42,156	58,800	46,509	36.726
Average number of employees	67	74	85	86	77
<b>Ratios</b>					
Return on equity (%)	4.46	5.58	23.29	42.04	4.50
Equity ratio (%)	30.29	29.34	36.53	30.45	27.52

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

### Return on equity (%):

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

### Equity ratio (%):

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



### 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 Company has an export share of approximately 85%, 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.

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 2023 shows a profit of DKK 1,924,171 and at 31.12.2023 equity amounted to DKK 44,094,361

### Profit/loss for the year in relation to expected developments

Going forward, there will 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 increasing production costs as a falling demand due to squelched disposable incomes in several markets.

### 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

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

As a result of 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. In 2024 a gross profit on the same level as 2023 is expected.

To support the growth initiatives, subsidiaries have been established in 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 2023

	Notes	2023 DKK	2022 DKK
<b>Gross profit/loss</b>	2	<b>45,909,095</b>	<b>46,614,792</b>
Staff costs	3	(33,929,708)	(35,257,472)
Depreciation, amortisation and impairment losses	4	(6,064,044)	(5,912,248)
<b>Operating profit/loss</b>		<b>5,915,343</b>	<b>5,445,072</b>
Income from investments in group enterprises		397,263	(818,929)
Other financial income	5	2,451,682	2,142,959
Other financial expenses	6	(6,359,117)	(3,349,350)
<b>Profit/loss before tax</b>		<b>2,405,171</b>	<b>3,419,752</b>
Tax on profit/loss for the year	7	(481,000)	(604,000)
<b>Profit/loss for the year</b>	8	<b>1,924,171</b>	<b>2,815,752</b>

# Balance sheet at 31.12.2023

## Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	10	12,572,382	8,908,889
Acquired intangible assets		876,724	4,316,659
Development projects in progress	10	8,475,000	7,275,000
<b>Intangible assets</b>	9	<b>21,924,106</b>	<b>20,500,548</b>
Plant and machinery		5,015,310	4,675,096
Other fixtures and fittings, tools and equipment		275,743	156,040
<b>Property, plant and equipment</b>	11	<b>5,291,053</b>	<b>4,831,136</b>
Investments in group enterprises		3,344,244	2,933,163
Deposits		1,785,802	1,642,392
<b>Financial assets</b>	12	<b>5,130,046</b>	<b>4,575,555</b>
<b>Fixed assets</b>		<b>32,345,205</b>	<b>29,907,239</b>
Raw materials and consumables		18,233,163	15,812,086
Work in progress		8,047	0
Manufactured goods and goods for resale		9,964,553	15,966,324
Prepayments for goods		876,749	1,143,289
<b>Inventories</b>		<b>29,082,512</b>	<b>32,921,699</b>
Trade receivables		7,928,163	14,090,219
Receivables from group enterprises		59,066,797	53,668,844
Other receivables		16,602,783	9,453,209
Prepayments	13	299,452	742,700
<b>Receivables</b>		<b>83,897,195</b>	<b>77,954,972</b>
<b>Cash</b>		<b>244,019</b>	<b>2,874,510</b>
<b>Current assets</b>		<b>113,223,726</b>	<b>113,751,181</b>
<b>Assets</b>		<b>145,568,931</b>	<b>143,658,420</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2023 DKK</b>	<b>2022 DKK</b>
Contributed capital		1,670,448	1,670,448
Reserve for net revaluation according to the equity method		1,280,830	869,749
Reserve for development expenditure		16,416,998	12,623,433
Retained earnings		24,726,085	26,992,742
<b>Equity</b>		<b>44,094,361</b>	<b>42,156,372</b>
Deferred tax	14	4,173,000	3,692,000
<b>Provisions</b>		<b>4,173,000</b>	<b>3,692,000</b>
Bank loans		24,333,332	23,816,666
Lease liabilities		2,984,917	2,793,302
Other payables		3,773,798	3,794,780
<b>Non-current liabilities other than provisions</b>	15	<b>31,092,047</b>	<b>30,404,748</b>
Current portion of non-current liabilities other than provisions	15	5,393,014	5,014,032
Bank loans		42,464,079	44,366,191
Prepayments received from customers		212,633	320,817
Trade payables		11,242,287	11,240,114
Tax payable		31,126	39,513
Other payables		6,866,384	6,424,633
<b>Current liabilities other than provisions</b>		<b>66,209,523</b>	<b>67,405,300</b>
<b>Liabilities other than provisions</b>		<b>97,301,570</b>	<b>97,810,048</b>
<b>Equity and liabilities</b>		<b>145,568,931</b>	<b>143,658,420</b>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Non-arm's length related party transactions	19		
Group relations	20		

# Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,670,448	869,749	12,623,433	26,992,742	42,156,372
Exchange rate adjustments	0	13,818	0	0	13,818
Transfer to reserves	0	0	3,793,565	(3,793,565)	0
Profit/loss for the year	0	397,263	0	1,526,908	1,924,171
<b>Equity end of year</b>	<b>1,670,448</b>	<b>1,280,830</b>	<b>16,416,998</b>	<b>24,726,085</b>	<b>44,094,361</b>

# 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 Gross profit/loss

The company has other operating income from sales of sales- and trademark rights of Pet-design of 6,100k DKK.

## 3 Staff costs

	<b>2023</b>	<b>2022</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	29,026,892	29,719,337
Pension costs	4,287,178	4,299,677
Other social security costs	522,443	833,669
Other staff costs	93,195	404,789
	<b>33,929,708</b>	<b>35,257,472</b>

Average number of full-time employees	<b>67</b>	<b>74</b>
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	<b>Remuneration of Management 2023 DKK</b>	<b>Remuneration of Management 2022 DKK</b>
Executive Board	2,447,741	2,367,298
Board of Directors	0	200,000
	<b>2,447,741</b>	<b>2,567,298</b>

## 4 Depreciation, amortisation and impairment losses

	<b>2023</b>	<b>2022</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	4,996,572	4,791,456
Depreciation of property, plant and equipment	1,067,472	1,120,792
	<b>6,064,044</b>	<b>5,912,248</b>

## 5 Other financial income

	2023 DKK	2022 DKK
Financial income from group enterprises	2,140,501	487,309
Other interest income	307,875	1,644,151
Other financial income	3,306	11,499
	<b>2,451,682</b>	<b>2,142,959</b>

## 6 Other financial expenses

	2023 DKK	2022 DKK
Other interest expenses	5,537,666	2,010,318
Exchange rate adjustments	304,648	782,862
Other financial expenses	516,803	556,170
	<b>6,359,117</b>	<b>3,349,350</b>

## 7 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Change in deferred tax	481,000	604,000
	<b>481,000</b>	<b>604,000</b>

## 8 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Extraordinary dividend distributed in the financial year	0	19,376,000
Retained earnings	1,924,171	(16,560,248)
	<b>1,924,171</b>	<b>2,815,752</b>

## 9 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Development projects in progress DKK
Cost beginning of year	47,706,649	9,075,875	7,275,000
Transfers	2,405,216	(2,405,216)	0
Additions	5,153,380	66,750	1,200,000
<b>Cost end of year</b>	<b>55,265,245</b>	<b>6,737,409</b>	<b>8,475,000</b>
Amortisation and impairment losses beginning of year	(38,797,760)	(4,759,216)	0
Amortisation for the year	(3,895,103)	(1,101,469)	0
<b>Amortisation and impairment losses end of year</b>	<b>(42,692,863)</b>	<b>(5,860,685)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>12,572,382</b>	<b>876,724</b>	<b>8,475,000</b>
Recognised assets not owned by entity	0	2,159,073	0



## 10 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.

## 11 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	47,390,871	2,843,818
Additions	1,331,417	195,972
<b>Cost end of year</b>	<b>48,722,288</b>	<b>3,039,790</b>
Depreciation and impairment losses beginning of year	(42,715,775)	(2,687,778)
Depreciation for the year	(991,203)	(76,269)
<b>Depreciation and impairment losses end of year</b>	<b>(43,706,978)</b>	<b>(2,764,047)</b>
<b>Carrying amount end of year</b>	<b>5,015,310</b>	<b>275,743</b>
Recognised assets not owned by entity	3,672,807	0

## 12 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	2,063,414	1,642,392
Additions	0	143,410
<b>Cost end of year</b>	<b>2,063,414</b>	<b>1,785,802</b>
Revaluations beginning of year	869,749	0
Exchange rate adjustments	13,818	0
Amortisation of goodwill	(144,715)	0
Share of profit/loss for the year	541,978	0
<b>Revaluations end of year</b>	<b>1,280,830</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3,344,244</b>	<b>1,785,802</b>
Goodwill or negative goodwill recognised during the financial year	205,013	

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

### 13 Prepayments

Prepayments consists of prepaid expenses concerning insurance premiums and subscriptions.

### 14 Deferred tax

	<b>2023 DKK</b>	<b>2022 DKK</b>
Intangible assets	4,823,000	4,510,000
Property, plant and equipment	(441,000)	(403,000)
Tax losses carried forward	(209,000)	(415,000)
<b>Deferred tax</b>	<b>4,173,000</b>	<b>3,692,000</b>

<b>Changes during the year</b>	<b>2023 DKK</b>	<b>2022 DKK</b>
Beginning of year	3,692,000	3,088,000
Recognised in the income statement	481,000	604,000
<b>End of year</b>	<b>4,173,000</b>	<b>3,692,000</b>

### 15 Non-current liabilities other than provisions

	<b>Due within 12 months 2023 DKK</b>	<b>Due within 12 months 2022 DKK</b>	<b>Due after more than 12 months 2023 DKK</b>	<b>Outstanding after 5 years 2023 DKK</b>
Bank loans	3,483,334	3,483,334	24,333,332	6,400,000
Lease liabilities	1,909,680	1,530,698	2,984,917	0
Other payables	0	0	3,773,798	0
	<b>5,393,014</b>	<b>5,014,032</b>	<b>31,092,047</b>	<b>6,400,000</b>

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.

## 16 Unrecognised rental and lease commitments

	2023	2022
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	<b>28,237,276</b>	<b>34,187,629</b>

## 17 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.

## 18 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 41.441

## 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 2.322

## 19 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.

## 20 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, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds.

**Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal 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:

	<b>Useful life</b>
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.

#### **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.