



Baby Dan A/S

Niels Bohrs Vej 14
8670 Låsby
CVR No. 16092045

Annual report 2021

The Annual General Meeting adopted the
annual report on 06.07.2022

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: 01.01.2021 - 31.12.2021

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 06.07.2022

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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, 06.07.2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Morten Gade Steinmetz

State Authorised Public Accountant

Identification No (MNE) mne34145

Management commentary

Financial highlights

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------|---------|---------|---------|---------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Key figures | | | | | |
| Gross profit/loss | 41,852 | 44,799 | 33.146 | 41.427 | 35.726 |
| Operating profit/loss | 14,185 | 14,572 | 2.251 | 11.359 | 4.372 |
| Net financials | (1,271) | (3,244) | (13) | (1.598) | (145) |
| Profit/loss for the year | 12,262 | 9,783 | 1.753 | 7.793 | 3.444 |
| Total assets | 160,985 | 152,716 | 133.471 | 140.565 | 149.195 |
| Investments in property, plant and equipment | 470 | 3,325 | 598 | 1,079 | 1,489 |
| Equity | 58,800 | 46,509 | 36.726 | 40.973 | 49.180 |
| Average number of employees | 85 | 86 | 77 | 71 | 78 |
| Ratios | | | | | |
| Return on equity (%) | 23.29 | 42.04 | 4.50 | 17.28 | 7.30 |
| Equity ratio (%) | 36.53 | 30.45 | 27.52 | 29.15 | 32.96 |

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 key activities of Baby Dan A/S are development, production, and sale of child security products primarily for the age group between zero and three years. Moreover, the Company develops and sells a wide range of quality products such as children's furniture, textiles and accessories, and products from selected quality agencies are sold in selected markets.

Baby Dan A/S' export share is approximately 90%, and our products are sold worldwide. Apart from sales representations in the UK and Germany, trading agreements have been concluded with the respective distributors in all countries in which the products are marketed and sold.

The main production of Baby Dan A/S takes place at the domicile address in Denmark. Moreover, a huge number of moulded plastic components and finished products are produced by a 100% owned subsidiary in Denmark, and production is furthermore carried out by selected business partners in various countries, primarily in Eastern Europe and Asia.

The company has established an online trading platform for b2b and b2c sales in both Denmark and in selected export markets.

During the year, Baby Dan A/S has continued to invest in production optimization to secure production- and supply chain efficiency and consequently to continue to increase earnings.

Development in activities and finances

The income statement of the Company for 2021 shows a profit of DKK 12,261,912, and on 31 December 2021 the balance sheet of the Company shows equity of DKK 58,800,433.

Profit/loss for the year in relation to expected developments

During the financial year, the company has successfully continued the implementation of the change of strategy in connection with the realization of a previously adopted business plan.

The corner stones of the new strategy are a consistent adaptation of the company towards the actual demand situation in the market according to the motto: "We must do, what we do absolutely best" and to use this adaptation as a starting point for a growth plan aimed specifically at selected product-groups and growth markets.

Consequently, in future there will be the greatest possible focus on safety products, environmental ability, and sustainability as well as own production at the group factories in Denmark, combined with a continued development of a selected range of merchandise.

In this connection both own-produced articles as well as merchandise and packaging will – as far as possible – have to meet significant sustainability requirements. This will happen both during the actual production process with the greatest possible use of bio-based and recycled materials and by using biodegradable materials for packaging.

The business plan and the branding of the company's products are supported by the company's homepage.

The company's result is 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

Covid-19 has had a huge impact on both the security of supply of both raw- and auxiliary materials and the consequential costs derived therefrom in supply chain. Further, it has had a negative impact on sales to the entire retail sector. In return, the company has benefitted from producing the main part of the most important products at their own factories in Denmark, like the company as a result of it prior to Covid-19 adopted business plan has participated in the growth within online sales.

Outlook

Baby Dan will – in continuation of the present business plan – further develop and expand the lead, that is has within development, production, and sale of sustainable products in such a way, that in all facets of the company's operations, maximum consideration is given to the environment.

The continued stringent execution of the business plan contains in the coming years further growth initiatives within rollout of e-com platforms at a larger number of selected export markets, further development of the production range and establishment of targeted sales initiatives particularly within the growth area Pet.

To support the growth initiatives, subsidiaries in England and USA have been established.

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 under DS/EN 14001.

The company's procedures and action plans are based on this certification. This, combined with the company's basic approach to and respect for the environment and environmentally correct behavior in all its processes, implies, that Baby Dan A/S is among the industry leaders within sustainable environmental impact.

Research and development activities

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

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 2021

| | Notes | 2021 DKK | 2020 DKK |
|--|-------|-------------------|-------------------|
| Gross profit/loss | | 41,852,080 | 44,798,773 |
| Staff costs | 2 | (22,075,054) | (25,254,154) |
| Depreciation, amortisation and impairment losses | 3 | (5,592,136) | (4,972,443) |
| Operating profit/loss | | 14,184,890 | 14,572,176 |
| Income from investments in group enterprises | | 1,852,438 | 1,049,814 |
| Income from investments in associates | | 0 | (247,217) |
| Other financial income | 4 | 3,101,501 | 2,294,975 |
| Other financial expenses | 5 | (4,372,516) | (5,539,174) |
| Profit/loss before tax | | 14,766,313 | 12,130,574 |
| Tax on profit/loss for the year | 6 | (2,504,401) | (2,347,610) |
| Profit/loss for the year | 7 | 12,261,912 | 9,782,964 |

Balance sheet at 31.12.2021

Assets

| | Notes | 2021 DKK | 2020 DKK |
|--|-------|--------------------|--------------------|
| Completed development projects | 9 | 12,089,137 | 7,854,852 |
| Acquired intangible assets | | 1,345,488 | 1,426,257 |
| Development projects in progress | 9 | 2,575,000 | 8,603,279 |
| Intangible assets | 8 | 16,009,625 | 17,884,388 |
| Plant and machinery | | 3,961,783 | 4,720,390 |
| Other fixtures and fittings, tools and equipment | | 220,509 | 209,100 |
| Property, plant and equipment | 10 | 4,182,292 | 4,929,490 |
| Investments in group enterprises | | 5,835,905 | 3,953,640 |
| Deposits | | 1,990,161 | 2,453,439 |
| Financial assets | 11 | 7,826,066 | 6,407,079 |
| Fixed assets | | 28,017,983 | 29,220,957 |
| Raw materials and consumables | | 18,197,617 | 17,745,846 |
| Manufactured goods and goods for resale | | 16,824,658 | 16,211,756 |
| Prepayments for goods | | 1,193,918 | 1,565,133 |
| Inventories | | 36,216,193 | 35,522,735 |
| Trade receivables | | 11,958,415 | 22,596,482 |
| Receivables from group enterprises | | 10,432,037 | 1,245,000 |
| Other receivables | | 66,045,451 | 61,109,974 |
| Prepayments | 12 | 770,347 | 371,905 |
| Receivables | | 89,206,250 | 85,323,361 |
| Cash | | 7,544,320 | 2,648,766 |
| Current assets | | 132,966,763 | 123,494,862 |
| Assets | | 160,984,746 | 152,715,819 |

Equity and liabilities

| | Notes | 2021 DKK | 2020 DKK |
|--|--------------|---------------------|---------------------|
| Contributed capital | | 1,670,448 | 1,670,448 |
| Reserve for net revaluation according to the equity method | | 3,772,491 | 1,890,226 |
| Reserve for development expenditure | | 11,438,026 | 12,837,342 |
| Retained earnings | | 41,919,468 | 30,110,678 |
| Equity | | 58,800,433 | 46,508,694 |
| Deferred tax | 13 | 3,088,000 | 3,514,218 |
| Provisions | | 3,088,000 | 3,514,218 |
| Bank loans | | 6,389,804 | 7,400,000 |
| Lease liabilities | | 2,258,332 | 3,418,139 |
| Debt to other credit institutions | | 3,415,725 | 5,737,151 |
| Other payables | | 4,731,411 | 3,738,495 |
| Non-current liabilities other than provisions | 14 | 16,795,272 | 20,293,785 |
| Current portion of non-current liabilities other than provisions | 14 | 2,317,133 | 1,050,363 |
| Bank loans | | 49,075,561 | 49,134,829 |
| Trade payables | | 17,826,445 | 15,931,042 |
| Payables to group enterprises | | 2,465,727 | 3,322,962 |
| Tax payable | | 24,946 | 0 |
| Joint taxation contribution payable | | 2,930,619 | 2,284,436 |
| Other payables | | 7,660,610 | 10,675,490 |
| Current liabilities other than provisions | | 82,301,041 | 82,399,122 |
| Liabilities other than provisions | | 99,096,313 | 102,692,907 |
| Equity and liabilities | | 160,984,746 | 152,715,819 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 15 | | |
| Contingent liabilities | 16 | | |
| Assets charged and collateral | 17 | | |
| Non-arm's length related party transactions | 18 | | |
| Group relations | 19 | | |

Statement of changes in equity for 2021

| | 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 | 1,890,226 | 12,837,342 | 30,110,678 | 46,508,694 |
| Exchange rate adjustments | 0 | 29,827 | 0 | 0 | 29,827 |
| Transfer to reserves | 0 | 0 | (1,399,316) | 1,399,316 | 0 |
| Profit/loss for the year | 0 | 1,852,438 | 0 | 10,409,474 | 12,261,912 |
| Equity end of year | 1,670,448 | 3,772,491 | 11,438,026 | 41,919,468 | 58,800,433 |

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

| | 2021 | 2020 |
|---------------------------------------|-------------------|-------------------|
| | DKK | DKK |
| Wages and salaries | 31,726,978 | 35,827,492 |
| Pension costs | 4,617,386 | 4,755,778 |
| Other social security costs | 900,540 | 707,326 |
| Other staff costs | 500,091 | 316,808 |
| | 37,744,995 | 41,607,404 |
| Staff costs classified as assets | (15,669,941) | (16,353,250) |
| | 22,075,054 | 25,254,154 |
| Average number of full-time employees | 85 | 86 |

| | Remuneration of Management 2021 DKK | Remuneration of Management 2020 DKK |
|--------------------|--|--|
| Executive Board | 2,566,308 | 2,566,308 |
| Board of Directors | 250,000 | 250,000 |
| | 2,816,308 | 2,816,308 |

3 Depreciation, amortisation and impairment losses

| | 2021 | 2020 |
|--|------------------|------------------|
| | DKK | DKK |
| Amortisation of intangible assets | 4,415,187 | 3,812,801 |
| Depreciation of property, plant and equipment | 1,216,949 | 1,159,642 |
| Profit/loss from sale of intangible assets and property, plant and equipment | (40,000) | 0 |
| | 5,592,136 | 4,972,443 |

4 Other financial income

| | 2021 | 2020 |
|---|------------------|------------------|
| | DKK | DKK |
| Financial income from group enterprises | 100,023 | 139,340 |
| Other interest income | 2,323,626 | 2,108,427 |
| Exchange rate adjustments | 619,918 | 0 |
| Other financial income | 57,934 | 47,208 |
| | 3,101,501 | 2,294,975 |

5 Other financial expenses

| | 2021 | 2020 |
|---|------------------|------------------|
| | DKK | DKK |
| Financial expenses from group enterprises | 43,911 | 0 |
| Other interest expenses | 4,013,191 | 4,516,215 |
| Exchange rate adjustments | 0 | 679,741 |
| Other financial expenses | 315,414 | 343,218 |
| | 4,372,516 | 5,539,174 |

6 Tax on profit/loss for the year

| | 2021 | 2020 |
|------------------------|------------------|------------------|
| | DKK | DKK |
| Current tax | 2,930,619 | 2,284,436 |
| Change in deferred tax | (426,218) | 63,174 |
| | 2,504,401 | 2,347,610 |

7 Proposed distribution of profit and loss

| | 2021 | 2020 |
|-------------------|-------------------|------------------|
| | DKK | DKK |
| Retained earnings | 12,261,912 | 9,782,964 |
| | 12,261,912 | 9,782,964 |

8 Intangible assets

| | Completed development projects DKK | Acquired intangible assets DKK | Development projects in progress DKK |
|---|---|---|---|
| Cost beginning of year | 39,499,748 | 4,131,694 | 8,603,279 |
| Transfers | 7,553,279 | 0 | (7,553,279) |
| Additions | 359,243 | 656,181 | 1,525,000 |
| Cost end of year | 47,412,270 | 4,787,875 | 2,575,000 |
| Amortisation and impairment losses beginning of year | (31,644,896) | (2,705,437) | 0 |
| Amortisation for the year | (3,678,237) | (736,950) | 0 |
| Amortisation and impairment losses end of year | (35,323,133) | (3,442,387) | 0 |
| Carrying amount end of year | 12,089,137 | 1,345,488 | 2,575,000 |

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 | 45,279,219 | 2,716,083 |
| Additions | 342,016 | 127,735 |
| Cost end of year | 45,621,235 | 2,843,818 |
| Depreciation and impairment losses beginning of year | (40,558,829) | (2,506,983) |
| Depreciation for the year | (1,100,623) | (116,326) |
| Depreciation and impairment losses end of year | (41,659,452) | (2,623,309) |
| Carrying amount end of year | 3,961,783 | 220,509 |
| 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 | 2,453,439 |
| Additions | 0 | 1,738,845 |
| Disposals | 0 | (2,202,123) |
| Cost end of year | 2,063,414 | 1,990,161 |
| Revaluations beginning of year | 1,890,226 | 0 |
| Exchange rate adjustments | 29,827 | 0 |
| Amortisation of goodwill | (144,715) | 0 |
| Share of profit/loss for the year | 2,032,041 | 0 |
| Other adjustments | (34,888) | 0 |
| Revaluations end of year | 3,772,491 | 0 |
| Carrying amount end of year | 5,835,905 | 1,990,161 |
| Goodwill or negative goodwill recognised during the financial year | 494,443 | |

| 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

| | 2021 DKK | 2020 DKK |
|------------------------------------|---------------------|---------------------|
| Intangible assets | 3,523,000 | 3,934,564 |
| Property, plant and equipment | (435,000) | (420,346) |
| Deferred tax | 3,088,000 | 3,514,218 |
| | 2021 DKK | 2020 DKK |
| Changes during the year | | |
| Beginning of year | 3,514,218 | 3,451,044 |
| Recognised in the income statement | (426,218) | 63,174 |
| End of year | 3,088,000 | 3,514,218 |

14 Non-current liabilities other than provisions

| | Due within 12 months 2021 DKK | Due within 12 months 2020 DKK | Due after more than 12 months 2021 DKK |
|-----------------------------------|--|--|--|
| Bank loans | 0 | 0 | 6,389,804 |
| Lease liabilities | 1,112,312 | 1,050,363 | 2,258,332 |
| Debt to other credit institutions | 1,204,821 | 0 | 3,415,725 |
| Other payables | 0 | 0 | 4,731,411 |
| | 2,317,133 | 1,050,363 | 16,795,272 |

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

| | 2021 DKK | 2020 DKK |
|--|-------------------|-------------------|
| Liabilities under rental or lease agreements until maturity in total | 34,719,915 | 13,664,400 |

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 9 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 80 with floating charge in unsecured claims, inventories, machinery, goodwill, etc.

The company has issued a letter of indemnity to Vækstfonden capped at MDKK 7 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 51,163.

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 DKK 2.088.108.

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).

Changes in accounting policies

The Entity has changed its accounting policies with regard to the presentation of the income statement from a function-based income statement to a segmented income statement.

The comparative figures have been restated following the change in accounting policies. The change has not had an effect on the profit for the year, equity or the balance sheet in general.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year with a 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.

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.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata 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:

| | |
|--|-----------|
| 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.

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.

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.