
Lakrids by Johan Bülow A/S

Sydholmen 7, DK-2650 Hvidovre

Annual Report for 2023

CVR No. 33 04 15 86

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 18/6 2024

Tue Mantoni
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Lakrids by Johan Bülow A/S for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hvidovre, 3 June 2024

Executive Board

Fredrik R. Nilsson
CEO

Johan Askari Bülow
Executive Officer

Nikolaj Enevoldsen
CFO

Board of Directors

Tue Mantoni
Chairman

Charlotte Strand
Vice chairman

Johan Askari Bülow

Per Forsberg

Louise Margaret Cruttenden

Independent Auditor's report

To the shareholders of Lakrids by Johan Bülow A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lakrids by Johan Bülow A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Independent Auditor's report

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 3 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

Claus Damhave
State Authorised Public Accountant
mne34166

Company information

The Company	Lakrids by Johan Bülow A/S Sydholmen 7 2650 Hvidovre Email: service@lakridsbybulow.dk Website: www.lakridsbybulow.dk CVR No: 33 04 15 86 Financial period: 1 January - 31 December Financial year: 14th financial year Municipality of reg. office: Hvidovre
Board of Directors	Tue Mantoni, chairman Charlotte Strand, vice chairman Johan Askari Bülow Per Forsberg Louise Margaret Cruttenden
Executive Board	Fredrik R. Nilsson Johan Askari Bülow Nikolaj Enevoldsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	163,555	164,692	156,353	129,684	93,567
Profit/loss of primary operations	16,790	5,235	28,515	24,493	9,274
Profit/loss of financial income and expenses	-321	2,967	2,693	-747	121
Net profit/loss for the year	13,554	7,220	24,288	19,027	7,505
Balance sheet					
Balance sheet total	148,175	152,804	142,900	124,304	106,790
Investment in property, plant and equipment	974	9,370	16,833	13,595	7,051
Equity	78,467	70,427	69,243	49,689	31,097
Number of employees	115	119	105	110	108
Ratios					
Return on assets	11.3%	3.4%	20.0%	19.7%	8.7%
Solvency ratio	53.0%	46.1%	48.5%	40.0%	29.1%
Return on equity	18.2%	10.3%	40.8%	47.1%	27.5%

For definitions, see under accounting policies.

Management's review

Key activities

Lakrids by Johan Bulow A/S is a limited liability company incorporated in Denmark. The principal activities through its subsidiaries are to develop, manufacture and sell licorice and products with licorice flavor.

Development in the year

The income statement of the Company for 2023 shows a profit of TDKK 13,554, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TDKK 78,467.

The main priorities of LAKRIDS BY BÜLOW in 2023 were to restore our bottom-line, secure sales growth and invest across the commercial channels enabling reacceleration. Despite geopolitical and macroeconomic challenges coupled with low consumer confidence throughout our key markets, we managed to grow sales by 3% in constant currencies and 1% year-over-year.

We grew EBITDA and delivered more than 100% cash conversion, driven by strong focus on leaner processes, return-on-investment, and cash flow. We opened seven new stores, more than ever before and we prepared to change our front-end interface of our own e-commerce platform (go-live May 2024). The growth in 2023 was driven by our complementary direct-to-consumer channels, which jointly grew by 2,5% during the year. After a strong first half of the year with double-digit sales growth, we saw lower growth during the second half, mainly driven by softened consumer sentiment in the Nordics. For the full year, the retail channel grew by 7,3%, with strong development in Germany and the UK. Sales from the e-commerce channel was 1% below 2022 as especially Norway and Finland faced weaker consumer sentiment. In 2023, the direct-to-consumer channels accounted for 63% of total revenue; higher than ever before, and in line with LAKRIDS BY BÜLOW's direct-to-consumer led channel strategy.

The Group's own retail and e-commerce channels are tightly integrated with synergetic effects. We firmly believe that the substantial share of direct-to-consumer sales offers a competitive edge, enabling us to build strong connections with our customers and engage them in our mission to make the world love liquorice. Hence, the record pace of opening seven new stores in 2023 is as much an investment in the brand in general as it is in retail. B2B saw negative sales growth of 2% in 2023 as wholesale customers experienced lower overall footfall, however with healthy growth in Germany. Germany was the strongest performing market growing 16% and now the largest market, accounting for one third of the company's sales. The UK, US and UAE markets also demonstrated strong sales growth in 2023, with 39%, 32% and 29% growth respectively. The three markets jointly constituted approximately 10% of LAKRIDS BY BÜLOW's total sales in 2023.

Following a difficult 2022 with severe headwinds and a significant pressure on the company's financial performance, the key focus during 2023 was to restore bottom-line, generate growth and invest into the future. Although the sales growth in 2023 was below our historical growth rate, we are happy to see that we made significant progress in terms of profitability, with EBITDA margin improving significantly in 2023. The margin improvement was achieved through a persistent focus on operational efficiency throughout the year, which resulted in significant realised savings in both fixed and variable costs. Our margin expansion was driven by our internal efficiency program "YOGA", which delivered savings of more than DKK 11 million. Fixed OPEX's share of sales decreased by 0,6%-points due to the scalability in the overhead organization.

Navigating in 2023 was demanding, but we are very satisfied with the way all colleagues embraced the challenges and uncertainties. We will remember 2023 as a year of market headwinds, but also a year when Germany became our biggest market, and our customer community reached 650k members, and we invested more in our commercial set-up than ever before. We are sincerely impressed by these achievements and the dedication of all our colleagues, and we want to take this opportunity to say thank you to all of you.

Looking into 2024, we anticipate that consumer sentiment will strengthen gradually over the year, unless new macro-economic events take place. We are in any case confident that the strength of our brand, our product range, the loyalty of our community and our significant investments in physical and digital sales will continue to benefit us with continued profitable growth.

The income statement of the Company for 2023 shows a profit of TDKK 13,554, which is line with a 2023 outlook of growing the profit to between DKK 10 – 20 million.

Management's review

Financial risks

The company has limited exposure to changes in exchange rates and interest levels. The company's activities in foreign currency are mainly in NOK, SEK, AED, GBP, USD and EUR. The majority, however, is in EUR and thus the Danish-European ERM II-cooperation limits the traditional currency and interest related risks.

Targets and expectations for the year ahead

The company expects profit to improve in 2024 to between DKK 20 - 30 million.

For guidance in relation to LAKRIDS BY BULOW Group please refer to guidance in the Annual Report for Lakrids JB Holding ApS.

Research and development

The company continuously invests in development of staff and management and optimization of processes in production. This entails high focus on sustainability, hygiene, safety and quality in all processes surrounding the company's product offerings.

In addition, the company continuously carry expenses to improving existing product and development of new. It will continue to be necessary to carry expenses into the products to maintain and develop the best quality towards the consumers.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2023 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		163,555	164,692
Distribution expenses	1	-81,574	-89,453
Administrative expenses	1	-65,191	-70,004
Profit/loss before financial income and expenses		16,790	5,235
Income from investments in subsidiaries		2,924	3,736
Financial income	2	601	1,235
Financial expenses	3	-3,846	-2,004
Profit/loss before tax		16,469	8,202
Tax on profit/loss for the year	4	-2,915	-982
Net profit/loss for the year	5	13,554	7,220

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		8,703	6,600
Development projects in progress		2,115	4,304
Intangible assets	6	10,818	10,904
Other fixtures and fittings, tools and equipment		25,037	30,134
Leasehold improvements		7,329	9,747
Property, plant and equipment in progress		0	0
Property, plant and equipment	7	32,366	39,881
Investments in subsidiaries	8	24,810	22,400
Deposits	9	1,835	1,750
Fixed asset investments		26,645	24,150
Fixed assets		69,829	74,935
Inventories	10	29,589	39,598
Trade receivables		12,728	14,341
Receivables from group enterprises		21,439	20,978
Other receivables		0	215
Prepayments	11	2,207	1,965
Receivables		36,374	37,499
Cash at bank and in hand		12,383	772
Current assets		78,346	77,869
Assets		148,175	152,804

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital		500	500
Reserve for net revaluation under the equity method		9,347	6,937
Reserve for development costs		8,438	8,505
Retained earnings		55,182	49,485
Proposed dividend for the year		5,000	5,000
Equity		78,467	70,427
Provision for deferred tax	12	4,286	4,100
Other provisions	13	2,659	2,659
Provisions		6,945	6,759
Other payables		3,359	3,218
Long-term debt	14	3,359	3,218
Credit institutions		1,375	23,038
Trade payables		32,075	29,395
Payables to group enterprises		10,320	11,133
Payables to group enterprises relating to corporation tax		2,604	0
Other payables	14	13,030	8,834
Short-term debt		59,404	72,400
Debt		62,763	75,618
Liabilities and equity		148,175	152,804
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	6,937	8,505	49,485	5,000	70,427
Exchange adjustments	0	-514	0	0	0	-514
Ordinary dividend paid	0	0	0	0	-5,000	-5,000
Development costs for the year	0	0	1,876	-1,876	0	0
Depreciation, amortisation and impairment for the year	0	0	-1,943	1,943	0	0
Net profit/loss for the year	0	2,924	0	5,630	5,000	13,554
Equity at 31 December	500	9,347	8,438	55,182	5,000	78,467

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Staff		
Wages and salaries	64,775	59,586
Other social security expenses	496	919
Other staff expenses	2,023	2,910
	67,294	63,415
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Production expenses	19,681	17,305
Distribution expenses	9,091	8,582
Administrative expenses	38,522	37,528
	67,294	63,415
Including remuneration to the Executive Board and Board of Directors:		
Executive board	5,404	5,159
Board of directors	1,250	2,075
	6,654	7,234
Average number of employees	115	119
	2023	2022
	TDKK	TDKK
2. Financial income		
Interest received from group enterprises	589	483
Other financial income	12	21
Exchange adjustments	0	731
	601	1,235

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
3. Financial expenses		
Interest paid to group enterprises	328	542
Other financial expenses	2,682	1,462
Exchange adjustments, expenses	836	0
	<u>3,846</u>	<u>2,004</u>
	2023	2022
	TDKK	TDKK
4. Income tax expense		
Current tax for the year	2,604	0
Deferred tax for the year	294	1,388
Adjustment of tax concerning previous years	125	-177
Adjustment of deferred tax concerning previous years	-108	-229
	<u>2,915</u>	<u>982</u>
	2023	2022
	TDKK	TDKK
5. Profit allocation		
Proposed dividend for the year	5,000	5,000
Reserve for net revaluation under the equity method	2,924	3,736
Retained earnings	5,630	-1,516
	<u>13,554</u>	<u>7,220</u>

Notes to the Financial Statements

6. Intangible fixed assets

	Completed development projects	Develop- ment projects in progress
	TDKK	TDKK
Cost at 1 January	13,005	4,304
Additions for the year	2,405	0
Transfers for the year	2,189	-2,189
Cost at 31 December	<u>17,599</u>	<u>2,115</u>
Impairment losses and amortisation at 1 January	6,405	0
Amortisation for the year	2,491	0
Impairment losses and amortisation at 31 December	<u>8,896</u>	<u>0</u>
Carrying amount at 31 December	<u>8,703</u>	<u>2,115</u>

Development projects comprises the cost directly related to the further development of ERP applications, reporting tools and web-shop. The group estimates the remaining useful life of the development projects to be 5 years.

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK
Cost at 1 January	54,983	27,504
Additions for the year	563	412
Cost at 31 December	<u>55,546</u>	<u>27,916</u>
Impairment losses and depreciation at 1 January	24,849	17,758
Depreciation for the year	5,660	2,829
Impairment losses and depreciation at 31 December	<u>30,509</u>	<u>20,587</u>
Carrying amount at 31 December	<u>25,037</u>	<u>7,329</u>
Amortised over	<u>3-10 years</u>	<u>2-10 years</u>

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
8. Investments in subsidiaries		
Cost at 1 January	15,463	15,377
Additions for the year	0	86
Cost at 31 December	<u>15,463</u>	<u>15,463</u>
Value adjustments at 1 January	6,937	4,237
Exchange adjustment	-514	-1,036
Net profit/loss for the year	3,344	4,156
Amortisation of goodwill	-420	-420
Value adjustments at 31 December	<u>9,347</u>	<u>6,937</u>
Carrying amount at 31 December	<u>24,810</u>	<u>22,400</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Lakrids by Johan Bülow GmbH	Germany	1.025.000 EUR	100%
Lakrids by Johan Bülow Norge AS	Norway	100.000 NOK	100%
Lakrids by Johan Bülow AB	Sweden	500.000 SEK	100%
Lakrids by Johan Bülow OY	Finland	2.500 EUR	100%
Lakrids by Johan Bülow Dubai	Dubai	300.000 AED	100%
Lakrids by Bülow Inc.	USA	1.000 USD	100%
Lakrids by Johan Bülow Ltd	United Kingdom	10.000 GBP	100%

9. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 January	1,750
Additions for the year	85
Cost at 31 December	<u>1,835</u>
Carrying amount at 31 December	<u>1,835</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
10. Inventories		
Raw materials and consumables	13,545	24,241
Finished goods and goods for resale	16,044	15,357
	<u>29,589</u>	<u>39,598</u>

11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
12. Provision for deferred tax		
Deferred tax liabilities at 1 January	4,100	2,941
Amounts recognised in the income statement for the year	186	1,159
Deferred tax liabilities at 31 December	<u>4,286</u>	<u>4,100</u>

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
13. Other provisions		
Provision in year	2,659	2,659
	<u>2,659</u>	<u>2,659</u>

The Company is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the asset.

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
14. Long-term debt		
Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.		
The debt falls due for payment as specified below:		
Other payables		
After 5 years	0	0
Between 1 and 5 years	<u>3,359</u>	<u>3,218</u>
Long-term part	3,359	3,218
Other short-term payables	<u>13,030</u>	<u>8,834</u>
	<u>16,389</u>	<u>12,052</u>
	<u>2023</u>	<u>2022</u>
	TDKK	TDKK
15. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Corporate mortgage as security for bank engagement in Danske Bank	3,000	3,000
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	9,605	6,355
Between 1 and 5 years	<u>16,544</u>	<u>9,568</u>
	<u>26,149</u>	<u>15,923</u>
The Company has an obligation to buy raw materials in 2024 and 2025 from suppliers at a total of	9,700	12,556

Notes to the Financial Statements

2023	2022
TDKK	TDKK

15. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Valedo II Services ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

16. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Valedo Partners Fund II AB	Ultimate Parent
Lakrids JB ApS	Parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

There have been no such transactions.

Consolidated Financial Statements

The Company is included in the Group Annual Report for the parent company, Lakrids JB Holding ApS, and in the Group Annual Report for the ultimate parent company, Valedo Partners Fund II AB.

<u>Name</u>	<u>Place of registered office</u>
Valedo Partners Fund II AB	Stockholm, Sweden
Lakrids JB Holding ApS	Hvidovre, Denmark

17. Subsequent events

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

Notes to the Financial Statements

18. Accounting policies

The Annual Report of Lakrids by Johan Bülow A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Lakrids JB Holding ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Lakrids JB Holding ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Production expenses

Production expenses comprise costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, production expenses and other operating income.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the Danish Group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise external consultants and internal time regarding development of ERP applications, reporting tools and web-shop.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	2-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

Notes to the Financial Statements

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Provisions comprise of refurbishment obligations and are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Notes to the Financial Statements

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$