Emkl Holding ApS

Amaliegade 42
1256 København K
CVR No. 35395768

Annual report 2023

The Annual General Meeting adopted the annual report on 03.07.2024

Mette Marie Louise Stougaard
Chairman of the General Meeting

Contents

Entity details

Entity

Emkl Holding ApS
Amaliegade 42
1256 København K

Business Registration No.: 35395768
Registered office: København
Financial year: 01.01.2023 - 31.12.2023

Executive Board

Lars Skjøth
Mette Marie Louise Stougaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Emkl Holding ApS 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows 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.

Copenhagen, 03.07.2024

Executive Board

Lars Skjøth **Mette Marie Louise Stougaard**

Independent auditor's report

To the shareholder of Emkl Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Emkl Holding ApS 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations and the consolidated cash flows 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 consolidated financial statements and the parent financial statements" section of this auditor’s report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Copenhagen, 03.07.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Haugegaard Albrechtsen
State Authorised Public Accountant
Identification No (MNE) mne45846

Management commentary

Financial highlights

	2023 USD'000	2022 USD'000	2021 USD'000	2020 USD'000
Key figures				
Revenue	19,748	16,381	12,411	6,980
Gross profit/loss	3,318	3,941	5,528	2,933
Operating profit/loss	(9,240)	(4,388)	(367)	(1,767)
Net financials	(1,575)	(1,612)	(361)	(2,375)
Profit/loss for the year	(10,816)	(6,001)	(708)	(4,147)
Balance sheet total	23,231	31,987	14,826	16,477
Investments in property, plant and equipment	390	750	644	0
Equity	(20,622)	(9,620)	(25,132)	(26,027)
Equity excl. minority interests	(26,164)	(12,014)	(25,132)	(26,027)
Cash flows from operating activities	(9,456)	(360)	867	N/A
Cash flows from investing activities	(1,873)	(6,106)	(637)	N/A
Cash flows from financing activities	2,938	20,272	0	N/A
Ratios				
Gross margin (%)	16.80	24.06	44.54	42.02
Net margin (%)	(54.77)	(36.63)	(5.70)	(59.41)
Equity ratio (%)	(112.63)	(37.56)	(169.51)	(157.96)

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

The main activities of EMKL Holding ApS and its subsidiaries are within hair gain and scalp health treatments using the ”Hårklinikken” methods.

Hårklinikken is a leading Danish clinic brand focusing on hair gain and scalp health treatments.

The Group develops and markets hair gain and scalp health products targeted consumer markets. Products are labelled and marketed under the name ”Hårklinikken” and sold through own clinics and online channels to consumer customers worldwide. The Group’s headquarters are in Amaliegade, Copenhagen.

The Groups main activities are investments in clinic subsidiaries within hair gain and scalp health treatments as well as related activities, including holding and developing recipes, concepts, trademarks and intangible rights, and production, licensing and sales of products, trademarks and rights and other activities related thereto.

Development in activities and finances

In 2023, the group realized revenue of USD 19,748k compared to revenue of USD 16,381k last year. Revenue has grown 21% YoY. The company realized a loss at EBITDA of USD 5,898k compared to a loss of USD 1,883k last year. The Group results are reflecting continued investment into marketing spend and people, to support growth aspirations.

Further to this, the Group continued to invest in strategic initiatives; the technological platform related to the sales organization as well as in consolidating and rolling out new ERP, which was delivered in the year.

Profit/loss for the year in relation to expected developments

Profit/loss for the year in relation to expected developments Management considers the results for the financial year 2023 to be satisfactory.

Uncertainty relating to recognition and measurement

In 2014, the company acquired the patent and hereby the right to the production and development of methods and products in hair loss. The carrying amount of the acquired intangible asset amounts to USD 6,006k at 31 December 2023. The value of acquired rights relates primarily to expectation of future sales and earnings, which by nature is subject to uncertainty.

Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

Outlook

The Group expects revenue to remain static throughout 2024 as the Group invests further into the foundations to support growth.

Knowledge resources

It is essential for the Group to attract, develop and retain high-quality employees with an appertaining high level of competences. The realization of the Group’s goal of ensuring both quality, knowledge and knowhow at each employee level will be facilitated through recruitment procedures and a continuous development of the existing employees and their competences. Throughout the year, a considerable number of experienced and highly qualified employees have been added to the Group. This initiative has strengthened the Group's knowledge and competence base.

Research and development activities

The Group’s research activities are related to products developed internally. The development of the company's activities and financial matters are shown in the following income statement and the balance sheet.

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.

The company's current and planned activities do not give rise to any special financial risks, and the company's liquidity resources are expected to be adequately secured.

Consolidated income statement for 2023

	Notes	2023 USD	2022 USD
Revenue		19,747,877	16,380,521
Other operating income		19,344	0
Cost of sales		(4,748,635)	(3,484,692)
Other external expenses		(11,700,167)	(8,954,801)
Gross profit/loss		**3,318,419**	**3,941,028**
Staff costs	2	(9,216,514)	(5,953,226)
Depreciation, amortisation and impairment losses	3	(3,342,334)	(2,375,315)
Operating profit/loss		**(9,240,429)**	**(4,387,513)**
Other financial income	4	374,385	435,765
Other financial expenses	5	(1,949,673)	(2,047,654)
Profit/loss before tax		**(10,815,717)**	**(5,999,402)**
Tax on profit/loss for the year	6	0	(1,200)
Profit/loss for the year	7	**(10,815,717)**	**(6,000,602)**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 USD	2022 USD
Completed development projects	9	197,125	0
Acquired intangible assets		6,006,479	7,252,562
Acquired rights		800,836	1,035,368
Goodwill		3,894,645	4,470,755
Development projects in progress	9	573,629	0
Intangible assets	8	**11,472,714**	**12,758,685**
Other fixtures and fittings, tools and equipment		1,511,996	1,495,759
Leasehold improvements		7,177	9,251
Property, plant and equipment	10	**1,519,173**	**1,505,010**
Investments in associates		22,240	21,514
Deposits		436,626	423,125
Financial assets	11	**458,866**	**444,639**
Fixed assets		**13,450,753**	**14,708,334**
Raw materials and consumables		520,846	626,933
Manufactured goods and goods for resale		1,650,022	896,234
Prepayments for goods		137,978	110,715
Inventories		**2,308,846**	**1,633,882**
Trade receivables		68,475	103,914
Other receivables		289,551	212,688
Receivables from owners and management	12	19,661	24,236
Prepayments	13	389,784	217,672
Receivables		**767,471**	**558,510**
Other investments		0	3,754
Investments		**0**	**3,754**
Cash		**6,703,515**	**15,082,856**

Current assets	**9,779,832**	**17,279,002**
Assets	**23,230,585**	**31,987,336**

Equity and liabilities

	Notes	2023 USD	2022 USD
Contributed capital	14	11,861	11,474
Translation reserve		116,112	(20,798)
Retained earnings		(26,291,557)	(12,004,239)
Equity belonging to Parent's shareholders		**(26,163,584)**	**(12,013,563)**
Equity belonging to minority interests		**5,541,226**	**2,393,787**
Equity		**(20,622,358)**	**(9,619,776)**
Payables to owners and management		40,939,134	38,080,103
Other payables		30,082	0
Non-current liabilities other than provisions	15	**40,969,216**	**38,080,103**
Bank loans		89,035	0
Trade payables		1,784,863	1,324,378
Payables to owners and management		23,667	496,826
Tax payable		0	5,442
Other payables		975,501	1,686,970
Deferred income	16	10,661	13,393
Current liabilities other than provisions		**2,883,727**	**3,527,009**
Liabilities other than provisions		**43,852,943**	**41,607,112**
Equity and liabilities		**23,230,585**	**31,987,336**
Going concern	1		
Unrecognised rental and lease commitments	18		
Non-arm's length related party transactions	19		
Group relations	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2023

	Contributed capital USD	Translation reserve USD	Retained earnings USD	Equity belonging to Parent's shareholders USD	Equity belonging to minority interests USD
Equity beginning of year	11,474	(20,798)	(12,004,239)	(12,013,563)	2,393,787
Exchange rate adjustments	387	136,910	(404,905)	(267,608)	80,743
Profit/loss for the year	0	0	(13,882,413)	(13,882,413)	3,066,696
Equity end of year	**11,861**	**116,112**	**(26,291,557)**	**(26,163,584)**	**5,541,226**

	Total USD
Equity beginning of year	(9,619,776)
Exchange rate adjustments	(186,865)
Profit/loss for the year	(10,815,717)
Equity end of year	**(20,622,358)**

Consolidated cash flow statement for 2023

	Notes	2023 USD	2022 USD
Operating profit/loss		(9,240,429)	(4,387,513)
Amortisation, depreciation and impairment losses		3,342,334	2,375,316
Working capital changes	17	(1,036,599)	2,106,533
Currency adjustments		(1,296,966)	(419,077)
Cash flow from ordinary operating activities		**(8,231,660)**	**(324,741)**
Financial income received		343,854	190,252
Financial expenses paid		(1,568,229)	(223,671)
Taxes refunded/(paid)		0	(2,073)
Cash flows from operating activities		**(9,456,035)**	**(360,233)**
Acquisition etc. of intangible assets		(1,482,700)	0
Acquisition etc. of property, plant and equipment		(389,849)	(338,846)
Acquisition of enterprises		0	(5,670,918)
Intercompany loans		0	(96,295)
Cash flows from investing activities		**(1,872,549)**	**(6,106,059)**
Free cash flows generated from operations and investments before financing		**(11,328,584)**	**(6,466,292)**
Cash capital increase		551,734	20,271,536
Repayments of debt to owners		(473,159)	0
Incurred debt to owners		2,859,031	0
Cash flows from financing activities		**2,937,606**	**20,271,536**
Increase/decrease in cash and cash equivalents		**(8,390,978)**	**13,805,244**
Cash and cash equivalents beginning of year		15,082,856	1,277,612
Currency translation adjustments of cash and cash equivalents		11,637	0
Cash and cash equivalents end of year		**6,703,515**	**15,082,856**

Cash and cash equivalents at year-end are composed of:

Cash	6,703,515	15,082,856
Cash and cash equivalents end of year	**6,703,515**	**15,082,856**

Notes to consolidated financial statements

1 Going concern

The management has found that the equity is lost per 31 December 2023. The management is working on a plan to re-establish the equity and improve the cash flow through the income from investments in group enterprises. The management expects that it will be possible for the group to pay its liabilities as they become due. The group has received a letter of resignation for the shareholder loan of 40 mil. USD, on that basis the annual report is presented based on going concern.

2 Staff costs

	2023 USD	2022 USD
Wages and salaries	8,185,223	5,472,178
Pension costs	354,123	221,048
Other social security costs	408,125	14,787
Other staff costs	269,043	245,213
	9,216,514	**5,953,226**

Average number of full-time employees	**115**	**66**

	Remuneration of management 2023 USD	Remuneration of management 2022 USD
Executive Board	339,749	374,087
Board of Directors	97,288	47,265
	437,037	**421,352**

3 Depreciation, amortisation and impairment losses

	2023 USD	2022 USD
Amortisation of intangible assets	2,275,697	2,056,176
Impairment losses on intangible assets	690,281	0
Depreciation on property, plant and equipment	376,356	319,139
	3,342,334	**2,375,315**

4 Other financial income

	2023 USD	2022 USD
Other interest income	343,758	2,196
Exchange rate adjustments	30,531	433,242
Other financial income	96	327
	374,385	**435,765**

5 Other financial expenses

	2023 USD	2022 USD
Other interest expenses	1,543,482	1,468,048
Exchange rate adjustments	381,444	561,025
Other financial expenses	24,747	18,581
	1,949,673	**2,047,654**

6 Tax on profit/loss for the year

	2023 USD	2022 USD
Current tax	0	1,200
	0	**1,200**

7 Proposed distribution of profit/loss

	2023 USD	2022 USD
Retained earnings	(10,815,717)	(6,000,602)
	(10,815,717)	**(6,000,602)**

8 Intangible assets

	Completed development projects USD	Acquired intangible assets USD	Acquired rights USD	Goodwill USD	Development projects in progress USD
Cost beginning of year	115,442	25,911,657	2,218,696	4,951,200	0
Exchange rate adjustments	0	874,005	1	0	0
Additions	898,994	10,077	0	0	573,629
Cost end of year	**1,014,436**	**26,795,739**	**2,218,697**	**4,951,200**	**573,629**
Amortisation and impairment losses beginning of year	(115,442)	(18,659,095)	(1,183,328)	(480,445)	0
Exchange rate adjustments	(14,748)	(661,951)	0	0	0
Impairment losses for the year	(603,661)	0	(86,620)	0	0
Amortisation for the year	(83,460)	(1,468,214)	(147,913)	(576,110)	0
Amortisation and impairment losses end of year	**(817,311)**	**(20,789,260)**	**(1,417,861)**	**(1,056,555)**	**0**
Carrying amount end of year	**197,125**	**6,006,479**	**800,836**	**3,894,645**	**573,629**

9 Development projects

Entity has capitalized development costs. The Entity's development projects consists of software products developed using external consultants. The development cost is expected to add significant value til customer handling proces and efficiecies in the organizations.

Costs are capitalized as incurred if this relates to the development projects. The Entity possess the resources and skills to complete the development.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment USD	Leasehold improvements USD
Cost beginning of year	2,170,844	11,564
Exchange rate adjustments	48,697	390
Additions	389,849	0
Disposals	(48,177)	0
Cost end of year	**2,561,213**	**11,954**
Depreciation and impairment losses beginning of year	(675,085)	(2,313)
Exchange rate adjustments	(48,339)	(78)
Depreciation for the year	(373,970)	(2,386)
Reversal regarding disposals	48,177	0
Depreciation and impairment losses end of year	**(1,049,217)**	**(4,777)**
Carrying amount end of year	**1,511,996**	**7,177**

11 Financial assets

	Investments in associates USD	Deposits USD
Cost beginning of year	21,514	423,125
Exchange rate adjustments	726	11,715
Additions	0	1,786
Cost end of year	**22,240**	**436,626**
Carrying amount end of year	**22,240**	**436,626**

Associates	**Registered in**	**Ownership %**
Hair by Jost ApS	ApS	33.33

12 Receivables from owners and management

	Executive Board USD
Receivables	19,661
Interest rate (%)	9,55%

13 Prepayments

Consists of prepayments on costs concerning subsequent financial year, such as ensurance, rent etc.

14 Contributed capital

	Number	Par value USD	Nominal value USD
A-shares	80,000	14.82	11,861
	80,000		**11,861**

15 Non-current liabilities other than provisions

	Due after more than 12 months 2023 USD
Payables to owners and management	40,939,134
Other payables	30,082
	40,969,216

16 Deferred income

Deferred income consists of revenue to be recognized in future periods as the recognition criteris has not been completed yet.

17 Changes in working capital

	2023 USD	2022 USD
Increase/decrease in inventories	(674,964)	642,160
Increase/decrease in receivables	(227,036)	(201,982)
Increase/decrease in trade payables etc.	(134,599)	1,666,355
	(1,036,599)	**2,106,533**

18 Unrecognised rental and lease commitments

	2023 USD	2022 USD
Total liabilities under rental or lease agreements until maturity	**4,055,565**	**3,442,493**

The Group subsidiaries has entered into lease agreements with remaining terms of between one and seven years, as well as rental agreements with a notice period of 6 months.

19 Non-arm’s length related party transactions

No transactions for EMKL Holding ApS has happened on non-arm's length. Note 11 refers to transactions highlighted in the auditor's report for the following group companies: Hårklinikken ApS, HK Koncept og Produkt ApS & Hairclinic Group ApS, all other transactions are conducted on arm's length basis.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: EMKL Holding ApS, Amaliegade 42, Copenhagen, Denmark (Central Business Registration No 35 39 57 68).

21 Subsidiaries

	Registered in	Corporate form	Ownership %
Hårklinikken ApS	Denmark	ApS	72.20
Harklinikken LLC	United States	LLC	72.20
Harklinikken ehf	Iceland	ehf	72.20
Harklinikken LLC	United Arab Emirates	LLC	72.20
Harklinikken GmbH	Germany	GmbH	72.20
Harklinikken LLC	United Kingdom	LLC	72.20
Hairclinic Group	Denmark	ApS	72.20

Parent income statement for 2023

	Notes	2023 USD	2022 USD
Gross profit/loss		**(37,544)**	**(128,599)**
Other financial income	2	16,112	17,300
Other financial expenses	3	(1,541,585)	(1,441,704)
Profit/loss before tax		**(1,563,017)**	**(1,553,003)**
Tax on profit/loss for the year		0	0
Profit/loss for the year	4	**(1,563,017)**	**(1,553,003)**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 USD	2022 USD
Investments in group enterprises		34,554,341	33,426,848
Financial assets	5	**34,554,341**	**33,426,848**
Fixed assets		**34,554,341**	**33,426,848**
Receivables from group enterprises		410,932	398,229
Receivables		**410,932**	**398,229**
Cash		**0**	**38**
Current assets		**410,932**	**398,267**
Assets		**34,965,273**	**33,825,115**

Equity and liabilities

	Notes	2023 USD	2022 USD
Contributed capital		11,861	11,474
Translation reserve		(59,001)	(24,684)
Retained earnings		(5,953,346)	(4,246,269)
Equity		**(6,000,486)**	**(4,259,479)**
Payables to owners and management		40,939,134	38,080,103
Non-current liabilities other than provisions	6	**40,939,134**	**38,080,103**
Trade payables		4,510	3,298
Payables to group enterprises		22,115	0
Joint taxation contribution payable		0	1,193
Current liabilities other than provisions		**26,625**	**4,491**
Liabilities other than provisions		**40,965,759**	**38,084,594**
Equity and liabilities		**34,965,273**	**33,825,115**
Going concern	1		
Employees	7		
Contingent assets	8		
Contingent liabilities	9		
Related parties with controlling interest	10		
Non-arm’s length related party transactions	11		

Parent statement of changes in equity for 2023

	Contributed capital USD	Translation reserve USD	Retained earnings USD	Total USD
Equity beginning of year	11,474	(24,684)	(4,246,269)	(4,259,479)
Exchange rate adjustments	387	(34,317)	(144,060)	(177,990)
Profit/loss for the year	0	0	(1,563,017)	(1,563,017)
Equity end of year	**11,861**	**(59,001)**	**(5,953,346)**	**(6,000,486)**

Notes to parent financial statements

1 Going concern

The management has found that the equity is lost per 31 December 2023. The management is working on a plan to re-establish the equity and improve the cash flow through the income from investments in group enterprises. The management expects that it will be possible for the company to pay its liabilities as they become due and has presented the annual report based on going concern.

The company has received declaration of support from the owner, which results in certainty about the company's capability of continuing operation.

2 Other financial income

	2023 USD	2022 USD
Financial income from group enterprises	16,111	17,300
Exchange rate adjustments	1	0
	16,112	**17,300**

3 Other financial expenses

	2023 USD	2022 USD
Financial expenses from group enterprises	832	0
Other interest expenses	1,540,753	1,441,704
	1,541,585	**1,441,704**

4 Proposed distribution of profit and loss

	2023 USD	2022 USD
Retained earnings	(1,563,017)	(1,553,003)
	(1,563,017)	**(1,553,003)**

5 Financial assets

	Investments in group enterprises USD
Cost beginning of year	33,426,848
Exchange rate adjustments	1,127,493
Cost end of year	**34,554,341**
Carrying amount end of year	**34,554,341**

A specification of investments in subsidiaries and associates is evident from the notes to the consolidated financial statements.

6 Non-current liabilities other than provisions

	Due after more than 12 months 2023 USD
Payables to owners and management	40,939,134
	40,939,134

7 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

8 Contingent assets

The company has not recongnised deferred tax asset of USD 1,834 thousand corresponding to USD 8,336 thousand in tax loss cerryforwards. The tax asset is not recognised in the statement of financial position, as uncertainty exists about the measurement of the net realizable value of the asset as a result of uncertainty about the time-scale for the carryforward of tax losses.

9 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which EMKL Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc. for the jointly taxed entities, limited to the equity interest by which the Entity participates in the Group, EMKL Holding ApS and also secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividends 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.

10 Related parties with controlling interest

Lars Skjøth, PO Box 72814 Dubai, UAE, owns the majority share in the Entity, thus exercising control.

11 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

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 capitalization of development projects

The comparative figures have not been restated following the change in accounting policies.

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

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Income statement

Gross profit or loss

Gross profit comprises the revenue, changes in inventories of finished goods and external costs.

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. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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.

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to 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 plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, exchange gains, bank interest 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, exchange losses, bank interest 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

Goodwill

Goodwill is the positive difference between cost 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. For goodwill the useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise compledet development projects and acquired intellectual property rights and 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. The amortisation periods used are 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The amortisation periods used are 10 years.

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

Plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	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 plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group’s involvement in the relevant entities.

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 on 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.

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash
Cash comprises cash in hand and bank deposits.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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

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

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.