

Ecooking A/S

Gl. Skartved 11
6091 Bjert
CVR No. 38271725

Annual report 2021

The Annual General Meeting adopted the
annual report on 22.06.2022

Tina Søgaard

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021	11
Balance sheet at 31.12.2021	12
Statement of changes in equity for 2021	14
Cash flow statement for 2021	15
Notes	16
Accounting policies	22

Entity details

Entity

Ecooking A/S
Gl. Skartved 11
6091 Bjert

Business Registration No.: 38271725
Registered office: Kolding
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Tina Søgaard, chairman
Henning Bröchner
Henrik Aaen Kastberg

Executive Board

Henrik Aaen Kastberg, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Ecooking 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 and cash flows 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.

Bjert, 22.06.2022

Executive Board

Henrik Aaen Kastberg
CEO

Board of Directors

Tina Søgaard
chairman

Henning Bröchner

Henrik Aaen Kastberg

Independent auditor's report

To the shareholders of Ecooking A/S

Opinion

We have audited the financial statements of Ecooking A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 and cash flows 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.

Kolding, 22.06.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Ørum Nielsen

State Authorised Public Accountant
Identification No (MNE) mne26771

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Gross profit/loss	18,531	19,316	10,239	4,148	2,358
Operating profit/loss	1,846	9,051	6,984	2,354	728
Net financials	(1,912)	(752)	(326)	(358)	(202)
Profit/loss for the year	(95)	6,437	5,181	1,543	407
Total assets	112,017	45,580	21,349	9,775	5,764
Investments in property, plant and equipment	4,772	541	650	258	133
Equity	28,522	13,617	7,180	2,000	457
Ratios					
Return on equity (%)	(0.45)	61.90	112.88	125.60	89.06
Equity ratio (%)	25.46	29.87	33.63	20.46	7.93

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

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

When Tina Søgaaard started to blend her own skincare, she did not realize that this was the beginning of a new skincare brand and a new business adventure. At that time, she had just been through a difficult divorce, which had a negative effect on her skin which was looking tired and pale. With her profound experience within skincare, she knew which ingredients to use to give her skin the necessary booster.

She started to blend creams and serums and oils in her own kitchen. It did not take long until the family and friends of Tina noticed the improvement with her skin, and therefore wanted to test the products themselves. They brought all possible sorts of containers to be able to sample the products for their own use.

Helping family and friends with their skin problems became therapeutical for Tina. It was never the intention to market the products commercially. However, the effectiveness soon became well known among cosmetologists and beauty retailers, which both wanted to carry Tina's products as part of their assortment. From there the rest is history, as Ecooking as a brand was born. A Danish skincare brand which first and foremost has focus on effectiveness and secondly on as much natural and ecologic ingredients as possible.

"Our ambition is, that we will be the leading Danish skincare brand internationally. We aim for being the best at combining effective skincare with natural and ecological ingredients, never compromising on effectiveness or content. We call it "Problem Solved". We always base our work on our values of Transparency, Honesty, Decency".

Development in activities and finances

100% of the shares in the company were purchased by Terzo Beauty ApS on 30 March 2021. Terzo Beauty ApS is owned 70% by the Private Equity fund Bluegem and 30% by the Founder Tina Søgaaard through their combined investment vehicle Terzo D HoldCo ApS. The new owner structure was decided to support and strengthen the profitable international growth. Bluegem as a fund is specialized in lifestyle product companies and have several international beauty brands in their current and past portfolio. They bring a lot of experience growing and internationalizing lifestyle brands into Ecooking.

The Ecooking organization has been strengthened considerably during 2021 to support future national and international growth as well as the creation of stronger internal support functions in order to improve processes and quality of delivery. The focus on stronger international growth will be maintained in the coming years, with expected growth to materialize in 2023 and on.

A primary focus area has been to build our own web-shop; www.ecooking.dk and www.ecooking.com and the supporting organization. The webstore almost tripled the revenue in 2021 compared to 2020. Especially, the last quarter of the year showed significant growth due to strong execution of Black Friday and Christmas campaigns and activities. The focus in 2022 and the coming years is to continue the growth journey as well as supporting the international brand-building of Ecooking. Additionally, there are many activities geared towards strengthening the internal structure to support the customer experience in this important field.

In 2021 there was several important product launches in Ecooking:

In late summer our entirely new makeup line was launched in Denmark. The makeup line has been developed internally, using the same philosophy as our skincare, that effectiveness is the most important product characteristic followed by natural ingredients. The launch has lived up to our expectations, which were reflecting the negative impact on possible in-store activities caused by Covid-restrictions.

In our skincare lines, there were several important launches. We launched a "Young" series focusing on the issues facing young skin. Also, we extended our "50+" series with a Starter Kit and Cleansing Foam. Our hair-

products and sun-products were also extended with several new products. In line with our focus on giving the consumers free choice, we also launched several new perfume free alternatives of existing products – a focus we will continue in the future.

Also, in November we opened our first flagship store in St. Strandstræde close to Nyhavn in Copenhagen. The opening activities were hampered by Covid-restrictions, so we decided on a “soft-opening”. The Grand Opening took place in early April 2022.

During summer 2021 the company implemented a new ERP system. Subsequently, the company unfortunately lost some visibility in the supply chain and was challenged in making the right purchase forecasts. This has led to some growth in inventory which together with execution of new product launches including the entire make-up line has caused the trade net working capital to increase by 38% to tDKK 49,478.

The net result for 2021 is a loss of tDKK 95 (2020: tDKK +6,437) which is in line with expectations.

EBITDA is positive with tDKK 3,012 (2020: tDKK +9,582). The decline is primarily caused by planned additions of new talent to the organization.

The equity of Ecooking A/S is tDKK 28,522 (2020: tDKK 13,617). The shareholder made a capital injection of tDKK 15,000 during 2021.

Profit/loss for the year in relation to expected developments

The net result for 2021 is a loss of DKK 95k (2020: DKK +6,437k) which is in line with expectations.

Outlook

2022 will be a transition year for Ecooking. Focus will be to grow our Nordic and Danish business as well as prepare our international activities for strong growth in 2023 and beyond. This involves building a stronger commercial organization as well as building stronger internal processes. In the beginning of 2022, there has been a number of important recruitments to support the future growth agenda:

- Henrik Aaen Kastberg has joined the company as new CEO
- Henning Andersen Bröchner has joined the company as new CFO

Furthermore, in H1 2022 the organization will be strengthened by a number of new managers:

- Nordic Sales Manager
- International Sales Manager
- Head of Digital and Marketing
- A number of Beauty Advisers supporting our products in physical stores

Use of financial instruments

Business risks

The Group's key business risks are related to its ability to maintain a strong position in the markets in which the Ecooking brand is sold. Throughout 2021, Ecooking has continued the work to strengthen the brands' DNA and design as well as physical presence by opening a new retail store in Copenhagen.

This process will continue in 2022 with a view to strengthen Ecooking's profile and enhance the commercial aspects of the concept, and thus develop and reinforce the brand's position.

Financial risks

Given its operations, investments and financing structure, Terzo D HoldCo ApS is exposed to changes in exchange and interest rates. The Group pursues a low-risk financial policy approved by the Board of Directors in order to ensure that currency risks arise only as a result of commercial conditions. The Group has not applied derivative financial instruments in 2021.

Knowledge resources

In order to be able to continuously strengthen its international profile and supply competitive products at the right price and quality, it is essential that the Group can recruit and retain the most talented employees. The Group is to some extent still dependent on product and brand development by the founder. There are activities planned to reduce this dependency in 2022.

Environmental performance

Needs and requirements for reporting on environmental performance and ESG are increasing. European legislation as well as customers demands for insights has motivated the company to streamline ESG-initiatives and in 3rd quarter of 2021 first steps were taken towards a five-year strategy for sustainability. Focus is primarily on energy consumption and climate impact, on packaging and social impacts; internally and externally.

2021 is chosen as baseline year for a wide range of KPI's – some already defined and some which will be implemented throughout 2022. An up-to-date Code of Conduct for suppliers has been implemented, plan for enhancing the amount of organic natural ingredients is in place, most packaging solution has been revised or where needed and plans for improvements decided. As the first Nordic cosmetics brand we have taken first step towards Life Cycle Assessment for all Ecooking products.

Research and development activities

The Company develops and maintains all products internally, and thus owns all IP rights to the formulas. There is an internal laboratory with 3 experienced employees who develop and test all formulas before manufacturing takes place either internally at the Company's own production facilities or by external suppliers. The majority of production takes place with skilled external suppliers. The Company has a variety of sourcing alternatives, which reduces the dependency on single suppliers.

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss	2	18,530,728	19,315,860
Staff costs	3	(15,518,856)	(9,734,025)
Depreciation, amortisation and impairment losses	4	(1,166,049)	(531,180)
Operating profit/loss		1,845,823	9,050,655
Other financial income	5	416,203	113
Other financial expenses	6	(2,327,792)	(752,371)
Profit/loss before tax		(65,766)	8,298,397
Tax on profit/loss for the year	7	(29,369)	(1,861,486)
Profit/loss for the year	8	(95,135)	6,436,911

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Acquired rights		214,491	288,447
Goodwill		4,577	59,503
Intangible assets	9	219,068	347,950
Other fixtures and fittings, tools and equipment		4,625,680	746,857
Prepayments for property, plant and equipment		0	108,820
Property, plant and equipment	10	4,625,680	855,677
Investments in group enterprises		75,845	40,000
Deposits		374,930	48,430
Financial assets	11	450,775	88,430
Fixed assets		5,295,523	1,292,057
Manufactured goods and goods for resale		38,482,167	14,411,812
Inventories		38,482,167	14,411,812
Trade receivables		25,444,508	25,599,429
Receivables from group enterprises		35,735,640	24,485
Deferred tax	12	261,000	0
Other receivables		2,312,560	1,341,337
Receivables from owners and management	13	5,765	2,287
Prepayments	14	1,345,573	1,219,404
Receivables		65,105,046	28,186,942
Cash		3,134,630	1,689,578
Current assets		106,721,843	44,288,332
Assets		112,017,366	45,580,389

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital	15	400,000	400,000
Retained earnings		28,121,895	13,217,030
Equity		28,521,895	13,617,030
Deferred tax	12	0	256,000
Provisions		0	256,000
Other payables	16	583,764	577,270
Non-current liabilities other than provisions	17	583,764	577,270
Bank loans		64,252,775	20,628,491
Trade payables		14,448,993	4,050,509
Payables to group enterprises		497,012	128,207
Payables to shareholders and management		18,665	0
Joint taxation contribution payable		546,369	1,839,486
Other payables	18	3,147,893	3,375,236
Deferred income	19	0	1,108,160
Current liabilities other than provisions		82,911,707	31,130,089
Liabilities other than provisions		83,495,471	31,707,359
Equity and liabilities		112,017,366	45,580,389
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	21		
Contingent liabilities	22		
Assets charged and collateral	23		
Related parties with controlling interest	24		
Transactions with related parties	25		
Group relations	26		

Statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	400,000	13,217,030	13,617,030
Group contributions etc	0	15,000,000	15,000,000
Profit/loss for the year	0	(95,135)	(95,135)
Equity end of year	400,000	28,121,895	28,521,895

Cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		1,845,823	9,050,655
Operating profit/loss from discontinued operations		1,166,049	531,180
Working capital changes	20	(51,277,008)	(21,407,478)
Cash flow from ordinary operating activities		(48,265,136)	(11,825,643)
Financial income received		416,203	113
Financial expenses paid		(2,321,298)	(752,371)
Taxes refunded/(paid)		(1,839,486)	(1,301,091)
Cash flows from operating activities		(52,009,717)	(13,878,992)
Acquisition etc of intangible assets		(35,341)	0
Acquisition etc of property, plant and equipment		(4,771,829)	(541,226)
Sale of property, plant and equipment		0	61,710
Acquisition of fixed asset investments		(326,500)	(12,430)
Acquisition of enterprises		(35,845)	0
Cash flows from investing activities		(5,169,515)	(491,946)
Free cash flows generated from operations and investments before financing		(57,179,232)	(14,370,938)
Loans raised		0	577,270
Repayments of loans etc		0	(1,088,025)
Cash increase of capital		15,000,000	0
Change in current bank loans		43,624,284	16,568,674
Cash flows from financing activities		58,624,284	16,057,919
Increase/decrease in cash and cash equivalents		1,445,052	1,686,981
Cash and cash equivalents beginning of year		1,689,578	2,597
Cash and cash equivalents end of year		3,134,630	1,689,578
Cash and cash equivalents at year-end are composed of:			
Cash		3,134,630	1,689,578
Cash and cash equivalents end of year		3,134,630	1,689,578

Notes

1 Events after the balance sheet date

The largest single export market for the company in 2021 was Russia. Ecooking has over the last years build a relation with one of the strongest beauty retailers in the country. Due to the Russian invasion of Ukraine in February 2022, the Management decided to discontinue any further sales to Russia without notice. This has caused increased uncertainty for revenues and earnings in 2022 as well as for collection of outstanding trade debts, which will not have material impact for the company.

On the meeting of the Board held on 20 April 2022 it was decided to discontinue the private label part of the business of the sister company House of Cosmetics A/S and merge the company together with the sister company, House of Cosmetics A/S and the subsidiary CSR by Ecooking ApS to a new group named Ecooking A/S with effect from 1 January 2022. This decision will make the whole group structure more focused and increase simplicity with simpler and more lean processes throughout the value chain. There will unfortunately be a number of staff reductions within the group as a consequence of this decision, which will have a negative impact on earnings in 2022 but will improve earnings in the years to come.

2 Gross profit/loss

In gross profit/loss is included other operating income which includes received covid-19 compensation. The company has received DKK 27.358 in wage compensation regarding covid-19.

3 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	13,928,324	9,160,938
Pension costs	591,585	290,431
Other social security costs	261,366	105,113
Other staff costs	737,581	177,543
	15,518,856	9,734,025
Average number of full-time employees	27	18

Referring to section 98(3) of the Danish Financial Statements Act, no remuneration of Management have been prepared.

4 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	164,223	145,428
Depreciation of property, plant and equipment	1,001,826	342,454
Profit/loss from sale of intangible assets and property, plant and equipment	0	43,298
	1,166,049	531,180

5 Other financial income

	2021 DKK	2020 DKK
Financial income from group enterprises	416,175	0
Other interest income	28	113
	416,203	113

6 Other financial expenses

	2021 DKK	2020 DKK
Other interest expenses	1,052,566	383,520
Exchange rate adjustments	59,704	40,308
Other financial expenses	1,215,522	328,543
	2,327,792	752,371

7 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	546,369	1,839,486
Change in deferred tax	(517,000)	22,000
	29,369	1,861,486

8 Proposed distribution of profit and loss

	2021 DKK	2020 DKK
Retained earnings	(95,135)	6,436,911
	(95,135)	6,436,911

9 Intangible assets

	Acquired rights DKK	Goodwill DKK
Cost beginning of year	515,719	275,000
Additions	35,341	0
Cost end of year	551,060	275,000
Amortisation and impairment losses beginning of year	(227,272)	(215,497)
Amortisation for the year	(109,297)	(54,926)
Amortisation and impairment losses end of year	(336,569)	(270,423)
Carrying amount end of year	214,491	4,577

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Prepayments for property, plant and equipment DKK
Cost beginning of year	1,333,841	108,820
Transfers	108,820	(108,820)
Additions	4,771,829	0
Cost end of year	6,214,490	0
Depreciation and impairment losses beginning of year	(586,984)	0
Depreciation for the year	(1,001,826)	0
Depreciation and impairment losses end of year	(1,588,810)	0
Carrying amount end of year	4,625,680	0

11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	40,000	48,430
Additions	35,845	326,500
Cost end of year	75,845	374,930
Carrying amount end of year	75,845	374,930

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK	Profit/loss DKK
CSR by Ecooking ApS	Bjert, Denmark	ApS	100.00	11	(19)
Ecooking NO AS	Ytre Enebakk, Norway	AS	100.00	(835,528)	(871,373)

12 Deferred tax

	2021 DKK	2020 DKK
Intangible assets	(16,000)	(51,000)
Property, plant and equipment	186,000	3,000
Receivables	(296,000)	(268,000)
Liabilities other than provisions	327,000	60,000
Tax losses carried forward	60,000	0
Deferred tax	261,000	(256,000)

	2021 DKK	2020 DKK
Changes during the year		
Beginning of year	(256,000)	(234,000)
Recognised in the income statement	517,000	(22,000)
End of year	261,000	(256,000)

Deferred tax assets

Deferred tax consists of differences between accounting and tax values.

13 Receivables from owners and management

	Executive BoardDKK
Receivables	5,765

14 Prepayments

Prepayments relate to various prepaid items.

15 Share capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
Shares	400,000	1.00	400,000	400,000
	400,000		400,000	400,000

16 Other payables

	2021 DKK	2020 DKK
Holiday pay obligation	583,764	577,270
	583,764	577,270

17 Non-current liabilities other than provisions

	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Other payables	583,764	583,764
	583,764	583,764

18 Other payables

	2021 DKK	2020 DKK
VAT and duties	0	1,691,502
Wages and salaries, personal income taxes, social security costs, etc payable	564,066	1,428,651
Holiday pay obligation	560,022	254,848
Other costs payable	2,023,805	235
	3,147,893	3,375,236

19 Deferred income

Deferred income relate to various deferred items.

20 Changes in working capital

	2021 DKK	2020 DKK
Increase/decrease in inventories	(36,657,104)	(3,860,859)
Increase/decrease in receivables	(24,070,355)	(18,723,266)
Increase/decrease in trade payables etc	9,450,451	1,176,647
	(51,277,008)	(21,407,478)

21 Unrecognised rental and lease commitments

	2021 DKK	2020 DKK
Liabilities under rental or lease agreements until maturity in total	3,254,893	2,034,846

22 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Terzo D Holdco 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.

23 Assets charged and collateral

Bank loans are secured by the way of mortgage deed of DKK 100,000k nominal total. The carrying amount of mortgaged assets is DKK 72,222k.

Collateral provided for group enterprises

The Entity has guaranteed the group enterprises' debt with bank. Bank loans of group enterprises amount to DKK 18,163k.

24 Related parties with controlling interest

Bluegem III, SCSp Luxembourg owns 70% of the shares in the Entity, thus exercising control.

25 Transactions with related parties

The annual report discloses only transactions with related parties that have not been conducted on arms length terms. No such transactions have been carried out during the financial year.

26 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Terzo D Holdco ApS, 6091 Bjert, CVR no. 42156647.

Accounting policies

Reporting class

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

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

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, 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. 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.

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 equipment and intangible assets comprise depreciation for the financial year, and gains and losses from the sale of equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on transactions in foreign currencies 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 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.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

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. 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 5 years.

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

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

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:

Other fixtures and fittings, tools and equipment	3-10 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 measured at cost. Investments 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.

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.

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

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. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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 of enterprises, 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 the raising of loans, repayments of interest-bearing debt.

Cash and cash equivalents comprise cash.