
LAKRIDS BY JOHAN BÜLOW A/S

Sydholmen 7, DK-2650 Hvidovre

Annual Report for 2024

CVR No. 33 04 15 86

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 17/3 2025

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 2024.

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 2024 of the Company and of the results of the Company operations for 2024.

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, 14 March 2025

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 2024 and of the results of the Company's operations for the financial year 1 January - 31 December 2024 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 2024, 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.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. 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.

Independent Auditor's report

Hellerup, 14 March 2025

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 DK-2650 Hvidovre Email: service@lakridsbybulow.dk Website: www.lakridsbybulow.dk CVR No: 33 04 15 86 Financial period: 1 January - 31 December Financial year: 15th 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:

	2024	2023	2022	2021	2020
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	177,895	163,555	164,692	156,351	129,684
Profit/loss of primary operations	17,379	16,790	5,235	28,515	24,493
Profit/loss of financial income and expenses	368	-321	2,967	2,693	-747
Net profit/loss for the year	14,295	13,554	7,220	24,288	19,027
Balance sheet					
Balance sheet total	167,482	148,175	152,803	142,900	124,304
Investment in property, plant and equipment	5,926	974	9,370	16,833	13,595
Equity	42,365	78,467	70,427	69,243	49,689
Number of employees	122	115	119	105	110
Ratios					
Return on assets	10.4%	11.3%	3.4%	20.0%	19.7%
Solvency ratio	25.3%	53.0%	46.1%	48.5%	40.0%
Return on equity	23.7%	18.2%	10.3%	40.8%	47.1%

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 2024 shows a profit of TDKK 14,295, and at 31 December 2024 the balance sheet of the Company shows a positive equity of TDKK 42,365.

As we entered 2024, we anticipated a dampened consumer sentiment due to the many global uncertainties, including geopolitical tensions as well as elevated inflation and interest rates. Despite this dynamic, we experienced one of the best years on record for LAKRIDS BY BÜLOW®, achieving a remarkable 18% revenue growth. The growth was driven by strong momentum across our sales channels and geographical markets, which can be attributed to our strong focus over the past years on the customer experience, continued omnichannel growth and launches of new products appreciated worldwide by our customers.

While accelerating revenue growth, we however had to navigate strong headwinds on profitability as a consequence of increasing cocoa prices. Through a number of well implemented operational excellence initiatives, we managed to offset the majority of the cocoa price impact, however seeing our EBITDA margin decreasing slightly from 18.4% in 2023 to 17.2% in 2024. As we enter 2025, our focus on increasing the robustness of the company and continued efficiency improvements remain. We are comfortable that we will be able to continue to drive margins in a positive direction over time due to the inherent scalability of our business model.

It was encouraging to see how our unique omnichannel model has proven successful again in 2024, with all channels contributing to the year's revenue growth, with LAKRIDS BY BÜLOW® reaching an all-time high revenue of DKK 376.0 million on a consolidated group level in Lakrids JB Holding ApS. This was the first time since 2018 where all channels had a double-digit growth. We are convinced that this model will continue to yield stable strong results, driving brand awareness and synergies by leveraging the strengths of each sales channel. A new retail store allows consumers to enjoy and discover our complete product universe while also serving as a brand beacon. Our B2B channel allows us to widen our presence, reaching new audiences and building the brand through high-quality partnerships with an efficient cost to serve. The physical channels have proved to be very valuable for our third channel, e-commerce, as more than 50% of our e-commerce consumers have first tried the product offline prior to making their e-commerce purchase. Additionally, our e-commerce channels unlock exciting digital marketing opportunities and makes our products accessible to consumers worldwide.

The strongest performance was seen in our direct-to-consumer channels, own retail and e-commerce, which makes up more than two-thirds of total company revenue. The own retail channel led the way with an impressive 27% growth, driven by a combination of strong like-for-like growth and seven new store establishments, reaching 40 stores in total. The e-commerce channel grew by 15%, driven by the strong growth in our customer community now surpassing 745.000 email subscribers and 220.000 LAKRIDS LOVERS. Lastly, our B2B channel saw 13% growth as a result of our renewed strategy to focus on larger, high-potential customer accounts, channeling the team's time and energy to where they can deliver maximum impact.

As we look ahead, we are optimistic about LAKRIDS BY BÜLOW's journey. Year by year, we are expanding our international presence, winning the hearts of new consumers worldwide, despite a challenging and complex market environment.

The income statement of the Company for 2024 shows a net profit for the year of TDKK 14.295, which is below the outlook of a net profit for the year of DKK 20 – 30 million.

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.

Management's review

Targets and expectations for the year ahead

Outlook for 2025 is a net profit for the year of DKK 10-20 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.

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	2024	2023
		TDKK	TDKK
Gross profit		177,895	163,555
Distribution expenses	1	-91,083	-81,574
Administrative expenses	1	-69,433	-65,191
Profit/loss before financial income and expenses		17,379	16,790
Income from investments in subsidiaries		2,160	2,924
Financial income	2	1,790	601
Financial expenses	3	-3,582	-3,846
Profit/loss before tax		17,747	16,469
Tax on profit/loss for the year	4	-3,452	-2,915
Net profit/loss for the year	5	14,295	13,554

Balance sheet 31 December

Assets

	Note	2024	2023
		TDKK	TDKK
Completed development projects		10,149	8,703
Development projects in progress		60	2,115
Intangible assets	6	10,209	10,818
Other fixtures and fittings, tools and equipment		22,136	25,037
Leasehold improvements		7,056	7,329
Property, plant and equipment	7	29,192	32,366
Investments in subsidiaries	8	26,573	24,810
Deposits	9	2,646	1,835
Fixed asset investments		29,219	26,645
Fixed assets		68,620	69,829
Inventories	10	40,762	29,589
Trade receivables		15,357	12,728
Receivables from group enterprises		36,592	21,439
Prepayments	11	2,316	2,207
Receivables		54,265	36,374
Cash at bank and in hand		3,835	12,383
Current assets		98,862	78,346
Assets		167,482	148,175

Balance sheet 31 December

Liabilities and equity

	Note	2024	2023
		TDKK	TDKK
Share capital		500	500
Reserve for net revaluation under the equity method		11,110	9,347
Reserve for development costs		7,963	8,438
Retained earnings		10,792	55,182
Proposed dividend for the year		12,000	5,000
Equity		42,365	78,467
Provision for deferred tax	12	2,943	4,286
Other provisions	13	2,659	2,659
Provisions		5,602	6,945
Other payables		3,456	3,359
Long-term debt	14	3,456	3,359
Credit institutions		49,403	1,375
Trade payables		43,520	32,075
Payables to group enterprises		9,333	10,320
Payables to group enterprises relating to corporation tax		4,795	2,604
Other payables	14	9,008	13,030
Short-term debt		116,059	59,404
Debt		119,515	62,763
Liabilities and equity		167,482	148,175
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	9,347	8,438	55,182	5,000	78,467
Exchange adjustments	0	-397	0	0	0	-397
Ordinary dividend paid	0	0	0	0	-5,000	-5,000
Extraordinary dividend paid	0	0	0	-45,000	0	-45,000
Development costs for the year	0	0	1,697	-1,697	0	0
Depreciation, amortisation and impairment for the year	0	0	-2,172	2,172	0	0
Net profit/loss for the year	0	2,160	0	135	12,000	14,295
Equity at 31 December	500	11,110	7,963	10,792	12,000	42,365

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
1. Staff		
Wages and salaries	67,189	64,775
Other social security expenses	902	496
Other staff expenses	2,434	2,023
	<u>70,525</u>	<u>67,294</u>
Wages and salaries etc. are recognised in the following items:		
Production expenses	23,720	19,681
Distribution expenses	9,270	9,091
Administrative expenses	37,535	38,522
	<u>70,525</u>	<u>67,294</u>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	5,487	5,404
Board of directors	1,250	1,250
	<u>6,737</u>	<u>6,654</u>
Average number of employees	<u>122</u>	<u>115</u>
	2024	2023
	TDKK	TDKK
2. Financial income		
Interest received from group enterprises	1,039	589
Other financial income	13	12
Exchange adjustments	738	0
	<u>1,790</u>	<u>601</u>
	2024	2023
	TDKK	TDKK
3. Financial expenses		
Interest paid to group enterprises	372	328
Other financial expenses	3,210	2,682
Exchange adjustments, expenses	0	836
	<u>3,582</u>	<u>3,846</u>

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
4. Income tax expense		
Current tax for the year	4,795	2,604
Deferred tax for the year	-1,343	294
Adjustment of tax concerning previous years	0	125
Adjustment of deferred tax concerning previous years	0	-108
	<u>3,452</u>	<u>2,915</u>

	2024	2023
	TDKK	TDKK
5. Profit allocation		
Extraordinary dividend paid	45,000	0
Proposed dividend for the year	12,000	5,000
Reserve for net revaluation under the equity method	2,160	2,924
Retained earnings	-44,865	5,630
	<u>14,295</u>	<u>13,554</u>

	Completed development projects	Develop- ment projects in progress
	TDKK	TDKK
6. Intangible fixed assets		
Cost at 1 January	17,599	2,115
Additions for the year	2,176	0
Transfers for the year	2,055	-2,055
Cost at 31 December	<u>21,830</u>	<u>60</u>
Impairment losses and amortisation at 1 January	8,896	0
Amortisation for the year	2,785	0
Impairment losses and amortisation at 31 December	<u>11,681</u>	<u>0</u>
Carrying amount at 31 December	<u>10,149</u>	<u>60</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.

Notes to the Financial Statements

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK
Cost at 1 January	55,545	27,916
Additions for the year	3,639	2,288
Cost at 31 December	<u>59,184</u>	<u>30,204</u>
Impairment losses and depreciation at 1 January	30,509	20,587
Depreciation for the year	6,539	2,561
Impairment losses and depreciation at 31 December	<u>37,048</u>	<u>23,148</u>
Carrying amount at 31 December	<u>22,136</u>	<u>7,056</u>
Amortised over	<u>3-10 years</u>	<u>2-10 years</u>

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
8. Investments in subsidiaries		
Cost at 1 January	15,463	15,463
Cost at 31 December	15,463	15,463
Value adjustments at 1 January	9,347	6,937
Exchange adjustment	-397	-514
Net profit/loss for the year	3,034	3,344
Amortisation of goodwill	-874	-420
Value adjustments at 31 December	11,110	9,347
Carrying amount at 31 December	26,573	24,810

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	49%
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	1,835
Additions for the year	811
Cost at 31 December	2,646
Carrying amount at 31 December	2,646

Notes to the Financial Statements

	2024	2023
	TDKK	TDKK
10. Inventories		
Raw materials and consumables	18,676	13,545
Finished goods and goods for resale	22,086	16,044
	<u>40,762</u>	<u>29,589</u>

11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

	2024	2023
	TDKK	TDKK
12. Provision for deferred tax		
Deferred tax liabilities at 1 January	4,286	4,100
Amounts recognised in the income statement for the year	-1,343	186
Deferred tax liabilities at 31 December	<u>2,943</u>	<u>4,286</u>

13. Other provisions

	2024	2023
	TDKK	TDKK
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

	2024	2023
	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	3,456	3,359
Long-term part	3,456	3,359
Other short-term payables	9,008	13,030
	12,464	16,389
	2024	2023
	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 engagements	30,000	3,000
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	9,769	9,605
Between 1 and 5 years	16,426	16,544
	26,195	26,149
The Company has an obligation to buy raw materials in 2025 from suppliers at a total of	13,000	9,700

Notes to the Financial Statements

2024	2023
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)(6) 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 2024 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 2024 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 2024 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	$\text{Profit/loss of primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$