Bibs Danmark ApS

Høgevej 19, DK-3400 Hillerød

Annual Report for 2024

CVR No. 37 21 81 46

The Annual Report was presented and adopted at the Annual General Meeting of the company on 11/6 2025

Henrik Juul Hansen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Bibs Danmark ApS 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.

Hillerød, 11 June 2025

Executive Board

Henrik Juel Larsen
CEO

Board of Directors

Henrik Juul Hansen
Chairman

Henrik Juel Larsen
Vice chairman

Michael Bisgaard Christensen

Rasmus Emil Andersen

Independent Auditor's report

To the shareholder of Bibs Danmark ApS

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 Bibs Danmark ApS 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.

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

Hellerup, 11 June 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Kyhnauv
State Authorised Public Accountant
mne40028

Sune Christensen Bjerre
State Authorised Public Accountant
mne47832

Company information

The Company	Bibs Danmark ApS Høgevej 19 DK-3400 Hillerød CVR No: 37 21 81 46 Financial period: 1 January - 31 December Municipality of reg. office: Hillerød
Board of Directors	Henrik Juul Hansen, chairman Henrik Juel Larsen, vice chairman Michael Bisgaard Christensen Rasmus Emil Andersen
Executive Board	Henrik Juel Larsen
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	66,512	64,362	67,748	96,756	55,795
Profit/loss of primary operations	13,683	15,162	31,908	78,249	44,982
Profit/loss of financial income and expenses	-1,303	-2,588	-1,024	-507	-253
Net profit/loss for the year	9,631	9,796	24,096	60,643	34,877
Balance sheet					
Balance sheet total	178,405	89,108	73,440	85,716	53,704
Investment in property, plant and equipment	164	-7,757	8,332	57,021	20,505
Equity	11,240	10,609	24,813	60,717	35,074
Number of employees	79	69	55	34	12
Ratios					
Solvency ratio	6.3%	11.9%	33.8%	70.8%	65.3%
Gross margin	24.2%	20.0%	24.8%	43.8%	63.7%
Return on equity	88.6%	55.3%	56.3%	126.6%	154.0%

Referring to denitions in the accounting policies, Key Figures and Financial Ratios are in all material aspects defined and calculated in accordance with the online version of "Recommendations & Financial Ratios" issued by the CFA Society Denmark.

Management's review

Primary Activities

The main activity of Bibs Danmark ApS ("BIBS Denmark ") is the sales of premium childcare products, hereunder pacifiers, baby bottles and accessories as well as other complementary products under the BIBS brand with focus on quality, functionality and sustainability. Bibs Danmark is wholly owned by AH License ApS (the "Parent") who holds 100% ownership of all subsidiaries within the BIBS Group and retains full rights to the Group's production and intellectual property.

2024: A Year of Strategic Progress and Resilience

The gross profit for BIBS Denmark ApS in 2024 amounts to DKK 67 million. EBITDA for the year stands at DKK 14.4 million, reflecting a decrease compared to the previous year. The development for both BIBS Denmark ApS and for the BIBS group were lower than our initial expectations which was an EBITDA increase of +20-25% in 2024.

This reduction is primarily attributable to continued transfer of sales to other group entities, increased transportation costs, and continued investments aimed at strengthening the organization's operational capabilities. Furthermore, 2024 was shaped by a complex and fast-moving global landscape. Macroeconomic volatility, inflationary pressures, and shifting consumer behavior presented challenges across industries. Meanwhile, geopolitical tensions and disruptions to critical maritime routes further stressed global supply chains. For the Company, these conditions underscored the importance of agility, strategic execution, and long-term thinking.

Against this backdrop, the Company made decisive, future-oriented investments to strengthen our commercial foundation and reinforce our scalable growth model. Thanks to the strength of our brand and the effectiveness of our commercial strategy, we delivered revenue growth compared to 2023—driven by robust performance in our Direct-to-Consumer (D2C) channels and key international markets.

We took important steps to strengthen our operational platform. We focused on building a stronger, leaner, and more future-proof organization—investing strategically in operations, digital infrastructure, and sustainability. On the digital front, the successful Q4 launch of our upgraded D2C/B2B webshop has already begun to improve customer experience and direct revenue capture. These investments have required significant resources in 2024—but they are essential enablers of future growth, designed to increase both operational leverage and strategic agility with effect from early 2025.

Looking ahead, the Company remains focused on scaling with purpose and are confident in our strategic direction. With disciplined cost control, continued investments in innovation, and targeted resource allocation, the Company is well-positioned to drive sustainable and profitable growth in the years to come. These strategic investments will positively affect the future growth and performance of BIBS Denmark.

None of our progress in 2024 would have been possible without the dedication, energy, and professionalism of our team. Across all functions, our people have shown the ability to navigate complexity while continuing to execute at a high level. This is the true strength behind the BIBS brand.

To our employees, customers, and partners, thank you for your continued commitment and support.

Management's review

Future Expectations

Despite uncertainties in the macro environment and consumer goods, management expects sales growth driven especially by D2C channel as well as own markets. EBITDA development for BIBS Denmark is expected to be positively affected by the strategic initiatives in 2024 and grow +15-20 % in 2025 compared to 2024.

Financial Risks

The Company uses no external financial sources and uses no financial instruments to counter fluctuations in exchange rates. Management expects production costs to be more stable in the coming years. The Company has a solid control over the supply chain via its own production site and long-term relationships with key suppliers.

Research and Development Activities

During the year, the development of proprietary webshops progressed in line with the Company's strategic focus on online commerce.

Intellectual Capital

The company's growth and competitiveness are largely based on our ability to develop and leverage our knowledge resources and continuously focus on developing innovative products. This includes the professional and personal competencies of our employees, the company's internal processes, as well as our technological and digital capabilities.

To support future growth, we have intensified our investments in digital and AI-based solutions. These technologies will play an increasing role in supporting our business model, customer experience, and operational efficiency. These investments are not seen as one-off initiatives, but as long-term strategic priorities aimed at securing the Company's competitiveness and sustainable growth in the years to come.

Uncertainty relating to recognition and measurement

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

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
		DKK	DKK
Gross profit		**66,511,563**	**64,361,827**
Staff expenses	1	-52,018,463	-48,462,481
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-810,146	-737,758
Profit/loss before financial income and expenses		**13,682,954**	**15,161,588**
Financial income	3	783,859	996,800
Financial expenses	4	-2,086,475	-3,584,352
Profit/loss before tax		**12,380,338**	**12,574,036**
Tax on profit/loss for the year	5	-2,749,442	-2,777,814
Net profit/loss for the year	6	**9,630,896**	**9,796,222**

Balance sheet 31 December

Assets

	Note	2024	2023
		DKK	DKK
Completed development projects		1,930,556	780,148
Development projects in progress		0	615,657
Intangible assets	7	**1,930,556**	**1,395,805**
Leasehold improvements		1,221,754	1,653,259
Property, plant and equipment	8	**1,221,754**	**1,653,259**
Deposits	9	883,740	858,000
Fixed asset investments		**883,740**	**858,000**
Fixed assets		**4,036,050**	**3,907,064**
Finished goods and goods for resale		12,181,199	21,408,296
Inventories		**12,181,199**	**21,408,296**
Trade receivables		34,984,178	31,492,509
Receivables from group enterprises		121,179,764	6,874,245
Other receivables		3,357,453	4,749,772
Prepayments		462,652	111,849
Receivables		**159,984,047**	**43,228,375**
Cash at bank and in hand		**2,203,264**	**20,564,047**
Current assets		**174,368,510**	**85,200,718**
Assets		**178,404,560**	**89,107,782**

Balance sheet 31 December

Liabilities and equity

	Note	2024	2023
		DKK	DKK
Share capital		50,000	50,000
Reserve for development costs		1,505,834	1,088,728
Retained earnings		683,800	470,010
Proposed dividend for the year		9,000,000	9,000,000
Equity		**11,239,634**	**10,608,738**
Provision for deferred tax	10	464,330	365,382
Provisions		**464,330**	**365,382**
Credit institutions		189,118	20,213
Trade payables		4,471,406	4,595,327
Payables to group enterprises		145,047,070	59,945,748
Corporation tax		2,650,494	0
Other payables		14,342,508	13,572,374
Short-term debt		**166,700,596**	**78,133,662**
Debt		**166,700,596**	**78,133,662**
Liabilities and equity		**178,404,560**	**89,107,782**

Contingent assets, liabilities and other financial obligations	11
Related parties	12
Subsequent events	13
Accounting Policies	14

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	50,000	1,088,728	470,010	9,000,000	10,608,738
Ordinary dividend paid	0	0	0	-9,000,000	-9,000,000
Development costs for the year	0	417,106	-417,106	0	0
Net profit/loss for the year	0	0	630,896	9,000,000	9,630,896
Equity at 31 December	**50,000**	**1,505,834**	**683,800**	**9,000,000**	**11,239,634**

Notes to the Financial Statements

		2024	2023
		DKK	DKK
1.	**Staff expenses**		
	Wages and salaries	46,213,884	40,839,877
	Pensions	5,185,620	4,495,478
	Other social security expenses	618,959	584,186
	Other staff expenses	0	2,542,940
		52,018,463	**48,462,481**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	2024	2023
Average number of employees	**79**	**69**

		2024	2023
		DKK	DKK
2.	**Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment**		
	Depreciation of property, plant and equipment	535,661	511,102
	Impairment of intangible assets	274,485	226,656
		810,146	**737,758**

		2024	2023
		DKK	DKK
3.	**Financial income**		
	Interest from group enterprises	343,021	627,801
	Other financial income	440,838	368,999
		783,859	**996,800**

		2024	2023
		DKK	DKK
4.	**Financial expenses**		
	Interest to group enterprises	970,115	1,234,878
	Other financial expenses	1,116,360	2,349,474
		2,086,475	**3,584,352**

Notes to the Financial Statements

	2024	2023
	DKK	DKK
5. Income tax expense		
Current tax for the year	2,650,494	2,670,917
Deferred tax for the year	98,948	106,897
	2,749,442	**2,777,814**

	2024	2023
	DKK	DKK
6. Profit allocation		
Proposed dividend for the year	9,000,000	9,000,000
Retained earnings	630,896	796,222
	9,630,896	**9,796,222**

7. Intangible fixed assets

	Completed development projects	Develop- ment projects in progress
	DKK	DKK
Cost at 1 January	1,174,527	615,657
Additions for the year	809,236	0
Transfers for the year	615,657	-615,657
Cost at 31 December	2,599,420	0
Impairment losses and amortisation at 1 January	394,389	0
Amortisation for the year	274,475	0
Impairment losses and amortisation at 31 December	668,864	0
Carrying amount at 31 December	**1,930,556**	**0**

During the current year, the company has initiated the development of its own web shops, which together support the company's long-term strategy and are expected to contribute positively to both cash flow and revenue in the coming years.

8. Property, plant and equipment

	Leasehold improve-ments
	DKK
Cost at 1 January	2,567,312
Additions for the year	163,694
Disposals for the year	-208,313
Cost at 31 December	2,522,693
Impairment losses and depreciation at 1 January	914,053
Depreciation for the year	535,661
Reversal of impairment and depreciation of sold assets	-148,775
Impairment losses and depreciation at 31 December	1,300,939
Carrying amount at 31 December	**1,221,754**

9. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	858,000
Additions for the year	25,740
Cost at 31 December	883,740
Carrying amount at 31 December	**883,740**

10. Provision for deferred tax

	2024	2023
	DKK	DKK
Deferred tax liabilities at 1 January	365,382	0
Amounts recognised in the income statement for the year	0	106,897
Amounts recognised in equity for the year	98,948	258,485
Deferred tax liabilities at 31 December	**464,330**	**365,382**
Intangible assets	424,722	307,077
Property, plant and equipment	39,608	58,304
Deferred tax liabilities at 1 January	365,382	0
Tax loss carry-forward	-365,382	1
	464,330	**365,382**

Notes to the Financial Statements

	2024	2023
	DKK	DKK

11. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2024	2023
The company has entered into rental commitment regarding rent of premises. The rental contract is non-termin able until 1/12 2025. The total commitment represents	1,860,000	3,289,000
The company has entered into rental commitment regarding rent of company car. The rental contract is non-terminable until 1/8/2025. The total commitment represents	62,974	0

Other contingent liabilities

Bibs Danmark ApS are jointly taxed with other group companies and are severally liable for tax on the jointly taxed incomes etc. of the group. Moreover, the group companies are jointly and severally liable for Danish with holding taxes by way of tax on interest, dividend tax and tax on royalty payments. Any sub sequent adjustments of corporation taxes and with holding taxes may increase the the company's liability.

Notes to the Financial Statements

12. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
AH License ApS Høgevej 19 Hillerød, 3400, Denmark	Main shareholder
AH Group Holding ApS Gøngevænget 12, Gadevang Hillerød, 3400, Denmark	Owner of AH License ApS with 100 %
Henrik Juel Larsen Ann-Cathrine Juel Lythcke	Owner of AH Group ApS with 50 % Owner of AH Group ApS with 50 %

In accordance with section 98(c)(7) of the Danish Financial Statements Act no related party transactions have been disclosed as management assess all transactions have been carried out on an arm's length basis.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
The largest group: AH Group Holding ApS	Gøngevænget 12, Gadevang Hillerød, 3400, Denmark
The smallest group: AH License ApS	Høgevej 19 Hillerød, 3400, Denmark

13. Subsequent events

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

Notes to the Financial Statements

14. Accounting policies

The Annual Report of Bibs Danmark ApS 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 DKK.

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 AH License 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.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

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.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income comprises income of a secondary nature as viewed in relation to the company's primary activities, including payments received from public authorities as well as proft on sale of fixed assets.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments and price adjustment of securities.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with AH Group Holding ApS. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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'.

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 7 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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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:

Leasehold improvements	5-10 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 and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Other fixed asset investments

Other fixed asset investments consist of deposit.

Notes to the Financial Statements

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 equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

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, subscriptions and interest.

Equity

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

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.

Notes to the Financial Statements

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

Financial Highlights

Explanation of financial ratios

Solvency ratio	Equity at year end x 100 / Total assets at year end
Gross margin	Gross profit / Revenue
Return on equity	Net profit for the year x 100 / Average equity