



Annual Report 2022

Konges Sløjd A/S

CVR: 36718714, Store Kongensgade 77 1F, 1264 Copenhagen K



konges sløjd

## Letter from our CEO

Milestones, magic and a little bit of madness. As I look back over 2022 it surely has been a year to highlight.

First and foremost, we have welcomed new owners who share our vision for the brand. Our persistent trail to upscale globally is now supported by external voices. Together we have achieved strong revenue growth and made profound investments in digitized solutions, designed to drive long-term growth. We have sharpened the focus on expanding our organization, whilst remaining dedicated to the close collaborative spirit that gives such a strong purpose to our work.

Konges Sløjd is a warm-hearted company with a clear focus on creating value for mothers and children worldwide. A philosophy that echoes our motivation for pushing the boundaries in sustainability and contributing to organizations that support vulnerable families. It is at the core of Konges Sløjd to be a brand of action. This seems especially crucial at times like these when war and energy crisis strike the world with full force.

From playful to plain weird – our designers continue to bring collections into the world that evoke emotions. Mothers and children are, and have always been, at the heart of Konges Sløjd. Their love for our brand breathes life into our designs and unlocks our opportunity for impact in the world. For this I am truly grateful.

With love, Emilie Konge





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## Entity details

### Entity

Konges Sløjd A/S  
Store Kongensgade 77, 1F.  
1264 Copenhagen

Business Registration No:36718714  
Registered office: Copenhagen  
Financial year: 01.01.2022 - 31.12.2022

### Board of Directors

Jens Christian Buhl, Chairman  
Emilie Konge Breindal  
Tonny Dragheim

### Executive Board

Emilie Konge Breindal, CEO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 Copenhagen S

### Annual report 2022

The Annual General Meeting adopted the  
annual report on 30.06.2023

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Jens Christian Buhl  
Chairman of the General Meeting

## Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Konges Sløjd A/S for the financial year 1 January to 31 December 2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year our 01.01.2022 31.12.2022

In our opinion, the management commentary contains a fair review of the development of the Company's business and financial matters, the results for the year and the Company's financial position, together with a description of the principal risks and uncertainties that the Company face.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 30.06.2023

### Executive Board

Emilie Konge Breindal  
Chief Executive Officer

### Board of Directors

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Jens Christian Buhl  
Chairman

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Emilie Konge Breindal

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Tonny Dragheim

## Independent auditor's report

To the shareholders of Konges Sløjd A/S

### Opinion

We have audited the financial statements of Konges Sløjd A/S for the financial year 01.01.2022 -31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 -31.12.2022 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.

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.

Copenhagen, 30.06.2023

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Claus Jorch Andersen  
State-Authorised Public Accountant  
Identification No (MNE) 33712

Anders Theilgaard Iversen  
State Authorised Public Accountant  
Identification No (MNE) mne47797





## Management commentary

### Financial highlights

DKK	2022	2021	2020	2019	2018
<b>Key figures</b>					
Gross profit/loss	113,274	97,408	61,247	23,302	11,883
Operating profit/loss	68,174	79,958	51,799	19,087	8,997
Net financials	(1,970)	2,148	(150)	(312)	(113)
Profit/loss for the year	51,634	64,072	39,843	14,640	6,935
Total assets	153,619	125,937	61,549	28,493	14,278
Investments in property, plant and equipment	4,724	2,755	261	73	172
Equity	113,246	98,110	51,038	20,265	9,025
Average number of employees	69	32	14	8	3
<b>Ratios</b>					
Return on equity (%)	48.86	85.92	111.76	99.97	117.39

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

Return on equity (%) :  

$$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$$

### Primary activities

Konges Sløjd designs and produces children clothing, home interior and toys which it sells to retailers and directly to consumers through its own e-com channel.

### Development in activities and finances

In 2022, Konges Sløjd sales grew at a strong double digit as a result of the continued globalization and direct digital sales close to doubled delivering in more than 80 markets worldwide.

To ensure the foundation for our future growth we invested strongly in our staff more than doubling the number of employees across all functions in our company. Furthermore, we took the first step in digitalizing our processes by changing our back-end ERP system.

### Profit/loss for the year in relation to expected developments

The challenging macro-environment reduced profit for the year to t.DKK 51.634, which is below original expectations but shows strong underlying momentum.

### Outlook

Continued revenue growth is expected in 2023 primarily as a result of past investments in a larger sales organization, dedicated e-com team and new e-commerce platform. Current consumer environment is volatile but management expects sales to grow especially in the international markets. Profits are also expected to grow by 20-30% in 2023 leveraging investments in 2022.

### Research and development activities

The Company conducts research and development of improvement of own Webshop and other IT tools on an ongoing basis. Management plans to keep making investments into these activities. The purpose of these investments is to ensure, that the Company will be able to achieve the goals of growth and expand its market position in the years to come.

### Statutory report on corporate social responsibility

Quality and safety alongside functionality and practicality during use for children and their mothers continue to be key values to Konges Sløjd. So does the use of predominantly natural textile materials, which have been a cornerstone to the brand since its inception. Going forward, we shall continue a perpetual development into these areas, while also taking steps towards a more responsible use of resources.

### *Safety & Compliance on an international scale*

Product safety is at the core of what we do. Processes have been successfully implemented and anchored in 2022, to ensure, that every single product is being thoroughly assessed from sketch through sampling phases by specialists. Assessments are performed to applicable international standards, as well to our own insights and experiences. Further, extensive test protocols have been developed and implemented in close cooperation with Bureau Veritas who manages the chemical-and mechanical testing from their extensive network of laboratories around the globe.

### *Better material and certified fibers*

We continue the path of becoming increasingly certified and working with certification frameworks on as many of our products as possible. Hence, we now hold GOTS, OekoTex100 & FSC certificates to our name, while having begun the application process with RWS (Responsible Wool Standard), RDS (responsible Down Standard), OCS (Organic cotton Standard), GRS (Global Recycle Standard) & RCS (Recycle Claim Standard). The common denominator of these standards is that every process step and every part, fiber and base material used is certified to be exactly what it claims to be.

### *Responsible production*

In 2022 we managed to complete the full assessment and mapping of our entire Tier 1 supplier base. We have also implemented that all current suppliers should have or be in the process of obtaining membership with one or several Internationally recognized frameworks within social compliance. Both initiatives being natural extensions of the work we did in 2021.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Income statement for 2022

	Notes	2022 DKK	2021 DKK
<b>Gross profit/loss</b>		113,273,921	97,408,199
Staff costs	1	(42,863,772)	(16,958,110)
Depreciations, amortisation and impairment losses	2	(2,235,688)	(492,478)
<b>Operating profit/loss</b>		<b>68,174,461</b>	<b>79,957,611</b>
Other financial income	3	319,253	2,368,579
Other financial expenses	4	(2,289,172)	(220,220)
<b>Profit/loss before tax</b>		<b>66,204,542</b>	<b>82,105,970</b>
Tax on profit for the year	5	(14,570,575)	(18,033,935)
<b>Profit/loss for the year</b>	6	<b>51,633,967</b>	<b>64,072,035</b>

## Balance sheet at 31 December 2022

### Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	8	1,842,134	240,449
Acquired trademarks		566,891	0
<b>Intangible assets</b>	7	<b>2,409,025</b>	<b>240,449</b>
Other fixtures and fittings, tools and equipment		4,245,530	1,521,566
Leasehold improvements		1,356,225	1,168,364
<b>Property, plant and equipment</b>	9	<b>5,601,755</b>	<b>2,689,930</b>
Deposits		939,788	809,532
<b>Financial assets</b>	10	<b>939,788</b>	<b>809,532</b>
<b>Fixed assets</b>		<b>8,950,568</b>	<b>3,739,911</b>
Manufactured goods and goods for resale		70,112,738	44,586,139
Prepayments for goods		5,829,358	13,207,790
<b>Inventories</b>		<b>75,942,096</b>	<b>57,793,929</b>
Trade receivables		22,363,866	15,201,739
Receivables from group enterprises		320,281	19,627,101
Deferred tax	11	468,093	0
Other receivables		196,754	65,362
Prepayments	12	805,392	0
<b>Receivables</b>		<b>24,154,386</b>	<b>34,894,202</b>
Cash		44,572,026	29,508,708
<b>Current assets</b>		<b>144,668,508</b>	<b>122,196,839</b>
<b>Assets</b>		<b>153,619,076</b>	<b>125,936,750</b>

## Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		400,000	50,000
Reserve for fair value adjustments of hedging instruments		(1,234,601)	0
Reserve for development expenditure		1,473,707	192,359
Retained earnings		112,606,518	77,868,132
Proposed dividend		0	20,000,000
<b>Equity</b>		<b>113,245,624</b>	<b>98,110,491</b>
Deferred tax	11	0	69,112
<b>Provisions</b>		<b>0</b>	<b>69,112</b>
Prepayments received from customers		4,762,591	3,303,442
Trade payables		19,219,900	15,783,030
Payables to shareholders and management		0	6,209
Tax payable		7,287,780	788,986
Other payables	13	9,103,181	7,875,480
<b>Current liabilities other than provisions</b>		<b>40,373,452</b>	<b>27,757,147</b>
<b>Liabilities other than provisions</b>		<b>40,373,452</b>	<b>27,757,147</b>
<b>Equity and liabilities</b>		<b>153,619,076</b>	<b>125,936,750</b>
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Non-arm's length related party transactions	18		
Group relations	19		

## Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	50,000	0	192,359	77,868,132	0
Increase of capital	350,000	0	0	(350,000)	0
Ordinary dividend paid	0	0	0	0	0
Extraordinary dividend paid	0	0	0	0	(15,264,233)
Fair value adjustments of hedging instruments	0	(1,234,601)	0	0	0
Transfer to reserves	0	0	1,281,348	(1,281,348)	0
Profit/loss for the year	0	0	0	36,369,734	15,264,233
<b>Equity end of year</b>	<b>400,000</b>	<b>(1,234,601)</b>	<b>1,473,707</b>	<b>112,606,518</b>	<b>0</b>
Equity beginning of year				20,000,000	98,110,491
Increase of capital				0	0
Ordinary dividend paid				(20,000,000)	(20,000,000)
Extraordinary dividend paid				0	(15,264,233)
Fair value adjustments of hedging instruments				0	(1,234,601)
Transfer to reserves				0	0
Profit/loss for the year				0	51,633,967
<b>Equity end of year</b>				<b>0</b>	<b>113,245,624</b>

In march 2022 contributed capital was increased to DKK 400.000 due to change from "ApS" to "A/S".



## Notes

	2022	2021
	DKK	DKK
<b>1. Staff costs</b>		
Wages and salaries	38,229,948	15,544,464
Pension costs	892,710	72,580
Other social security costs	372,854	119,186
Other staff costs	3,368,260	1,221,880
	<b>42,863,772</b>	<b>16,958,110</b>

Average number of full-time employees	<b>69</b>	<b>32</b>
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### Special incentive programmes

The company have a warrants program, which also includes the Executive Board.

The warrant program comprise of warrants in the ultimate parent company. The company does not pay for these rights.

Remuneration of the Executive Board and Board of Directors amounted to DKK 2,700,000 (2021: DKK 1,418 thousand).

	2022	2021
	DKK	DKK
<b>2. Depreciations and amortisation</b>		
Amortisation of intangible assets	424,019	45,181
Depreciation of property, plant and equipment	1,805,468	448,550
Profit/loss from sale of intangible assets and property, plant and equipment	6,201	(1,253)
	<b>2,235,688</b>	<b>492,478</b>

	2022	2021
	DKK	DKK
<b>3. Other financial income</b>		
Financial income from group enterprises	0	22,863
Other interest income	237,276	0
Exchange rate adjustments	0	2,316,865
Other financial income	81,977	28,851

	2022	2021
	DKK	DKK
<b>4. Other financial expenses</b>		
Other interest expense	134,319	220,220
Exchange rate adjustments	1,621,821	0
Other financial expenses	533,032	0
	<b>2,289,172</b>	<b>220,220</b>

#### 5. Tax on profit/loss for the year

Current tax	15,107,780	17,788,986
Change in deferred tax	(537,205)	244,949
	<b>14,570,575</b>	<b>18,033,935</b>

#### 6. Proposed distribution of profit and loss

Ordinary dividend for the financial year	0	20,000,000
Extraordinary dividend distributed in the financial year	15,264,233	0
Retained earnings	36,369,734	44,072,035
	<b>51,633,967</b>	<b>64,072,035</b>

	2022	2022
	Completed development projects DKK	Acquired trademarks DKK
<b>7. Intangible assets</b>		
Cost beginning of year	285,630	0
Additions	1,913,321	679,273
<b>Cost end of year</b>	<b>2,198,951</b>	<b>679,273</b>
Amortisation and impairment losses beginning of year	(45,181)	0
Amortisation for the year	(311,636)	(112,382)
<b>Amortisation and impairment losses end of year</b>	<b>(356,817)</b>	<b>(112,382)</b>
<b>Carrying amount end of year</b>	<b>1,842,134</b>	<b>566,891</b>

## Notes

#### 8. Development projects

Completed development projects relate to construction and improvement of own webshop and other IT tools. Costs which add new functionality and add new domains to the webshop are capitalized when sales are expected to increase from this. Management expects that revenue from own webshop will account for an increasingly larger portion of the total revenue the next five years.

With reference to section 83(2) of the Danish Financial Statement Act, deferred tax is set o. against the capitalized costs for development projects in the reserve for development costs under equity.

	2022	2022
	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
<b>9. Property, plant and equipment</b>		
Cost beginning of year	1,888,315	1,529,711
Additions	4,161,813	562,076
Disposals	(33,725)	(5,587)
<b>Cost end of year</b>	<b>6,016,403</b>	<b>2,086,200</b>
Depreciation and impairment losses beginning of year	(366,742)	(361,348)
Depreciation for the year	(1,436,624)	(368,844)
Reversal regarding disposals	32,493	217
<b>Depreciation and impairment losses end of year</b>	<b>(1,770,873)</b>	<b>(729,975)</b>
<b>Carrying amount end of year</b>	<b>4,245,530</b>	<b>1,356,225</b>

#### 10. Financial assets

Cost beginning of year	809,532
Additions	130,256
<b>Cost end of year</b>	<b>939,788</b>
<b>Carrying amount end of year</b>	<b>939,788</b>

## Notes

	2022	2021
	DKK	DKK
<b>11. Deferred tax</b>		
Beginning of year	(69,112)	175,837
Changes in deferred tax	537,205	(244,949)
<b>End of year</b>	<b>468,093</b>	<b>(69,112)</b>

### Deferred tax assets

Deferred tax relates to temporary differences in intangible assets, property, plant and equipment and receivables.

### 12. Prepayments

Prepayments under assets comprise costs related to subsequent financial years such as service agreements.

	2022	2021
	DKK	DKK
<b>13. Other payables</b>		
VAT and duties	2,359,952	5,280,796
Wages and salaries, personal income taxes, social security costs, etc payable	41,773	476,368
Holiday pay obligation	2,084,159	718,115
Other costs payable	4,617,297	1,400,201
	<b>9,103,181</b>	<b>7,875,480</b>

	2022	2021
	DKK	DKK
<b>14. Unrecognised rental and lease commitments</b>		
Liabilities under rental or lease agreements until maturity in total	<b>2,635,157</b>	<b>4,064,137</b>

### 15. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in the financial year where Kite Topco ApS and L. Konge Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the company 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.

### 16. Assets charged and collateral

There are no assets charged or collateral at the balance sheet date.

### 17. Related parties with controlling interest

Kite Topco ApS, Store Kongensgade 77 1F, 1264 Copenhagen K, Denmark, owns 100% of the shares of the Company.

### 18. Non-arm's length related party transactions

In the annual report only transactions with related parties which are not processed on market terms are described. No such transactions are processed in the financial year.

### 19. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Kite Topco ApS, Store Kongensgade 77 1F, 1264 Copenhagen K, Denmark



## 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.

### 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.

### Income statement

#### *Gross profit or loss*

Gross profit includes revenue, changes to inventories and other external expenses.

#### *Revenue*

Revenue from the sale of goods is recognised in the income statement when delivery is made and risk has passed to the buyer, and revenue from fees is recognised in the income statement when the service is performed. Revenue is recognised net of VAT, and duties and is measured at fair value of the consideration fixed.

#### *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 Company's ordinary activities, including expenses for distribution, logistics, premises, marketing costs, IT-costs and corporate costs. This item also includes writedowns of receivables recognized 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 relating to property, plant and equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

#### **Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises and currency gains.

#### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and currency losses.

#### **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 Company 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**

##### **Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as consultants and amortisation that are directly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. The amortisation periods used are 3 years.

Acquired trademarks 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.

Acquired trademarks etc are written down to the lower of recoverable amount and carrying amount.

#### **Property, plant and equipment**

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

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

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

	<b>Useful life</b>
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

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.

#### **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 tax-based value of assets and liabilities, for which the tax-based value of the assets is calculated based on the planned use of each asset.

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.

#### *Dividend*

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

#### *Other financial liabilities*

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

#### *Prepayments received from customers*

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

#### *Tax receivable or payable*

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

#### *Cash flow statement*

Cash flow statement has not been prepared for the Company as the cash flow is included in the cash flow statement of the consolidated financial statements of the ultimate parent company cf. the Danish Financial Statements Act § 86 (4).

