Julius Koch International A/S

Skodsborg Strandvej 156, 2492 Skodsborg, Denmark

CVR no. 11 46 29 87

Annual report 2022/23

Approved at the Company's annual general meeting on 26 October 2023

Chair of the meeting:

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Henning Aasmul-Olsen

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Julius Koch International A/S for the financial year 1 July 2022 –30 June 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2023 and of the results of their operations and the consolidated cash flows for the financial year 1 July 2022- 30 June 2023.

Further, in our opinion, the Management's review gives a fair review of matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Skodsborg, 26 October 2023
Executive Board:

Jens Klotmann

Board of Directors:

Henning Aasmul-Olsen Chair	Laurits Anton Jørgensen	Lars Paludan Melson

Flemming Edvard Ipsen

Independent auditor's report

To the shareholder of Julius Koch International A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Julius Koch International A/S for the financial year 1 July 2022 – 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2023 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 July 2022 – 30 June 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Moreover, Management is responsible 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 Group's and the Parent 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 Group or the Parent Company 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 as to 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 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Copenhagen, 26 October 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jens Thordahl Nøhr
State Authorised
Public Accountant
mne32212

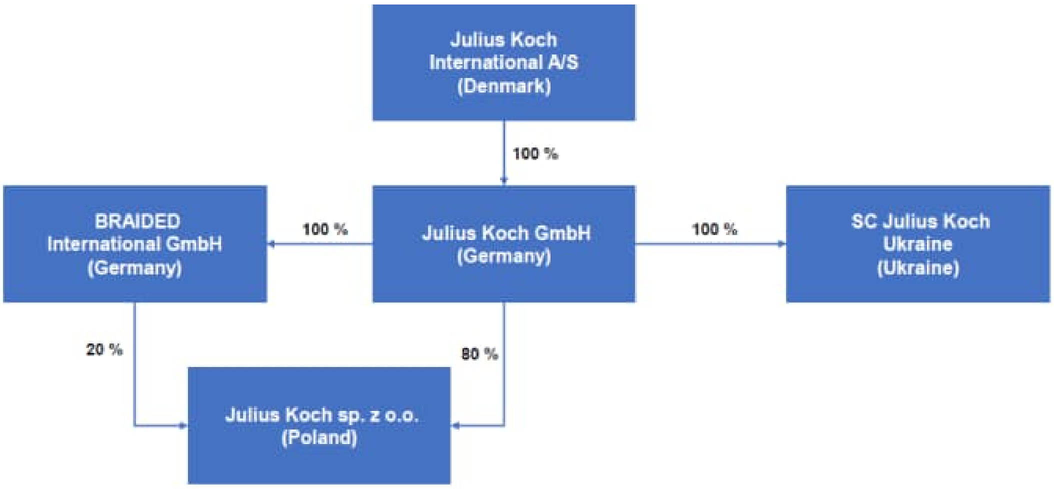
Management's review

Company details

Name	Julius Koch International A/S
Address, postal code, city	Skodsborg Strandvej 156, 2942 Skodsborg, Denmark
CVR no.	11 46 29 87
Established	26 June 1987
Registered office	Rudersdal
Financial year	1 July -30 June
Board of Directors	Henning Aasmul-Olsen, Chair Laurits Anton Jørgensen Lars Paludan Melson Flemming Edvard Ipsen
Executive Board	Jens Klotmann
Auditor	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, Postboks 250, 2000 Frederiksberg, Denmark

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2022/23	2021/22	2020/21	2019/20	2018/19
Key figure					
Gross profit	23,912	29,258	28,949	21,053	22,471
Operating profit from ordinary primary operations	5,248	12,811	12,815	7,252	8,446
Net financial expenses	-1,279	-139	42	-589	-436
Profit before tax	3,969	12,672	12,857	6,663	8,010
Profit for the year	2,439	8,391	9,437	4,500	5,521
Total assets	84,230	84,590	81,036	75,205	72,930
Equity	62,640	63,701	60,310	52,373	52,348
Cash flow from operating activities	5,860	6,447	18,288	7,980	5,489
Cash flow from investing activities	-4,477	-9,818	-3,011	-3,784	-7,850
Hereof investments in property, plant and equipment	4,543	9,633	3,007	3,776	7,850
Cash flow from financing activities	-130	-5,399	-7,529	-2,717	-432
Total cash flows for the year	1,253	-8,770	7,748	1,479	-2,793
Financial ratios					
Return on invested capital	5.5	20.1	21.3	10.5	13.5
Equity ratio	74.1	75.3	74.4	72.5	71.8
Return on equity	3.4	13.5	16.7	8.6	10.8
Average number of full-time employees	86	88	80	77	74

The financial ratios stated above have been calculated as follows:

Return on invested capital $$\frac{\text{Profit before tax x 100}}{\text{Average invested capital}}$$

Equity ratio $$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests x 100}}{\text{Average equity ex. non-controlling interests}}$$

Management's review

Operating review

Main activities

The Group's activities include the development, production and sale of products for the sun screening industry (cords, tapes, ladder strings, etc.) as well as special threads, nets and fences.

The Group's production activities are carried out in both Germany and Ukraine.

Development in activities and financial matters

In 2022/23, the Group achieved a profit after tax of DKK 2.4 million compared to DKK 8.4 million in 2021/22.

The consolidated cash flow from operating activities amounts to DKK 5.9 million compared to last year's cash flow of DKK 6.4 million, impacted by reduced profitability.

The Group's activity level and profit after tax in 2022/23 was lower than expected at the start of the financial year, impacted by slowdown in the building sector, increased raw material and freight costs as well as increasing costs from a number of non-recurring expenses and an unfavourable exchange rate development.

Throughout the war, the production facilities in Ukraine have been fully operational and we have been able to ship products to customers with limited disturbances. The Group's production facilities in Ukraine are located in the western part of the country, which has mitigated some of the negative impacts of the Russian invasion into Ukraine and the ongoing war. Without a dedicated effort and loyalty by the management and employees in Ukraine, operations could, nevertheless, have been severely impacted. We remain thankful for their considerable efforts.

Management continues to monitor the situation closely and does what is possible to support the Ukrainian employees and their families. Based on an overall assessment of the current situation, Management expects to be able to maintain a stable local production in 2023/24. Consequently, Management has made no impairment write-down of property, plant and equipment in Ukraine at 30 June 2023.

The Group's 2022/23 profit after tax was not satisfactory.

Towards the end of the year, the Group established a new subsidiary in Poland with a view to investigate the potential for setting up an additional production and R&D site going forward.

Significant events occurring after the end of the financial year

After the end of the financial year, no events of significant importance to the Group's and the Parent Company's financial position as of 30 June 2023 have occurred.

Selected and financial risks

Uncertainty related to the war in Ukraine

Due to the ongoing war in Ukraine, one of the Group's key risks is its ability to continue local production in Ukraine without major disruptions and without impairment of the Group's assets in Ukraine.

During 2022/23, the Group was able to maintain stable production in Ukraine despite the war.

Management continues to monitor the situation closely and does what is within Management's control to support and maintain operations in Ukraine, including keeping the employees and their families safe.

Any further negative development may adversely impact the Group's employees, assets (carrying amount as at 30 June 2023 amounted to DKK 18 million), and production capacity.

Management's review

Operating review

Macroeconomic development

The Group's performance is dependent on the macroeconomic development in general and in the building sector in particular. Supply chain disturbances and inflation will put earnings under pressure.

Financial risks

The Group applies a financial policy that operates with a low risk profile. Currency, interest and credit risks only arise based on commercial transactions.

The Group is affected by changes in the exchange rate against the Ukrainian hryvnia in particular and, to a certain extent, USD-related currencies in relation to raw material purchases. The Group's German business is not affected by exchange rate fluctuations in isolation, as both income and costs are settled primarily in local currency. The Group's most significant cash flows are denominated in EUR. As a result of the fixed exchange rate between DKK and EUR, the currency exposure is modest.

The Group does currently not apply financial instruments for hedging of foreign currency risks.

Environmental impacts

The Group wishes to operate sustainably and use processes and supplies that are constantly improved and friendly to the environment.

We estimate that our overall impact on the environment is limited. The environmental impact appears especially in connection with the dyeing of yarns and the discharge of wastewater. Approved environmentally friendly chemicals and natural products are used in several of the products, and the environmental burden is limited, as waste and waste-water in connection with the manufacturing are disposed of in line with approvals received from the local authorities.

Technology and intellectual capital

The Group has the ambition to deliver reliable products using the latest technology in the market. This requires a continuous development of the knowledge resources of our employees as well as optimization of production processes. Training of the employees is constantly ongoing, just as efficiency and innovation programs have been established covering the production processes, etc.

Research and development of current and new products is undertaken internally and in cooperation with our customers. All research and development expenses are recognised as expenses when incurred.

Outlook

In 2023/24, the Group expects an activity level in line with 2022/23 and an improved profit before tax in the range of DKK 7-10 million.

The profit is subject to some uncertainty in particular due to the slowdown in the building sector and the ongoing war in Ukraine. Expectations are based on the continued local production in Ukraine without major disruptions and that there will be no need for impairment write-down of the Group's assets in Ukraine.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Income statement

		Group		Parent company	
Note	**DKK'000**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
	Gross profit	23,912	29,258	469	446
	Distribution costs	-5,704	-4,712	0	0
	Administrative expenses	-12,960	-11,735	-432	-293
	Operating profit from ordinary primary operations	**5,248**	**12,811**	**37**	**153**
	Share of profit after tax in subsidiaries	0	0	2,430	8,295
3	Financial income	3	78	1	0
4	Financial expenses	-1,282	-217	-26	-29
	Profit before tax	3,969	12,672	2,442	8,419
5	Income tax expense	-1,530	-4,281	-3	-28
	Profit for the year	2,439	8,391	2,439	8,391

The Parent Company's proposed distribution of profit for the year is disclosed in note 13.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Balance sheet

Note	DKK'000	Group 2022/23	Group 2021/22	Parent Company 2022/23	Parent Company 2021/22
	ASSETS				
	Non-current assets				
6	**Intangible assets**				
	Completed development projects	25	42	0	0
		25	42	0	0
7	**Property, plant and equipment**				
	Land and buildings	30,457	32,198	0	0
	Plant and machinery	15,518	12,038	0	0
	Fixtures and fittings, tools and equipment	911	998	0	0
	Property, plant and equipment under construction	1,615	3,541	0	0
		48,501	48,775	0	0
	Other non-current assets				
8	Equity investments in group entities	0	0	61,548	62,848
	Leasehold deposits and other receivables	126	193	0	0
		126	193	61,548	62,848
	Total non-current assets	48,652	49,010	61,548	62,848
	Current assets				
	Inventories				
	Raw materials and consumables	10,195	9,374	0	0
	Work in progress	3,539	4,110	0	0
	Finished goods and goods for resale	7,086	6,303	0	0
		20,820	19,787	0	0
	Receivables				
	Trade receivables	7,857	8,909	0	0
	Receivables from group entities	0	0	670	222
5	Deferred tax assets	240	242	240	242
	Corporation tax receivables	89	0	0	0
	Other receivables	1,719	3,292	0	0
	Prepayments	459	209	0	0
		10,364	12,652	910	464
	Cash and cash equivalents	4,394	3,141	427	595
	Total current assets	35,578	35,580	1,337	1,059
	TOTAL ASSETS	84,230	84,590	62,885	63,908

Consolidated financial statements and parent company financial statements 1 July – 30 June

Balance sheet

Note	DKK'000	Group 2022/23	Group 2021/22	Parent Company 2022/23	Parent Company 2021/22
	Equity and liabilities				
	Equity				
	Share capital	1,000	1,000	1,000	1,000
	Net revaluation reserve according to the equity method	0	0	52,995	54,295
	Retained earnings	61,640	59,201	8,645	4,906
	Proposed dividend	0	3,500	0	3,500
	Total equity	62,640	63,701	62,640	63,701
	Non-current liabilities				
5	Deferred tax	4,661	3,990	0	0
9	Mortgage credit institutions	2,168	4,058	0	0
	Total non-current liabilities	6,829	8,048	0	0
	Current liabilities				
9	Mortgage credit institutions	1,890	414	0	0
	Trade payables	2,032	4,644	126	121
13	Payables to related entities	3,784	12	0	12
	Corporation tax payable	0	1,812	0	0
	Other payables	7,055	5,959	119	74
	Total current liabilities	14,761	12,841	245	207
	Total liabilities	21,590	20,889	245	207
	TOTAL EQUITY AND LIABILITIES	84,230	84,590	62,885	63,908

1 Accounting policies
2 Uncertainty related to the war in Ukraine
10 Staff costs
11 Mortgages and collateral
12 Related parties
13 Proposed distribution

Consolidated financial statements and parent company financial statements 1 July – 30 June

Statement of changes in equity

	Group			
DKK'000	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 July 2021	1,000	54,310	5,000	60,310
Distribution of dividend	0	0	-5,000	-5,000
Transferred; see distribution of profit for the year	0	4,906	3,500	8,391
Equity at 1 July 2022	1,000	59,201	3,500	63,701
Distribution of dividend	0	0	-3,500	-3,500
Transferred; see distribution of profit for the year	0	2,439	0	2,439
Equity at 30 June 2023	1,000	61,640	0	62,640

	Parent company				
DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 July 2021	1,000	51,222	3,088	5,000	60,310
Distribution of dividend	0	0	0	-5,000	-5,000
Transferred; see distribution of profit for the year	0	3,073	1,818	3,500	8,391
Equity at 1 July 2022	1,000	54,295	4,906	3,500	63,701
Distribution of dividend	0	0	0	-3,500	-3,500
Transferred; see distribution of profit for the year	0	-1,300	3,739	0	2,439
Equity at 30 June 2023	1,000	52,995	8,645	0	62,640

The contributed capital has remained unchanged for the past five years.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Consolidated cash flow statement

		Group	
Note	**DKK'000**	**2022/23**	**2021/22**
	Profit before tax	3,969	12,672
	Depreciation and amortisation	4,836	4,372
	Changes in inventories	-1,033	-3,039
	Changes in receivables and accruals	2,369	-3,760
	Changes in trade payables and other debts	-1,529	382
	Corporation tax paid	-2,752	-4,180
	Cash flows from operating activities	5,860	6,447
	Acquisition of intangible assets	-1	-29
	Acquisition of property, plant and equipment	-4,543	-9,683
	Disposal of property, plant and equipment	0	50
	Changes in deposits and other receivables	67	-156
	Cash flows from investing activities	-4,477	-9,818
	Borrowings, etc.:		
	New loan from related parties	3,784	0
	Repayments to mortgage credit institutions	-414	-399
	Shareholders:		
	Distributed dividend	-3,500	-5,000
	Cash flows from financing activities	-130	-5,399
	Cash flows for the year	1,253	-8,770
	Cash and cash equivalents, beginning of year	3,141	11,911
	Cash and cash equivalents, year end	4,394	3,141

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

1 **Accounting policies**

The annual report for Julius Koch International A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements include the Parent Company, Julius Koch International A/S, and subsidiaries in which Julius Koch International A/S directly or indirectly holds more than 50%of the voting rights or which it, in some other way, controls.

During the consolidation, intra-group income and costs, shareholdings, internal balances and dividends as well as realized and unrealized profits and losses from transactions between the consolidated companies are eliminated.

Foreign currency conversion

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities, associates and equity interests are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign group entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign group entities that are considered part of the total net investment in the group entity are recognised directly in the translation reserve under equity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments hedging net investments in foreign group entities are recognised directly in the translation reserve under equity.

On translation of foreign group entities that are integral entities, monetary items are recognised at the exchange rates at the balance sheet date. Non-monetary items such as property, plant and equipment, etc., are recognised at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Income statement

Revenue and gross profit

The Company has chosen IAS 11/IAS 18 as interpretation guidance for revenue recognition.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods and services are met.

A contract is split up into individual transactions when the fair value of each individual sales transaction can be estimated reliably and when each individual sales transaction represents a stand-alone value for the buyer. Sales transactions are deemed to have a stand-alone value for the buyer when the transaction is individually identifiable and usually sold separately.

The revenue is measured at the fair value of the agreed consideration, excluding VAT and taxes collected on behalf of third parties. All types of discounts given are recognized in net sales.

In accordance with section 32 of the Danish Financial Statements Act, disclosure of revenue has been omitted for the financial statements.

Gross profit comprises revenue less production costs.

Production costs

Production costs include direct and indirect costs, including depreciation and wages, incurred to achieve the year's net revenue. This includes direct and indirect costs for raw materials and auxiliary materials, wages and salaries as well as depreciation on production facilities.

Distribution costs

Distribution costs include costs that have been incurred for the distribution of goods sold during the year and for the year's completed sales campaigns, etc. This includes costs for sales staff, advertising and exhibition costs as well as depreciation.

Administrative expenses

Administrative expenses include costs incurred during the year for management and administration of the group, including costs for the administrative staff, management, office premises and office costs as well as depreciation.

Share of profit after tax in subsidiaries

In the parent company's income statement, the proportionate share of the individual subsidiaries' profit after tax is recognized after full elimination of internal profit/loss.

Financial income and expenses

Financial income and costs include interest, capital gains and losses relating to securities, debts and transactions in foreign currency, amortization of financial assets and liabilities as well as allowances and allowances under the advance tax scheme, etc.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Income tax expense

The year's tax, which consists of the year's current corporation tax and changes in deferred tax, is recognized in the income statement with the part that can be attributed to the year's result, and directly in the equity with the part that can be attributed to entries directly in the equity.

Balance sheet

Intangible assets

Acquired rights are measured at cost less accumulated depreciation. Rights are depreciated on a straight-line basis over the expected economic life, which is estimated to be between 3-5 years.

Property, plant and equipment

Land and buildings, production facilities and machinery as well as other facilities, operating equipment and fixtures are measured at cost less accumulated depreciation and write-downs.

The cost price includes the acquisition price and costs directly associated with the acquisition up to the time when the asset is ready for use. The cost price of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components are different.

Straight-line depreciation is carried out over the expected useful life, based on the following assessment of the assets' expected useful lives:

Buildings	33 1/3 years
Production plant and machinery	10-15 years
Other plants, operating equipment and inventory	3-8 years

Depreciation is recognized in the income statement under production, distribution and administration costs, respectively.

The depreciation period and the residual value are determined at the time of acquisition and are reassessed annually. In the event of a change in the depreciation period or the residual value, the effect on the depreciation going forward is recognized as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the net selling price and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement within gross profit.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportional share of the companies' equity value calculated according to the group's accounting practices with deductions or additions of unrealized intra-group profits and losses and with additions or deductions of the residual value of positive or negative goodwill calculated according to the acquisition method.

Investments in subsidiaries with a negative net asset value for accounting purposes are measured at DKK 0, and any receivables from these companies are written down to the extent that the receivables are uncollectible. To the extent that the parent company has a legal or actual obligation to cover a negative net asset value that exceeds the receivable, the remaining amount is recognized under provisions.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

1 **Accounting policies (continued)**

Net revaluation of investments in subsidiaries is included in equity in a separate reserve for net revaluation according to the equity method to the extent that the carrying amount exceeds the cost price.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets as well as investments in affiliated companies is assessed annually for indications of impairment, in addition to what is expressed by depreciation.

If there are indications of impairment, an impairment test is carried out on each individual asset or group of assets. A write-down is made to the recoverable amount if this is lower than the carrying amount.

The highest value of net selling price and value in use is used as recovery value. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or asset group and expected net cash flows from the sale of the asset or asset group after the end of the useful life.

Inventories

Inventories are measured at cost based on weighted average prices. If the net realizable value is lower than the cost price, it is written down to this lower value.

The cost price for raw materials and consumables as well as auxiliary materials includes the acquisition price with the addition of transportation costs.

Cost price for manufactured finished goods and goods in progress includes cost price for raw materials, auxiliary materials, direct wages and indirect production costs. Indirect production costs include indirect materials and wages as well as maintenance and depreciation of the machines, factory buildings and equipment used in the production process as well as costs for factory administration and management. Borrowing costs are not included in the cost price.

The net realizable value of inventories is calculated as the sales value with deduction of completion costs and costs incurred to effect the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortized cost, which usually corresponds to nominal value.

The company has chosen IAS 39 as an interpretation guidance for write-downs of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Equity

Proposed dividend

Proposed dividend is recognized as a liability at the time of adoption at the ordinary general meeting (declaration time). Dividends expected to be paid out for the year are shown as a separate item under equity.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax liabilities and current tax receivable are recognized in the balance sheet as calculated tax on the year's taxable income, adjusted for tax on previous years' taxable income and for taxes paid on account.

Due and receivable joint taxation contributions are recognized in the balance sheet as "Corporate tax payable" or "Corporate tax receivable".

Deferred tax is measured according to the balance sheet method of all temporary differences between the accounting and tax value of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to tax non-depreciable goodwill and office properties as well as other items where temporary differences – apart from business combinations – have arisen at the time of acquisition without having an effect on profit or taxable income. In cases where the tax value can be calculated according to different taxation rules, deferred tax is measured on the basis of the management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognized at the value to which they are expected to be used, either by carry forward to offset against tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax unit and jurisdiction.

Deferred tax is adjusted in relation to eliminations of unrealized intra-group profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries, which will apply with the balance sheet date's legislation when the deferred tax is expected to be triggered as current tax.

Liabilities

The Company has chosen IAS 39 as interpretation guidance for recognition and measurement of liabilities.

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the group's cash flows divided into operating, investment and financing activity for the year, the year's change in cash and cash equivalents and the group's cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities

Cash flows from operating activities are calculated as the group's share of the result adjusted for non-cash operating items, change in working capital and corporation tax paid.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

Cash flow from investing activity

Cash flows from investment activity include payments in connection with the purchase and sale of companies and activities as well as the purchase and sale of intangible, tangible and financial non-current assets.

Cash flow from financing activity

Cash flows from financing activities include changes in the size or composition of the group's share capital and associated costs, as well as taking out loans, paying off interest-bearing debt and paying dividends to shareholders.

Cash and cash equivalents

Cash include cash assets and short-term securities with a maturity of less than 3 months, which can be converted into cash assets without hindrance, and on which there are only insignificant risks of changes in value.

2 Uncertainty related to the war in Ukraine

Due to the ongoing war in Ukraine, one of the Group's key risks is its ability to continue local production in Ukraine without major disruptions and without impairment of the Group's assets in Ukraine.

During 2022/23, the Group was able to maintain stable production in Ukraine despite the war.

Management continues to monitor the situation closely and does what is within Management's control to support and maintain operations in Ukraine, including keeping the employees and their families safe.

Any further negative development may adversely impact the Group's employees, assets (carrying amount at 30 June 2023 amounted to DKK 18 million), and production capacity.

Based on an overall assessment of the current situation, Management expects to be able to maintain a stable local production in 2023/24 and going forward, however this is subject to significant uncertainty. Accordingly, no impairment of property, plant and equipment in Ukraine has been recognised at 30 June 2023.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

DKK'000	Group 2022/23	Group 2021/22	Parent company 2022/23	Parent company 2021/22
3 Financial income				
Other interest income	3	2	1	0
Foreign exchange rate gains	0	76	0	0
	3	78	1	0
4 Financial expenses				
Foreign exchange rate losses	1,046	0	22	24
Interest expenses, related parties	54	0	0	0
Other interest expenses	182	217	4	5
	1,282	217	26	29
5 Tax on the year's profit and deferred tax				
Calculated current tax on the year's taxable income	2,203	3,992	0	0
This year's adjustment of deferred tax	-673	289	3	28
	1,530	4,281	3	28

DKK'000	Group	Parent company
Deferred tax 1 July 2022	-3,748	242
This year's adjustment of deferred tax	-673	-2
Deferred tax 30 June 2023	-4,421	240

Deferred tax liabilities mainly related to property, plant and equipment. Tax value of tax losses carry forwards are only recognised to the extent they are expected to be utilised within the foreseeable future.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

6 Intangible assets

DKK'000	Group Acquired intangible fixed assets
Cost at 1 July 2022	2,623
Additions	1
Disposals	-42
Cost at 30 June 2023	**2,581**
Amortisation and impairment losses at 1 July 2022	2,581
Amortisation	19
Disposal	-43
Amortisation and impairment losses at 30 June 2023	**2,556**
Carrying value at 30 June 2023	**25**

7 Property, plant and equipment

	Group				
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 July 2022	60,896	77,093	5,130	3,541	146,660
Additions	71	4,289	183	0	4,543
Transfer	0	1,926	0	-1,926	0
Cost at 30 June 2023	**60,967**	**83,308**	**5,313**	**1,615**	**151,203**
Depreciation and impairment losses 1 July 2022	28,698	65,055	4,132	0	97,885
Depreciation	1,812	2,735	270	0	4,817
Depreciation and impairment losses 30 June 2023	**30,510**	**67,790**	**4,402**	**0**	**102,702**
Carrying amount at 30 June 2023	**30,457**	**15,518**	**911**	**1,615**	**48,501**

Regarding assets located in Ukraine, refer to note 2.

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

DKK'000	Parent company 2022/23	Parent company 2021/22
8 Equity investments in group entities		
Cost at 1 July	8,553	8,553
Cost at 30 June	8,553	8,553
Value adjustments at 1 June	54,295	51,222
Distributed dividend	-3,730	-5,222
Profit/loss for the year	2,430	8,295
Value adjustments at 30 June	52,995	54,295
Carrying amount at 30 June	61,548	62,848

Name and registered office	Voting rights and ownership share
Julius Koch GmbH, Germany	100 %
SC Julius Koch Ukraine, Ukraine (refer to note 2 regarding uncertainty due to the war in Ukraine)	100 %
Braided International GmbH, Germany	100 %
Julius Koch sp. Z o.o, Poland	100 %

9 Non-current liabilities

Non-current liabilities falling due after more than five years from the balance sheet date amount to DKK 0 thousand (30 June 2022: DKK 0 thousand).

DKK'000	Group 2022/23	Group 2021/22	Parent company 2022/23	Parent company 2021/22
10 Staff costs				
Wages and salaries	21,169	19,014	154	65
Pensions	0	0	0	0
Other social security costs	4,029	4,004	0	0
	25,198	23,018	154	65
Average number of full-time employees	86	88	0	0
Number of employees at 30 June	80	99	0	0

The Group's staff costs include remuneration to the Parent Company's Executive Board and the Board of Directors totalling DKK 2,130 thousand (2021/22: DKK 2,372 thousand).

Consolidated financial statements and parent company financial statements 1 July – 30 June

Notes

11 Mortgages and collateral

For the Group, the following assets have been provided as security for mortgage credit institutions totalling DKK 4,058 thousand (30 June 2022: DKK 4,472 thousand) and undrawn credit facility:

- Land and buildings with a carrying amount of DKK 18,742 thousand (30 June 2022: DKK 19,502 thousand) is provided as security for loans up to DKK 7,976 thousand (30 June 2022: DKK 7,976 thousand).

12 Related parties

Julius Koch International A/S' related parties include the parent foundation, Karen and Poul F. Hansens Familiefond, Skodsborg Strandvej 156, 2942 Skodsborg, Denmark, as well as the subsidiaries Julius Koch GmbH, Germany, Braided International GmbH, Germany and SC Julius Koch, Ukraine. The company's related parties also include the Company's Executive Board and the Board of Directors.

The Company's financial statements are included in the consolidated financial statements of Karen and Poul F. Hansens Familiefond, which can be requested at the above address.

Related party transactions

Julius Koch International A/S has had the following transactions with related parties:

DKK'000	2022/23	2021/22
Sale of services to subsidiaries	448	446
Purchase of legal services from a law firm to which a board member is closely related	10	29
Debt to the parent foundation	0	12

The Company has paid remuneration to the Executive Board and the Board of Directors as disclosed in note 10.

The Group has had the following transactions with related parties:

DKK'000	2022/23	2021/22
Purchase of legal services from a law firm to which a board member in the parent company is closely related	10	29
Interest expenses	54	0
Debt to related parties (interest bearing loan, payable on demand)	3,784	0

13 Proposed distribution of profit for the year

DKK'000	2022/23	2021/22
Proposed dividend	0	3,500
Reserve for net revaluation according to the equity method	-1,300	3,073
Retained earnings	3,739	1,818
	2,439	8,391

The name is withheld
Client Signer
On behalf of: Julius Koch International A/S
Serial number: 3c91c03e-5d4f-4e6c-8b80-e7dd27a4dbe6
IP: 217.61.xxx.xxx
2023-10-27 08:53:27 UTC

Jens Klotmann
Client Signer
On behalf of: Julius Koch International A/S
Serial number: jk@juliuskoch.de
IP: 185.232.xxx.xxx
2023-10-27 09:47:12 UTC

Henning Aasmul-Olsen
Client Signer
On behalf of: Julius Koch International A/S
Serial number: cbfbd854-305a-4eab-91ff-f74eebb36008
IP: 152.115.xxx.xxx
2023-10-27 10:42:30 UTC

Henning Aasmul-Olsen
Client Signer
On behalf of: Julius Koch International A/S
Serial number: cbfbd854-305a-4eab-91ff-f74eebb36008
IP: 152.115.xxx.xxx
2023-10-27 10:43:22 UTC

Flemming Edvard Ipsen
Client Signer
On behalf of: Julius Koch International A/S
Serial number: a9cf68e7-92d5-42df-8a93-3101ca9679eb
IP: 2.108.xxx.xxx
2023-10-27 10:49:56 UTC

Lars Paludan Melson
Client Signer
On behalf of: Julius Koch International A/S
Serial number: ac4f8153-b820-45db-bfda-e6118dc98bc6
IP: 136.23.xxx.xxx
2023-10-27 11:15:08 UTC

Jens Thordahl Nøhr
EY Godkendt Revisionspartnerselskab CVR: 30700228
EY Signer
On behalf of: EY Godkendt Revisionspartnerselskab
Serial number: c1e8a2a1-ddd5-4d62-bf0c-551b3baecb85
IP: 80.167.xxx.xxx
2023-10-30 10:12:28 UTC