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J.J. Holding II ApS

Orionvej 1-3
7430 Ikast
CVR No. 27427731

Annual report 01.04.2020 - 31.03.2021

The Annual General Meeting adopted the annual report on 07.07.2021

Jesper Lundhøj Stubkjær Klausen
Chairman of the General Meeting

Contents

Entity details

Entity
J.J. Holding II ApS
Orionvej 1-3
7430 Ikast

Business Registration No.: 27427731
Registered office: Ikast-brande
Financial year: 01.04.2020 - 31.03.2021

Executive Board
Jacob Lundhøj Stubkjær Klausen
Jesper Lundhøj Stubkjær Klausen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of J.J. Holding II ApS for the financial year 01.04.2020 - 31.03.2021

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2020 - 31.03.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Ikast, 07.07.2021

Executive Board

Jacob Lundhøj Stubkjær Klausen **Jesper Lundhøj Stubkjær Klausen**

Independent auditor's report

To the shareholders of J.J. Holding II ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of J.J. Holding II ApS for the financial year 01.04.2020 - 31.03.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.03.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.04.2020 - 31.03.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and 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 commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Aarhus, 07.07.2021

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Nicolaj Haarup
State Authorised Public Accountant
Identification No (MNE) mne46613

Management commentary

Financial highlights

	2020/21 DKK'000	2019/20 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	354,163	264,215	35,699	286,905	334,494
Gross profit/loss	146,145	109,084	10,997	74,459	80,027
Operating profit/loss	35,538	13,189	(4,391)	14,175	6,836
Net financials	(4,035)	(4,161)	(745)	(3,744)	(3,368)
Profit/loss for the year	26,356	7,592	(4,337)	8,730	4,227
Profit for the year excl. minority interests	25,186	7,592	(4,062)	8,603	4,178
Balance sheet total	206,208	177,265	152,406	150,371	157,427
Investments in property, plant and equipment	4,482	5,725	186	4,621	22,533
Equity	80,950	48,567	44,003	47,689	39,042
Equity excl. minority interests	51,254	48,567	43,915	47,278	38,692
Cash flows from operating activities	24,023	1,863	(8,753)	27,629	(5,623)
Cash flows from investing activities	35,643	(5,522)	(61)	(4,508)	(11,403)
Cash flows from financing activities	(46,568)	(1,577)	6,199	(9,627)	1,251
Ratios					
Gross margin (%)	41.26	41.29	30.80	25.95	23.92
Net margin (%)	7.44	2.87	(12.15)	3.04	1.26
Return on equity (%)	50.46	16.42	(8.91)	20.01	
Equity ratio (%)	24.86	27.40	28.81	31.44	24.58

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

Due to a change of fiscal year the financial highlights for 2019 contain only 3 months.

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):

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

Return on equity (%):

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

Equity ratio (%):

$$\frac{\text{Equity excl. minority interests * 100}}{\text{Balance sheet total}}$$

Primary activities

The Company's primary activities is production of high quality functional outdoor garments. The Company produces at its own factories in Vietnam and Latvia.

Development in activities and finances

The Company achieved a net revenue of 354 million DKK compared with last year 264 million DKK. Profit before tax is amounted to 31,5 million DKK compared to 9,0 million DKK last year.

The Management considers the result to be very satisfactory.

The fiscal year began just after the outbreak of the COVID-19, in which the entire world was hit by the COVID-19 pandemic. The Company chose to downgrade expectations for the financial year because of customers' reactions to the pandemic.

Fortunately, it turned out afterwards with increasing demands for clothes and equipment for the Outdoor segment. Based on this, the Company managed to get back on the previously expected growth. Thus, the Company achieved maximum capacity utilization at the factories with increasing efficiency and improvements in financial results.

During the Corona pandemic, some production lines have been shut down in Latvia, but this has not affected the Company's general performance. There have been no Corona cases at the factory in Vietnam and at the Company's head office in Denmark.

The Company has initiated a new group structure in which production and real estate activities are separated. Spectre Real Estate A/S is established as a sister company to Spectre A/S, which primarily function is parent company for the production units abroad.

Spectre Real Estate A/S thus becomes the parent company of the foreign real estate companies. There have been no activities in Spectre Real Estate A/S in the past financial year.

In the last quarter of the financial year, the Company's ownership was expanded with a minority shareholder; Dansk Ejerkapital (formerly Industri Udikling). They have taken over 33,33 % of the shares. Jacob and Jesper Klausen remains unchanged as majority shareholders on long-term basis.

Profit/loss for the year in relation to expected developments

The originally budget for this fiscal year was made before the Corona pandemic affected the business activities. At that time, the Company expected a revenue of 350 million DKK and a profit after tax of 18 million DKK.

Due to the COVID-19 impact, turnover was reduced to 285 million DKK and with lower profit. However, as already explained, the situation changed, and the Company closed the fiscal year with the expected turnover. Due to cost savings during the year, the Company managed to improve the final result.

Uncertainty relating to recognition and measurement

Recognition and measurement in the consolidated financial statements are not subject to any material uncertainties.

Unusual circumstances affecting recognition and measurement

No particular circumstances exert material influence on the financial statement.

Outlook

The Company expects additional increases in sales as a result of the continued high demand from customers. The Company is making significant investments in expanding its production facilities, including in particular the establishment of a new factory in South Vietnam. The new company Spectre Garment Technology II is under development with expected production start from next fiscal year in 2022.

The Company expect an acceptable profit. However, due to the continuing Corona pandemic, the 2021-22 fiscal year is associated with some external uncertainty regarding any delivery or production stoppages. We see increasing freight and logistic rates as well as increasing prices on raw materials.

Particular risks

The Company is not exposed to particular risks apart from those generally occurring. The Company's financing is primarily based on variable interest rates, which is why any increase in interest rates will affect the Company's earnings. The Company has two main currency (USD and EUR). Historically, there has been a balance on the USD cash flow.

Going forward, revenue in USD is expected to increase. Due to future investments in Vietnam, any exchange rate risks will be eliminated for the coming financial year.

The Company's risk exposure has increased as a result, of two factors in particular. The ongoing Corona pandemic that may have an impact on the Company's suppliers, customers, and the Company itself, as well as increased growth with a lack of insurance coverage on customers.

Knowledge resources

To future-proof the Company in terms of the expected growth and expansion of the number of employees we are working proactively and continuously on developing all human resources in the organization to be able meet the future demands by our stakeholders and to achieve the results defined in our strategy.

Being an innovative and proactive partner for our customers, Spectre believes that continuous cooperation with customer development team improves the skills and the competences in the Company’s own organization to develop human resources.

Environmental performance

Spectre is very environmentally conscious and continuosly strives to reduce environmental impact from our operations.

The Company's factories are certified in environment, quality and CSR with the following certifications; ISO 14001 (environment), ISO 9001 (quality management), SA 8000 (CSR). The Company reports in accordance to Global Impact.

The company works with renewable energy-saving initiatives. This includes rooftop solar cells systems in Vietnam, as well as LEED certification with focus on the building's environmental conditions and impacts.

Research and development activities

The Company does not have definite research activities, but we develop in a close collaboration between our develop- and technical departments and our customers.

The cost related to these activities are expensed in the income statement. The Company has not capitalized any development costs, nor have any items under intangible fixed assets been capitalized.

Statutory report on corporate social responsibility

Business model – our role in the value chain

Spectre's position in the value chain remains the same as in the past years: As a private label garment manufacturer we are in the centre of the traditional textile value chain collecting all the components from fabric and trim producers around the world (mainly Asia and Europe) in cooperation with our transportation and logistics partners. Upon fabric and trim delivery to our factories we are building the readymade product and after quality audit inspection we are handing it over to the customer's transportation and logistics partner as illustrated in the model below.

In a CSR perspective, Spectre's value chain role will be monitoring fabric and trim suppliers' compliance with defined environment standards and the assurance of good working conditions in our own facilities and the facilities of our direct suppliers (T2 suppliers). Moreover, the reduction and handling of solid waste will be an area of increasing focus in the future.

Logically, due to the absence of chemicals in our manufacturing process, the focus on sustainable fibres and elimination of harmful chemicals will be predominant in the early stages of the value chain with the raw material and fabric and trim suppliers.

With our CSR 4 Corner Stones Strategy (see next section) as the foundation, we seek to manage our business activities in a professional and responsible way, and at the same time to ensure a constructive and value-adding cooperation with our business partners in the value chain.

Spectre CSR Strategy Model – The 4 Corner Stones

It is Spectre's policy to conduct all our business in an honest and ethical manner. Being a family-owned company is an important part of our identity. By having a strong ownership with passion and daily engagement the core values and ethics are felt by the employees, customers, suppliers and other stakeholders in the everyday life.

Spectre's CSR strategy is built on four corner stones: Planet, People, Anti-Corruption and Reporting. This model has served as our guideline for many years.

Spectre's CSR strategy – the 4 corner stones model

In the following, a brief on ongoing initiatives within each of the four corner stones will be given.

People

Our employees are our most treasured asset. At Spectre we set a high standard for a good working environment, and we listen to the voice of our employees in the recurring employee satisfaction survey that we carry out on all Spectre locations in Vietnam, Latvia and Denmark.

SA8000 Certification

We attained SA8000 certification in 2013-14 for our facilities in Latvia and Vietnam. Having been on the forefront with the world's leading social certification program for nearly a decade allows us setting high standards regarding the respect of basic human rights, elimination of child labour, focus on continuous improvement and health and safety, offering advancement possibilities and appropriate working hours. The latter being the single most challenging hurdle to overcome due to high seasonality which is a consequence of the old traditions in the industry defining specific, critical market launch dates for the new products.

Physical working environment

When we developed our new production facility in Vietnam in 2016, we chose to invest in an air-conditioning system for the well-being of our employees. This does consume more energy yet improves working conditions considerably. This is a classic example of a dilemma that occurs when working with corporate social responsibility where a proper balance must be found between economic, environmental and social-related factors.

In general, we take pride in offering a safe and comfortable working environment with modern machinery and technology, ergonomic workstations, and plenty of natural light.

Overtime work
We do make use of overtime work (OT) in peak seasons, but as an integrated part of our SA8000 certification, we have implemented policies and restrictions on how much OT is allowed.

Sub-contractors can be used, provided they are audited and managed by us and approved by our customers, however, it is easier and more efficient to manage and control the working conditions in-house. Our policy is to outsource max. 15% of the production to subcontractors.

Remuneration
Wages and salaries remain important. In cooperation with Social Accountability International (SAI), who has developed the SA8000 standard, and stakeholders such as e.g. the Fair Wear Foundation (FWF) and our customers, we regularly monitor and study the remuneration systems of our plants with the aim of ensuring reasonable wages.

Employee-based surveys
In Latvia and Vietnam, we are conducting employee satisfaction surveys every 2nd year. The next target is to reach a harmonized process for our employee satisfaction survey across the group to ensure an efficient data processing procedure and faster preparation of an action plan based on a prioritisation matrix (impact/effort).

At the headquarters in Denmark, we are conducting a workplace risk assessment (Arbejdspladsvurdering, APV), which is renewed at least every three years. The risk assessment is based on employees answering an online questionnaire anonymously and based on the key findings, we are preparing an action plan to improve the most urgent points.

Brainstorming Workshops
To get more information and feedback from our employees regarding daily work processes and general improvement ideas, we have in 2021 facilitated workshops among all locations where groups of employees have been participating in "brainstorming workshops". During these workshops, employees are encouraged to come up with suggestions and ideas that will be subsequently assessed, categorized and prioritized by management as either long- or short-term projects or non-viable ideas.

Apprenticeships, internships and trainee programs
We believe that all companies must take co-responsibility for continuously developing skilled labor. Consequently, we are supporting young people under education by offering apprenticeships and internships. This is applied group wide in Denmark, Latvia and Vietnam where many young people have been employed as either student workers, trainees or assistant positions.

People-focused initiatives locally in Denmark, Vietnam and Latvia
We pride ourselves of an employee-focused management system with a social fingerprint. Besides our employees, we also care about the local communities where we interact. In Denmark, we have supported "Team Rynkeby" to support the laudable work of the child cancer foundation (Børnecancerfonden). We support local sports clubs, primarily for children and young people to ensure that everyone has equal opportunities to have an active and social life beyond school. In addition, we support the local, professional sport because we believe it is important to have local lighthouses that create communities and pride for people of all ages and walks of life.

In Vietnam, we took active part in supporting the rebuilding of a local society after the devastating damages by the Saudel Typhoon in the autumn 2020. In Latvia, we temporarily shifted part of our manufacturing capacity to hospital gowns in cooperation with Danish health authorities to secure a stable supply of protective products to hospitals during the Covid-19 pandemic. Furthermore, we have supported animal shelters and educational institutions with donations and gifts.

We have not found any violations of human rights in 2020/21.

Planet

At Spectre we care for our planet! The global fashion industry account for around 4% of global green house gas (GHG) emissions. Within the textile value chain, the garment manufacturing process accounts for roughly 4% of the GHG emissions . As part of the global garment manufacturing industry, we are conscious that our actions have an impact on the environment, and we actively influence and advise our value chain partners to ensure that our final products are delivered with the best possible impact on our local and global surroundings. We keep an eye on our combined environmental impact by updating the Higg FEM index for our facilities in Vietnam and Latvia on an annual basis and share the data with our customers.

ISO14001 Certification

All Spectre facilities have implemented the environmental management system (EMS), ISO14001 in 2016-17. As a result, we are systematically focusing on initiatives to prevent and reduce pollution and waste throughout our value chain.

Initiatives for our planet in Vietnam

Our new factory scheduled to open spring 2022 will be equipped with a large rooftop solar system that allows us

to replace an estimated 50% of the mainly non-renewable energy we buy from the public electricity supplier. Similarly, in our current factory we are participating in a group investment program to establish a rooftop solar panel system which is expected to deliver around 30% of our total electricity consumption.

Moreover, we have set the ambitious goal to follow a green building certification program, Leadership in Energy and Environmental Design (LEED ,) for the new factory.

Initiatives for our planet in Latvia

Since the complete rebuilding of our Kalnciems plant in 2010 we have constantly looked for improvements to optimise energy consumption and reduce waste throughout our operations in Latvia. We have phased out the use of coal at all plants and implemented modern, energy-efficient wooden pellet-based heating systems which provide more and cleaner energy per volumetric unit . Hence, we have created a solution which is much less harmful to the environment. Moreover, we are buying 100% renewable electricity and we have shifted illumination to light emitting diodes (LED) instead of fluorescent lights and incandescent light bulbs.

Initiatives for our planet in Denmark

Our HQ in Ikast, Denmark, is the smallest of our locations with no production processes but with only office buildings housing our 24 employees . Nevertheless, we changed all our heating thermostats to automatic and more energy-efficient types and we have made an active choice to buy 100% renewable energy to cover our electricity consumption.

Further initiatives will be launched in 2021/22.

Anti-corruption policy
In 2015 we implemented a group-wide anti-corruption policy and ever since this has been an area of continuous focus, as corruption and bribery remain critical improvement areas in the global business environment as well as in political organizations.

We have a zero-tolerance approach towards bribery and corruption, and we remain bound to the UK Bribery Act and the national legislations of the countries in which we operate.

We conduct business in an honest and ethical manner. Regardless of the geographical location of our activities, Spectre has a single company spirit and business philosophy which is rooted in our Core-Value Model. Amongst others, our focus on ethics is exemplified in our Supplier Risk Evaluation process as well as our CoC and our systematic monitoring of our suppliers' registered certifications.

In 2020/21 we have not found any violations on our anti-corruption policy.

Reporting
Explicit communication on ongoing initiatives and the documentation of achievements is the 4th corner stone in Spectre's CSR strategy.

Reporting and Key Performance Indicators (KPI)
Our focus on evidence is implemented through customer specific reporting and management KPIs, as well as this present annual CSR report which we have been publishing since 2015.

Web Site and Newsletters
We regularly inform our stakeholders of our CSR-related initiatives through newsletters. On our international website http://.spectre.dk/csr/ further details about the group can be found.

Higg Index
In 2019, we started using the Sustainable Apparel Coalition's (SAC) Higg Index FEM tool to report environmental data of our factories in both Vietnam and Latvia, and from 2020 we have implemented the FSLM tool to report about social and labour conditions of our factory in Vietnam.

United Nations Global Compact
Since 2010 we have been members of UN Global Compact and we are annually submitting our Communication of Progress report (CoP). Going forward, we will be combining our CSR-related initiatives into the framework of the 17 Sustainable Development Goals (SDG) defined by the UN. We have selected four specific SDGs which we are going to target and that are closely linked to our overall CSR-strategy:

- SDG#08: Decent Work and Economic Growth
- SDG#12: Responsible Production and Consumption
- SDG#13: Climate Action
- SDG#17: Partnership for the Goals

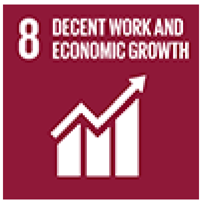
On the next pages the CSR-related initiatives within the framework of these four specific UN SDGs are explained in more detail.

UN Global Compact Sustainable Development Goals (SDG)
The UN Global Compact movement is based on 10 principles within human rights, labour standards,

environment and anti-corruption. These principles are fully embedded in our CSR-strategy and on day-to-day business.

Within the UN Global Compact, the Sustainable Development Goals (SDG) were formulated under the guiding principle: “Making Global Goals Local Business”. From the total list of 17 goals, we have chosen to focus on and work with four of these as described in the following, although our CSR strategy also involve other SDGs (such as #5 Gender Equality and #7 Affordable and Clean Energy):

SDG No. 8 Decent Work and Economic Growth



The goal is defined by the UN as to: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.”

The goal also includes the achievement of a higher level of economic productivity through diversification, technological upgrading and innovation which is very relevant to us as manufacturers as we are in a labour-intensive sector. Furthermore, the goal targets that a company works for fair and equal rights to all no matter the sex, age and disabilities of an individual, with the overall aim of reducing unemployment in the local communities.

The UN SDG goal #8 is very closely linked to the People cornerstone of the Spectre CSR strategy. Motivated and satisfied employees are, in our opinion, closely related to driving a successful business with a healthy economy. We are constantly evaluating working conditions and work processes to find ways of improving.

SDG No. 12 Responsible Production and Consumption

The goal is defined by the UN as to: “Ensure sustainable consumption and production patterns.”

The goal also includes the ambition of having companies disclose and publish reports on their sustainability measures (e.g. like this present report) as well as an ambition of phasing out harmful substances, measure the material footprints and actively reduce waste generation through prevention, reduction, recycling and reuse.

The UN SDG#12 relates to two of Spectre’s CSR corner stones: Reporting and Planet. For several years we have been communicating openly to our stakeholders on our CSR-related activities and about the progress as well as challenges we face.

SDG No. 13 Climate Action

The goal is defined by the UN as to: "Take urgent action to combat climate change and its impacts." Hence, the goal implicitly requires that as a company we should target greener fuels and types of renewable energy which will lower greenhouse gases.

This goes hand in hand with one of the corner stones in our CSR-strategy – Planet – and some of the initiatives targeting cleaner energy sources throughout the global operations of Spectre was described earlier. As a growing manufacturing company, we are aware of the fact we are consuming considerable amounts of energy every day and our long-term success is depending on stable and sustainable sources of energy. Using more sustainable and green energy is therefore a natural choice to us.

Our industry still generates large amounts of solid waste. Often as much as 20% of the raw materials end up as production waste and in many cases the waste ends up as landfill because there are no better solutions available in our production countries. In many places the lack of investments into technologies that can be used for the purpose of recycling or upcycling the waste is the main impediment for doing something about waste.

SDG No. 17 Partnerships for the Goals

The goal is defined by the UN as to: "Strengthen the means of implementation and revitalize the global partnerships for sustainable development."

The goal also includes several different initiatives to strengthen the economic growth of developing countries and their position and terms in markets through cooperation, investments, knowledge sharing and technology upgrades – all of which has the aim to support a sustainable and healthy environmental growth.

Displaying Spectre's ethical codex in all our interaction with our customers, suppliers, employees and other stakeholders is key in our understanding of a good and sustainable partnership.

The UN SDG#17 partly relates to our cornerstone in the Spectre CSR-strategy, Anti-Corruption, partly to our desire bringing the parties of the value chain closer together to solve the larger, global challenges.

As a small player in the global value chain, we cannot lift the burden alone. Our ambition is to remain at the forefront in terms of social responsibility and to lift a disproportionate share of the responsibility in relation to our size. However, to create results we need to keep strengthening the cooperation across the value chain that we are all part of, thus we need true partnership thinking to succeed in the long run.

Balancing workload in co-operation with our customers
An ever-present challenge in our industry is seasonality which is defining when garments must be delivered to retailers for the season opening. We are struggling with the levelling of work during peak seasons, and we are investing considerable resources to have daily cooperation with customers ensuring a balanced workload throughout the year. The ambition is offering our employees stable work throughout the year and with no excessive overtime.

Partnerships for a positive impact on the environment
Projects with other companies and industries will be increasingly important. Besides the example with the attempt to develop padding material from fabric waste where we worked closely together with an external technology partner, we are also teaming up with colleague factories in our industry for the rooftop solar panel project in Vietnam.

A growing supplier base calls for consolidation
The current nature of business partnerships with our customers results in our customers nominating a large part of the fabric and trim suppliers. Current fabrics are often replaced by new fabrics after a single or a few seasons. That, in combination with our general growth as a company has led to a rapid increase in the number of suppliers in recent years.

The large number of suppliers with small leverage increases the logistics activities and it prevents us from establishing a close and partnership-based cooperation with the long tail of small suppliers. A certain leverage is required for the value chain partners to mutually invest in the cooperation – and investments are needed to keep improving our industry and reducing our carbon footprint: The fabric manufacturing process accounts for an estimated 21% of the total GHG emissions in the textile industry .

Resulting from this development, a new project has been launched in our value chain department with the aim of consolidating the number of suppliers in our portfolio.

Environment, Social and Governance (ESG) metrics and targets
This year we are reinforcing our reporting structure by adding specific ESG metrics as means to quantify our efforts further on relevant CSR-related data and further it will allow us to define a baseline. The reporting of ESG metrics is based on a format proposed by The Danish Finance Society / CFA Society Denmark, FSR – Danish Auditors, and Nasdaq Copenhagen with the aim of remaining in compliance with §99a and §99b of the Danish Financial Statements Act.

By measuring and reporting relevant data, we will make it easier to set targets and measure progress and eventually the data will give us the possibility to benchmark ourselves against other comparable manufacturing companies.

The source of the data is our factories in Latvia and Vietnam. Targets are based on the projected growth of production which is approx. 22% for the fiscal year 2021/2022.

The ESG metrics and data are presented in the following table which displays ESG-data for the combined sites (Denmark, Latvia, Vietnam):

Factor	Unit of measure	FY 17/18	FY 18/19	FY 19/20	FY 20/21	Target 21/22
Environment						
CO2e, scope 1 *(local cars and local heating)* *Note 1)*	Tons	745	770	639	607	607
CO2e, scope 2 *(transport of goods, external heating)* *Note 2)*	Tons	-	-	-	170	207
Energy consumption *Note 3)*	GJ	14,405	15,869	16,241	16,503	20,134
Energy Consumption DK		*1,164*	*1,116*	*1,251*	*1,172*	*1,430*
Energy Consumption LV		*7,858*	*7,777*	*6,484*	*6,308*	*7,695*
Energy Consumption VN		*3,184*	*4,776*	*6,308*	*6,825*	*8,327*
Energy Consumption External Shipping		*2,199*	*2,199*	*2,199*	*2,199*	*2,682*
Production Minutes	million minutes	*68.4*	*85.3*	*91.9*	*106.1*	*129.5*
Energy per Production unit	GJ/million minutes	210.6	186.0	176.7	155.5	*155.5*
Renewable energy (% of total consumption)	%	24%	25%	34%	36%	40%
% Renewable Energy DK Note 4)		*47%*	*41%*	*39%*	*44%*	*50%*
% Renewable Energy LV Note 5)		*21%*	*20%*	*39%*	*42%*	*40%*
% Renewable Energy VN Note 6)		*39%*	*40%*	*41%*	*41%*	*50%*
Water consumption *Note 7)*	m3	8,762	12,758	12,122	11,999	*14,838*
Social						
Full time employees *Note 8)*	FTE	1,008	1,108	1,376	1,507	*1,927*
Gender diversity FTE *Note 9)*	%	74%	75%	74%	74%	*70-75%*
Full-time Management *Note 10)*	FTE	24	23	23	28	*36*
Gender diversity Management *Note 11)*	%	50%	57%	52%	50%	*50%*
Sick leave *Note 12)*	Days/FTE	8.6	7.4	7.3	7.6	*<7.3*
Governance						
Signed CoC	% suppliers	-	-	-	80%	*85%*
Members of the Board	#	5	5	5	5	*5*
Gender diversity of the board *Note 13)*	%	0%	0%	0%	0%	*0%*
Number of CSR-related certifications upheld *Note 14)*	#	4	6	8	9	*9*
Annual CSR report published and compliant	YES/NO	YES	YES	NO	YES	*YES*

Notes:

Note 1: CO2e scope 1 is expected to remain stable since no new buildings or vehicles are planned, except for one small truck for local transportation of goods between factories in Vietnam.

Note 2: CO2e scope 2 is expected to rise by 22% according to the forecasted production output as more shipping transports will be required.

Note 3: Energy Consumption is expected to increase linearly with the rate of increased production; by +22% for 21/22.

Note 4: Since 2020 the local electricity company, Energi-Ikast, has a contractual obligation with Spectre to ensure that the entire 100% of supplied electricity originates from renewable resources.

Note 5: Since 2020 the local electricity company, Latvenergo, has a contractual obligation with Spectre to ensure that the entire 100% of the supplied electricity originates from renewable resources.

Note 6: According to the local energy-provider EVN in the Nam Dinh province 42% of the electricity are from renewable resources. Upon installation of rooftop solar systems, the share of renewable energy will grow.

Note 7: The water consumption follows the projected growth in employees, and a consumption of 7.7 m3 per employee in 2021/2022.

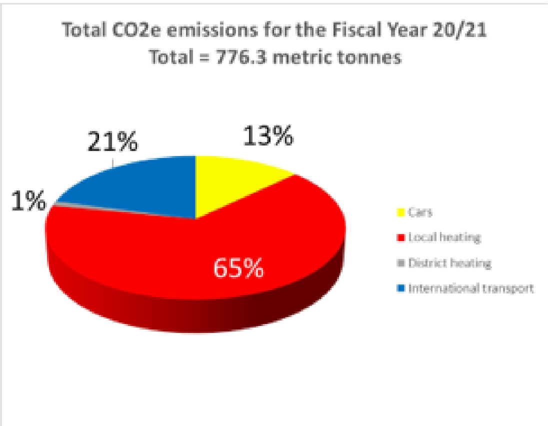
Note 8: In 2021/2022 full time employees are expected to grow by +400 in VN, +20 in LV and a minor growth in DK.

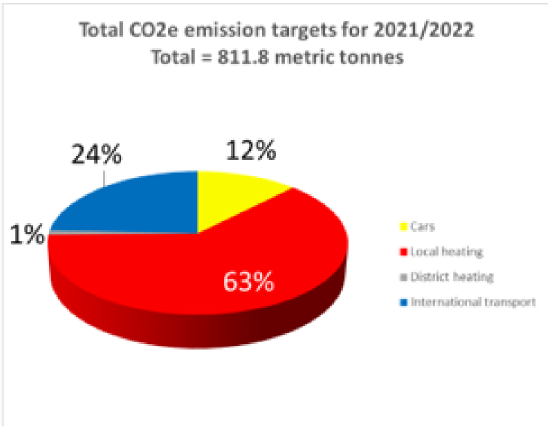
Note 9: The global garment industry is comprised by a minimum of 75% women. Acknowledging that it is difficult to do something about this fact short term, Spectre expects to keep a level of 70-75% female workers in 21/22.

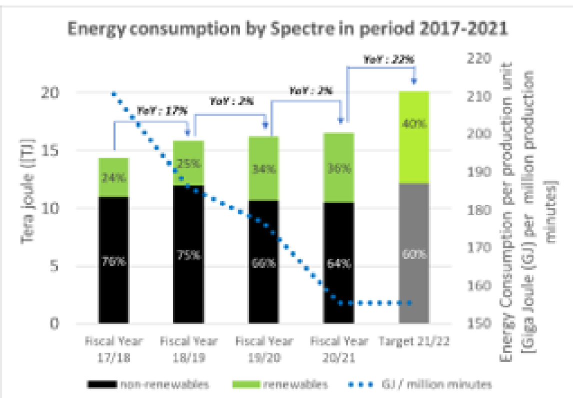
Note 10: In 21/22 the count of full-time management is expected to grow similar as for regular employees; by +28%.
Note 11: Spectre expects to have an equal distribution of men and women on a managerial level in 21/22.

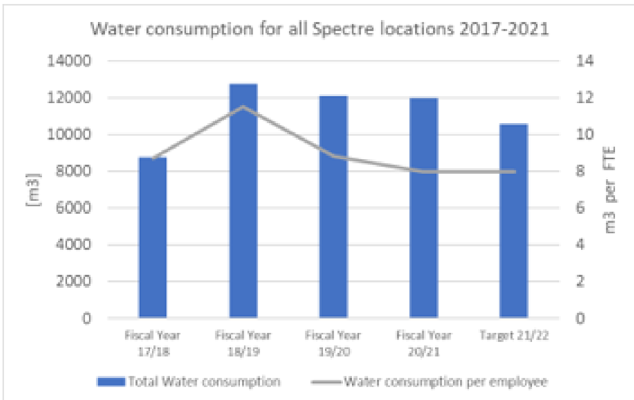
Note 12: Spectre targets a further 10% reduction of absenteeism in Latvia and 3% in Vietnam. In DK it is assessed that absenteeism cannot be reduced further. Combined with the projected growth in FTEs, this leaves a projection for sick days per FTE of <7,3 for 21/22.
Please note that other types of leave – e.g. high level of maternity leave and other planned leave – are registered separately.
Note 13: Despite all members being male, and there are therefore no short-term plans for changing this, hence the target gender diversity on executive management level is 0%.
Note 14: The amount of CSR-related certificates are described in the report – a complete overview can be seen in the section "Spectre Group certifications and audit schemes".

Graphs
The following graphs illustrate the Environment data from the ESG table above:





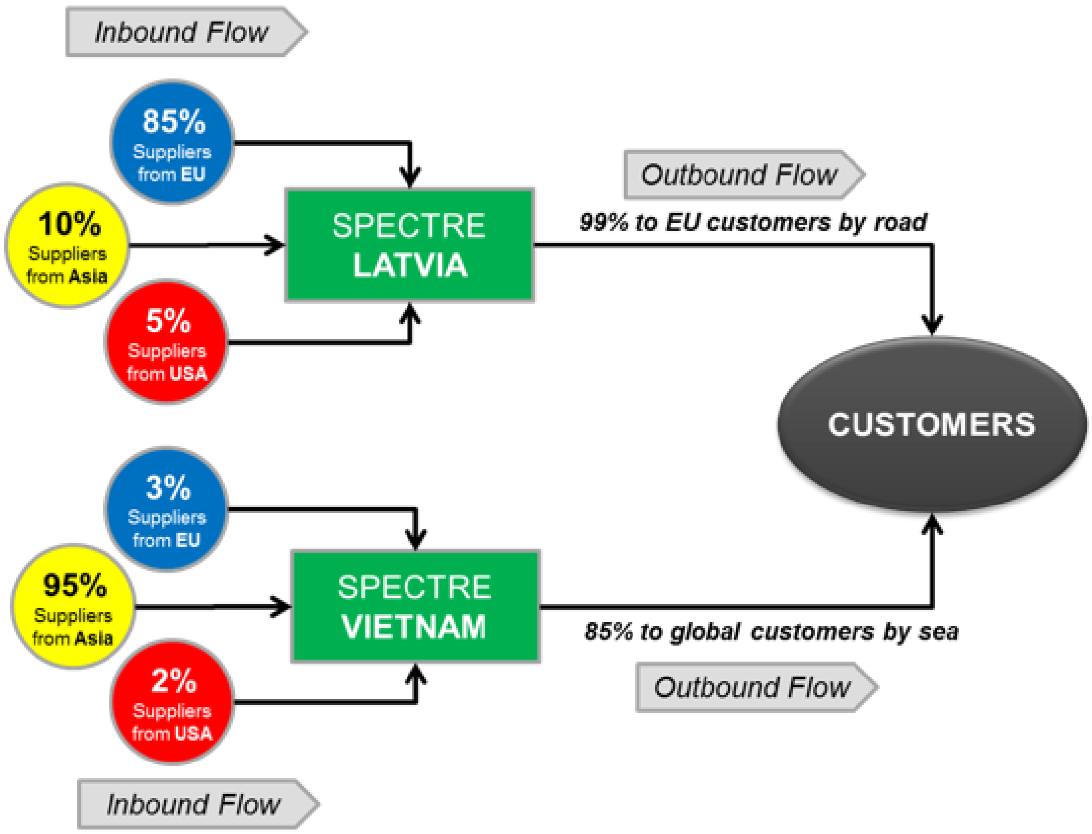




Freight and transportation strategy
Our value chain has a considerable environmental impact in terms of transportation of raw material to our factories and transportation of garments from our factories to customers. An estimated 3% of GHG emissions in the textile value chain are derived from transportation . In particular, the effects of air transport can be seen: despite the fact air freight was a mere 1% of all cargo transported in the 2020/21, it ended up contributing 69% of Spectre total CO2e emissions related to the transport of goods.

We therefore aim at designing the logistics flow to minimize the need for air transport, although beforementioned seasonality in our industry makes it necessary to apply air transport for a certain amount of goods in the peak season. The negative impact on the environment of air transport is offset to some extent by the fact that we can level our production by extending the production period through the saved transportation time by using air transport. This has a positive effect on our workforce who will achieve a more stable work throughout the year.

Schematically, our designed logistics architecture for the flow of goods from raw materials to the end-customer can be illustrated by the figure below:



The Spectre inbound and outbound freight flow focuses on local suppliers and reduction of air freight

Inbound freight

The raw material flow for our factories in Latvia and Vietnam are handled by our internal logistics team.
We aim at sourcing locally, meaning that 85% of materials for our Latvian location are supplied by local suppliers from the EU and 95% of materials for our Vietnamese location are supplied locally from Asia.

The EU materials are mainly transported by truck to the factory in Latvia and the parts originating from Asia and the US are delivered by sea freight. All materials are delivered to our production site in Vietnam by sea.

In rare cases we are forced to use air freight to keep customer delivery dates, but these are exceptions and only in cases where raw materials are transported across continents.

To save on both freight cost and to limit the carbon footprint, we consolidate shipments from suppliers ensuring containers and trucks are fully loaded.

Outbound freight

The outbound freight covers shipment of garments from our factories to our customers.

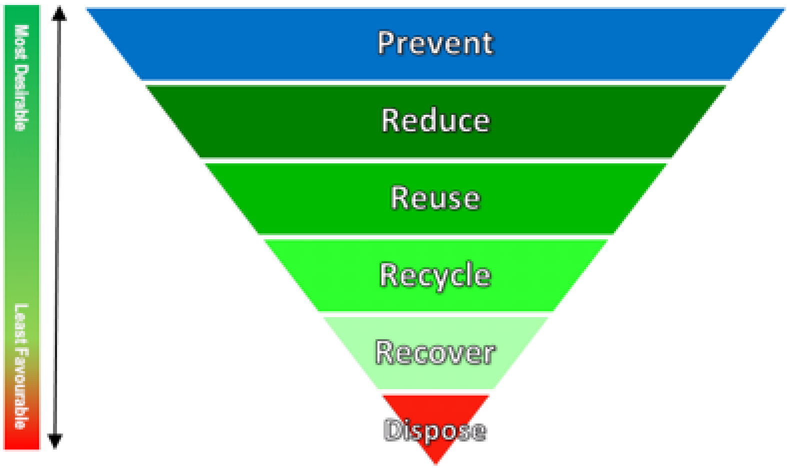
From our facilities in Latvia 99% of the garments are transported by road to customer distribution centres in the EU. In this part of the world, road transport is the mode of transport with the lowest possible carbon footprint, and we further aim at consolidating full truckloads in the distribution of goods to our customers.

For our facility in Vietnam the freight is primarily done by sea and by air in case of commercially critical situations. In 2021/22 we expect a considerable increase in air freight due to increased market demands and the value chain being under pressure to deliver. The roughly 110 km from our factory site to either the Haiphong harbour and container terminal or the Hanoi Noi Bai airport is covered by energy efficient lorry transports.

Waste Management

Waste hierarchy

Following figure illustrates the waste hierarchy that Spectre targets in our considerations to clarify whether we are making the right choices when it comes to handling waste.

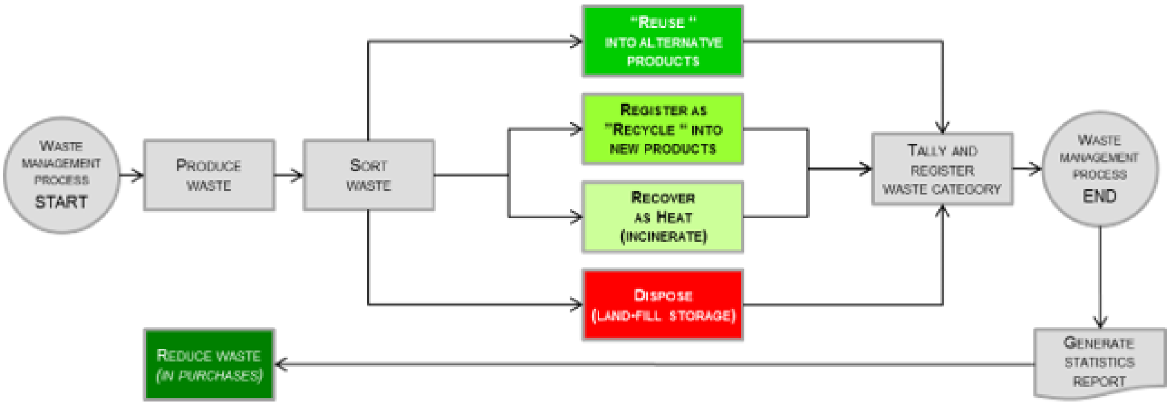


Waste Hierarchy model

The best option is to prevent waste entirely, however, waste is an inevitable by-product of our production. Instead, our ambition is to ensure that we reuse and recycle as much as possible. This is illustrated by Waste Hierarchy model above.

We have set an ambitious goal to keep working on managing waste in more environmentally friendly ways. We do not have an exact measure for our fabric utilization which will be part of our goal to develop a common data train collecting all relevant CSR related data.

Our roughly estimated fabric utilization, based on mini markers applied for the calculation of fabric consumption per style, is around 85%, hence indicating a waste around 15%. In addition to this must be added fabric leftovers from production which are not utilized by customers, hence it is fair to estimate that at least 20% of the purchased fabric ends up as waste, and a large part of it as landfill.



Internal waste management process

Above figure illustrates the process for the tallying and registration of the waste data that will be shown in the following country-specific sections – Spectre's waste hierarchy shown in the beginning of this section.

Waste Management - combined

This is the first time Spectre combines waste reports from all sites into the same framework. With the aim of deriving a single ESG key figure to express "waste" and generate a data base which can be used for creating an action plan. As a starting point focus will be setting a target of an annual reduction of the combined portion of disposed waste as shown in below table. Going forward, we will strive to move "upwards" in the waste hierarchy with specific focus on maximising fabric utilization – ideally, there will be no data in the "disposed" category in the future.

Denmark		
Waste Hierarchy	Tonnes	%
Input Total	0,4	100%
Prevented	-	0%
Reduced	-	0%
Re-used	-	0%
Recycled	0,4	100%
Recovered	-	0%
Disposed	-	0%

Latvia		
Waste Hierarchy	Tonnes	%
Input Total	294	100%
Prevented	-	0%
Reduced	-	0%
Re-used	1	0%
Recycled	8	3%
Recovered	-	0%
Disposed	75	25%

Vietnam		
Waste Hierarchy	Tonnes	%
Input Total	1.053	100%
Prevented	-	0%
Reduced	-	0%
Re-used	-	0%
Recycled	41	4%
Recovered	279	27%
Disposed	32	3%

Input (SPECTRE Total)	1,347.5	100%
Disposed Waste (SPECTRE Total)	**107**	**8%**

A combined view of waste generated at all Spectre sites, grouped by the Waste Hierarchy (Fiscal Year 2020/2021)

ESG-data related to Governance factors

This section will cover Governance Factors related to supplier management and gender diversity which are the key risk areas of the ESG metrics table.

In-depth information will be provided for the on-site inspection of high-risk suppliers, supplier self-assessments and Spectre's CoC.

Moreover, gender diversity of the executive board will be accounted for and more information on Spectre's CSR-related certifications will be provided.

Supplier Management

Our goal is to continuously build an even better value chain that minimizes negative environmental footprint and ensure proper working conditions. We are dealing with a variety of suppliers and the primary suppliers are fabric and trim producers supplying components to our factories in Latvia and Vietnam.

In the following, we will describe the development in our supplier base, how we evaluate risk and finally what measures we have taken in 2020/21 to ensure a high CSR-performance with our suppliers.

The UN SDG goal #12 of responsible consumption and production is very much related to our work with supplier management. Tracing the products back through our value chain allows us to make better decisions about the selection of sustainable fabrics and trims.

Overview of suppliers

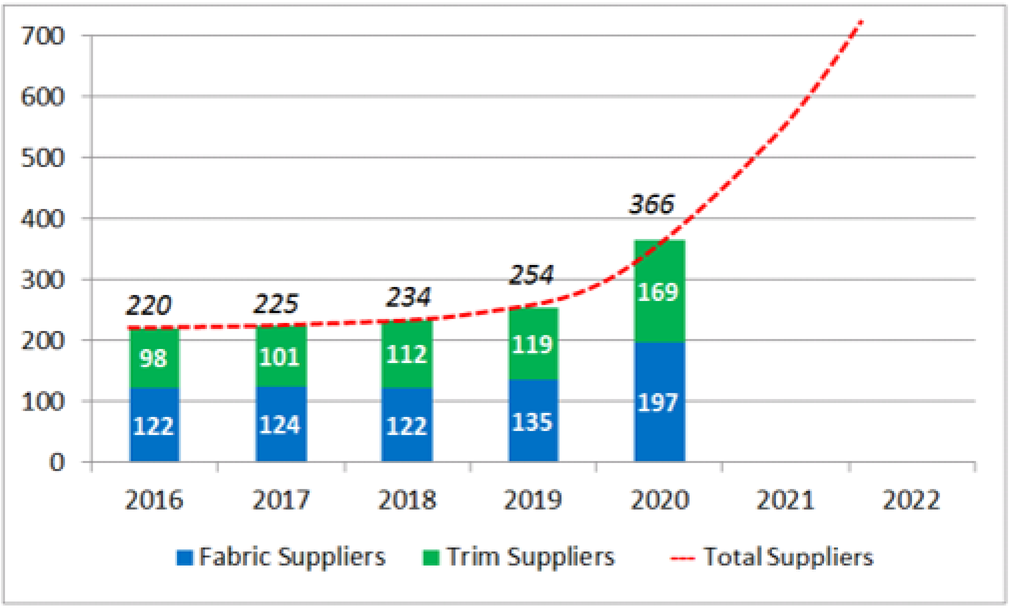
As mentioned, our primary suppliers are fabric and trim producers. These are referred to as tier-2 suppliers (T2) in the textile industry. Tier-3 and tier-4 suppliers are producers of yarn and raw materials, respectively, but these are out of our scope. We, as garment manufacturers, are referred to as tier-1 suppliers (T1). In the outdoor industry, the T2 suppliers are predominantly nominated by the brands – i.e. our customers. This means we have limited impact on the choice of suppliers.

From a total garment value perspective, the fabric is roughly 80% of the total raw material value whereas trims make up the remaining 20% of the total value. The increase in the number of suppliers in the years from 2016 to 2020 is a direct follow of our general business increase with existing and new customers.

Even though we have many T2 suppliers, the purchase volume with top-10 suppliers in 2020 for fabric is 55% and for trim 60%. This means that a few suppliers are responsible for the delivery of more than half of our total value of raw material. These are primarily suppliers that we have worked with for more than 10 years and we therefore have a good knowledge about their way of doing business and their CSR profile.

As part of our own supplier-onboarding process, we will evaluate the T2 supplier's CSR performance. This increases the validity of the evaluation process of the supplier regarding CSR standards.

Below figure illustrates the development of the Spectre supplier base in recent years – the trend suggests a potential for a rapid exponential development in the nearest future.



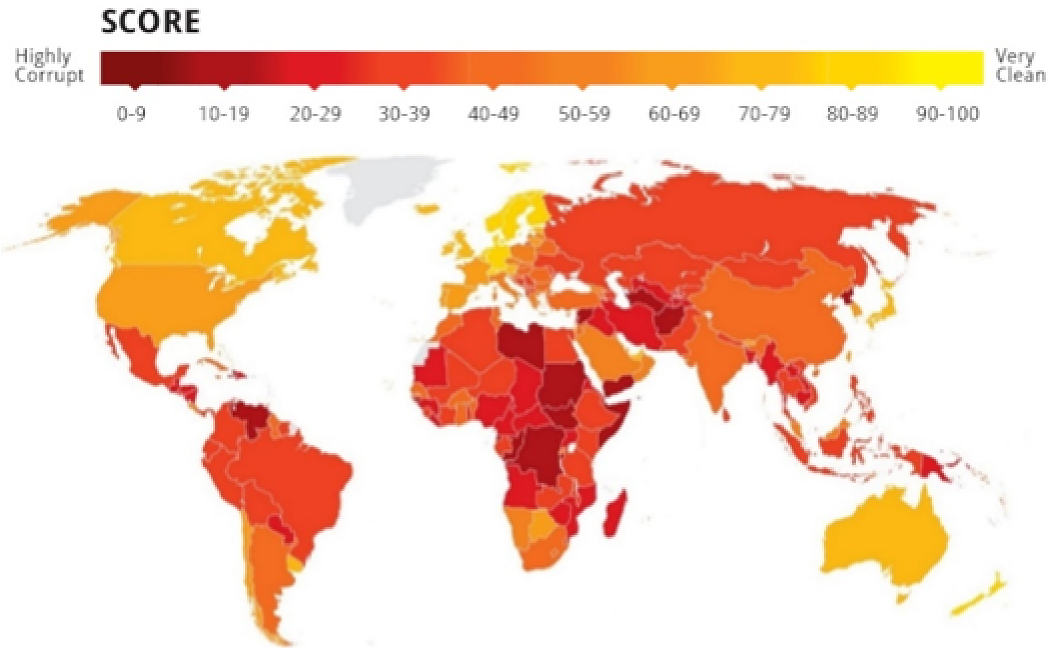
Development in the Spectre supplier base by Fabric and Trim suppliers from 2016-2020.

The rapid increase of the supplier base, however, calls for a structured approach of this evaluation process and in the supplier management process in general, as will be detailed in the following.

Supplier risk evaluation

Due to almost a quarter of our purchasing volume (down from 28% in 2019 to 25% in 2020) coming from suppliers located in high-risk countries, corruption is probably the single largest risk element when it comes to T2 suppliers, and it could potentially trigger a deterioration of overall conditions in either of Corporate, Social and Environmental aspects, unless appropriate supplier management systems are in place.

To evaluate risk of suppliers in terms of CSR, we apply the Transparency International (TI) index of corruption (CPI). This index rates and ranks 180 countries on several criteria from best to worst, the score is based on 1 to 100 where 100 is the best. The entire world map is coloured according to this risk score, enabling a quick visualisation of risk countries as can be seen below:



World map with colour index of risk regarding corruption. Yellow is low risk, red is high risk.
Source: Transparency International

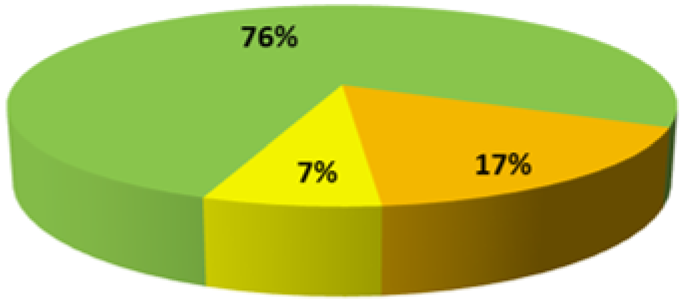
The reason why this index is relevant for us to use is, as stated by Transparency International, that countries performing well on the index invest more in health care, have a better ability of providing universal health care to its citizens and are less likely to violate democratic norms and institutions or the rule of law. Having said that, it is clear there are very large differences between companies in the individual countries and any country has companies scoring either low or high, hence it is important to know one's business partners beyond the buying-selling process.

Internally in Spectre, we have chosen to group the complete list of countries of the CPI into 4 colours, each of which represent quartiles of the ranking – i.e. the top quarter of the countries in the CPI-ranking are green, next quarters yellow and orange respectively and finally the last quarter is red. The colours are indicative of various levels of corruption risk, as explained in below table.

Quartile	Rank	Definition
Q1	0-45	Green is low possibility of corruption
Q2	46-90	Yellow is some possibility of corruption
Q3	91-135	Orange is significant possibility of corruption
Q4	136-180	Red is high possibility of corruption

Spectre's grouping of the countries on the CPI into four colour groups to indicate risk of corruption

Summarising the information by these colour codes yields the information the next diagram:



The illustration shows that around 76% of Spectre's purchase volumes originate from countries in the top quartile of the Transparency International ranking (low risk of corruption) and that the remaining 24% have some or significant risk of corruption (7% and 17% respectively).

We use this risk analysis to evaluate which suppliers are placed in areas where we must have extra focus on CSR performance. This does not mean we do not care about the suppliers placed in countries with low risk, but simply that we focus more on suppliers in the high-risk countries.

Supplier assessment
According to our SA8000 certification we have an obligation to make supplier assessments on an annual basis. We do several steps in this assessment of suppliers. First and foremost, we send the supplier self-assessment questionnaire to a selected number of suppliers every year. The suppliers above a certain threshold in purchase volume are selected from the above-described risk assessment areas. For fabrics, the chosen suppliers accounted for 37% of our purchase volume and for trim 18% of our purchase volume.

All self-assessment questionnaires were returned to us and there has been no significant findings and/or actions necessary based on the replies from the suppliers. We will also in 2021 choose a representative number of suppliers to whom we will send self-assessment questionnaires and continue this practice.

Furthermore, we also regularly arrange supplier visits, except during Corona restrictions. No matter the purpose of the trip we always fill in a CSR visit report with the observations we have made. This visit report is shared internally in the company and in case of any findings we interact to improve the conditions.

In later part of 2021, we are planning to implement virtual supplier visits as part of our supplier assessments. As we are still limited in travelling, we will do on-line visits in supplier factories where we will also prepare an observation list with regards to CSR. This will help us evaluate CSR performance even though we are unable to travel.

Code of Conduct
To clearly communicate our expectations to suppliers in terms of CSR and way of doing business, we have formulated a Code of Conduct (CoC) for suppliers. This CoC contains key expectations about environment, safety, gender equalization, non-discrimination, chemical management, anti-corruption and other.

As seen from above data we have on-boarded many new suppliers in 2020/21 and the preceding years. We have a strict system securing new suppliers are presented to our CoC and returning it signed.

About 80% of our suppliers have signed our CoC. The remaining suppliers represent a small purchase volume and very often this purchase volume is so small in their total portfolio that they do not prioritize processing and signing our CoC. As a further comment, some of the 20% non-signing suppliers also state that they have signed the CoC from the brand (our customers) and thereby do not wish to also sign our CoC.

If you wish to read our full CoC, please visit our website through the following link:
http://spectre.dk/media/1180/spectre_code_of_conduct_v2_june_2019_eng.pdf

Monitoring supplier certificates
Within our industry there is a myriad of CSR standards and certificates. To most of our customers it is a requirement that the T2 supplier or its products offer certain certifications. As part of our supplier management system, we ask suppliers to update us on any standards/certifications they might have and thereby we can use this as a monitoring system for certifications.

Gender diversity
We consider the gender diversity healthy with around 75% female workers measured on all FTE, since it is a female dominated industry worldwide, and 50% measured on management level. In fact, our ability to create jobs for women, as well as high overall CSR standards, were key criteria set by the Danish Government to qualify for Danida program support in 2009-10 when our first factory was established in Vietnam.

On management level, we would like to ensure a balanced interest among the sexes. However, it must be emphasized that the highest priorities during the recruitment procedure are the candidate's professional qualifications and an assessment of the personal profile.

Executive board
Since the 1980s, Spectre has had an Executive Board consisting of professional board members supplementing the owner representatives. Despite all members currently being male, there are no short-term plans for changing this. However, it must be emphasized when new forces are needed in our Executive Board, the target is to have a better gender diversity provided the right candidates can be recruited.

Metrics related to Spectre's Executive Board	Fiscal Year 17/18	Fiscal Year 18/19	Fiscal Year 19/20	Fiscal Year 20/21
Members in the Spectre executive board team	5	5	5	5
Women in the executive board	0	0	0	0
Gender diversity board members	0%	0%	0%	0%

Gender diversity in the Spectre Executive Board for the period from April 1, 2017 to March 31, 2021

Certifications and process management
Our factories are audited according to international social audit schemes several times every year both by internal auditors and external auditors. As a direct result of our SA8000 certification, we have mandatory bi-annual external audits, and we share the audit reports with our customers upon request.

Spectre Group certifications and audit schemes
The following table provides an overview of all current certifications of Spectre Group facilities:

Certification	Logo	Area	Compliance	Latvia		Vietnam		Initiated by
				Obtained	Renewed	Obtained	Renewed	
SA8000		Social responsibility management system	External audit	2013	2021	2014	2020	Spectre
ISO9001		Quality management system	External audit	2014	2020	2017	2020	Spectre
ISO14001		Environment management system	External audit	2016	2020	2017	2020	Spectre
LEED		Secure healthy, highly efficient, and cost-saving green buildings	External Rating	-		2021/22		Spectre
HIGG Index FEM		Environment management system	Annual reporting	2018	2021	2018	2021	Spectre/ Customer
HIGG Index FSLM		Labour and social responsibility	Annual reporting	2020	2021	2019	2021	Spectre/ Customer
Fair Labor Association		Ensure good working conditions for employees	External audit	-		2019		Customer
Fair Wear Foundation		Ensure good working conditions for employees	External audit	-		2020		Customer
UN Global Compact		Partnerships for development within CSR	Annual reporting	2021				Spectre

Overview of social and environmental certifications and/or audits initiated by Spectre and 3rd party audits initiated by customers in 2018-21.

CSR goals
We are setting a number of goals on both short and long term ensuring we are continuously improving our performance within the frames of our CSR 4 corner stone strategy. These goals are systematically followed up as a part of our management system.

Further information
From August 2021 it will be possible to download the full version of the CSR report from our webpage http://spectre.dk in case of interest in reading further details.

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.

Consolidated income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Revenue	1	354,162,620	264,214,986
Other operating income		293,103	120,250
Cost of sales		(173,749,339)	(52,152,805)
Other external expenses	2	(33,393,379)	(101,882,285)
Property costs		(1,167,803)	(1,216,619)
Gross profit/loss		**146,145,202**	**109,083,527**
Staff costs	3	(103,529,823)	(88,747,499)
Depreciation, amortisation and impairment losses		(7,077,324)	(7,136,591)
Other operating expenses		0	(10,350)
Operating profit/loss		**35,538,055**	**13,189,087**
Other financial income		339,208	361,962
Other financial expenses		(4,373,792)	(4,522,934)
Profit/loss before tax		**31,503,471**	**9,028,115**
Tax on profit/loss for the year	4	(5,147,855)	(1,436,530)
Profit/loss for the year	5	**26,355,616**	**7,591,585**

Consolidated balance sheet at 31.03.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Acquired intangible assets		1,627,207	2,910,559
Intangible assets	6	**1,627,207**	**2,910,559**
Land and buildings		25,954,411	26,506,318
Plant and machinery		19,074,860	21,118,193
Other fixtures and fittings, tools and equipment		843,591	1,101,587
Leasehold improvements		84,180	84,180
Property, plant and equipment	7	**45,957,042**	**48,810,278**
Deposits		93,350	93,350
Financial assets	8	**93,350**	**93,350**
Fixed assets		**47,677,599**	**51,814,187**
Raw materials and consumables		63,213,785	46,473,693
Work in progress		13,182,953	21,453,020
Manufactured goods and goods for resale		24,998,095	26,593,963
Prepayments for goods		3,935,594	1,158,845
Inventories		**105,330,427**	**95,679,521**
Trade receivables		27,018,406	19,317,188
Other receivables		3,982,076	1,406,636
Tax receivable		0	1,662,655
Prepayments	9	2,250,967	2,212,093
Receivables		**33,251,449**	**24,598,572**

Other investments	56,236	44,532
Investments	**56,236**	**44,532**
Cash	**19,891,940**	**5,128,351**
Current assets	**158,530,052**	**125,450,976**
Assets	**206,207,651**	**177,265,163**

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital		125,000	125,000
Retained earnings		51,128,562	46,442,070
Proposed dividend for the financial year		0	2,000,000
Equity belonging to Parent's shareholders		**51,253,562**	**48,567,070**
Equity belonging to minority interests		**29,696,817**	**0**
Equity		**80,950,379**	**48,567,070**
Deferred tax	10	773,029	510,614
Provisions		**773,029**	**510,614**
Bank loans		12,833,340	33,090,024
Lease liabilities		0	32,414
Other payables	11	1,184,188	706,358
Non-current liabilities other than provisions	12	**14,017,528**	**33,828,796**
Current portion of non-current liabilities other than provisions	12	3,833,332	3,924,538
Bank loans		55,705,046	54,039,325
Prepayments received from customers		9,679,729	907,112
Trade payables		19,608,258	23,893,155
Payables to owners and management		5,811,812	0
Tax payable		2,394,358	0
Other payables		13,434,180	11,594,553
Current liabilities other than provisions		**110,466,715**	**94,358,683**
Liabilities other than provisions		**124,484,243**	**128,187,479**
Equity and liabilities		**206,207,651**	**177,265,163**
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2020/21

	Contributed capital DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Proposed dividend for the financial year DKK	Equity belonging to Parent's shareholders DKK
Equity beginning of year	125,000	46,442,070	0	2,000,000	48,567,070
Effect of mergers and business combinations	0	11,384,973	0	0	11,384,973
Ordinary dividend paid	0	0	0	(2,000,000)	(2,000,000)
Extraordinary dividend paid	0	0	(30,000,000)	0	(30,000,000)
Exchange rate adjustments	0	(1,884,474)	0	0	(1,884,474)
Profit/loss for the year	0	(4,814,007)	30,000,000	0	25,185,993
Equity end of year	**125,000**	**51,128,562**	**0**	**0**	**51,253,562**

	Equity belonging to minority interests DKK	Total DKK
Equity beginning of year	0	48,567,070
Effect of mergers and business combinations	28,615,027	40,000,000
Ordinary dividend paid	0	(2,000,000)
Extraordinary dividend paid	0	(30,000,000)
Exchange rate adjustments	(87,833)	(1,972,307)
Profit/loss for the year	1,169,623	26,355,616
Equity end of year	**29,696,817**	**80,950,379**

Consolidated cash flow statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Operating profit/loss		35,538,055	13,189,087
Amortisation, depreciation and impairment losses		7,077,324	3,386,591
Working capital changes	13	(13,729,095)	(10,292,406)
Other adjustments		0	315,403
Cash flow from ordinary operating activities		**28,886,284**	**6,598,675**
Financial income received		339,208	207,428
Financial expenses paid		(4,373,792)	(4,368,400)
Taxes refunded/(paid)		(828,427)	(574,569)
Cash flows from operating activities		**24,023,273**	**1,863,134**
Acquisition etc. of intangible assets		(116,072)	(231,370)
Acquisition etc. of property, plant and equipment		(4,481,927)	(5,724,725)
Sale of property, plant and equipment		241,086	434,312
Disposal of enterprises		40,000,000	0
Cash flows from investing activities		**35,643,087**	**(5,521,783)**
Free cash flows generated from operations and investments before financing		**59,666,360**	**(3,658,649)**
Repayments of loans etc.		(20,380,304)	(1,576,947)
Dividend paid		(32,000,000)	0
Debt to shareholders		5,811,812	0
Cash flows from financing activities		**(46,568,492)**	**(1,576,947)**
Increase/decrease in cash and cash equivalents		**13,097,868**	**(5,235,596)**
Cash and cash equivalents beginning of year		(48,910,974)	(43,675,378)
Cash and cash equivalents end of year		**(35,813,106)**	**(48,910,974)**

Cash and cash equivalents at year-end are composed of:		
Cash	19,891,940	5,128,351
Short-term bank loans	(55,705,046)	(54,039,325)
Cash and cash equivalents end of year	**(35,813,106)**	**(48,910,974)**

Notes to consolidated financial statements

1 Revenue

	2020/21 DKK
EU	302,573,757
North America	51,588,863
Total revenue by geographical market	**354,162,620**

2 Fees to the auditor appointed by the Annual General Meeting

	2020/21 DKK	2019/20 DKK
Statutory audit services	360,000	33,000
Other assurance engagements	80,000	0
Other services	375,000	314,000
	815,000	**347,000**

3 Staff costs

	2020/21 DKK	2019/20 DKK
Wages and salaries	102,219,727	87,480,160
Pension costs	1,122,444	1,080,823
Other social security costs	187,652	186,516
	103,529,823	**88,747,499**

Number of employees at balance sheet date	**1,503**	**1,381**

	Remuneration of management 2020/21 DKK	Remuneration of management 2019/20 DKK
Executive Board	2,973,680	2,812,681
Board of Directors	200,000	140,000
	3,173,680	**2,952,681**

During the financial period, grants were received in connection with the relief packages adopted as a result of COVID-19. The subsidy is recognized in the accounts under staff costs. The subsidy received for the accounting period amounts to 500 t.DKK.

4 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Current tax	4,873,718	99,334
Change in deferred tax	262,415	1,304,374
Adjustment concerning previous years	74,738	32,822
Refund in joint taxation arrangement	(63,016)	0
	5,147,855	**1,436,530**

5 Proposed distribution of profit/loss

	2020/21 DKK	2019/20 DKK
Extraordinary dividend distributed in the financial year	30,000,000	0
Retained earnings	(4,814,007)	7,591,585
Minority interests' share of profit/loss	1,169,623	0
	26,355,616	**7,591,585**

6 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	10,424,438
Additions	116,072
Cost end of year	**10,540,510**
Amortisation and impairment losses beginning of year	(7,513,879)
Amortisation for the year	(1,399,424)
Amortisation and impairment losses end of year	**(8,913,303)**
Carrying amount end of year	**1,627,207**

7 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	36,084,127	49,899,763	5,416,445	1,780,212
Exchange rate adjustments	(1,044,684)	(1,115,126)	(33,924)	0
Additions	1,757,805	2,485,402	238,720	0
Disposals	(307,816)	(292,911)	(524,379)	0
Cost end of year	**36,489,432**	**50,977,128**	**5,096,862**	**1,780,212**
Depreciation and impairment losses beginning of year	(9,577,809)	(28,781,570)	(4,314,858)	(1,696,032)
Exchange rate adjustments	135,773	314,995	18,973	0
Depreciation for the year	(1,092,985)	(3,435,693)	(400,515)	0
Reversal regarding disposals	0	0	443,129	0
Depreciation and impairment losses end of year	**(10,535,021)**	**(31,902,268)**	**(4,253,271)**	**(1,696,032)**
Carrying amount end of year	**25,954,411**	**19,074,860**	**843,591**	**84,180**

8 Financial assets

	Deposits DKK
Cost beginning of year	93,350
Cost end of year	**93,350**
Carrying amount end of year	**93,350**

9 Prepayments

Prepayments is subscriptions etc.

10 Deferred tax

	2020/21 DKK	2019/20 DKK
Intangible assets	304,000	553,000
Property, plant and equipment	(194,000)	(239,000)
Inventories	670,000	361,000
Tax losses carried forward	(312,000)	(718,000)
Other taxable temporary differences	305,029	553,614
Deferred tax	**773,029**	**510,614**

Changes during the year	2020/21 DKK	2019/20 DKK
Beginning of year	510,614	(793,760)
Recognised in the income statement	262,415	1,304,374
End of year	**773,029**	**510,614**

11 Other payables

	2020/21 DKK	2019/20 DKK
Holiday pay obligation	1,184,188	706,358
	1,184,188	**706,358**

12 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK	Due within 12 months 2019/20 DKK	Due after more than 12 months 2020/21 DKK
Bank loans	3,833,332	3,833,332	12,833,340
Lease liabilities	0	91,206	0
Other payables	0	0	1,184,188
	3,833,332	**3,924,538**	**14,017,528**

13 Changes in working capital

	2020/21 DKK	2019/20 DKK
Increase/decrease in inventories	(9,650,906)	(15,853,959)
Increase/decrease in receivables	(10,327,236)	(8,305,969)
Increase/decrease in trade payables etc.	6,249,047	13,867,522
	(13,729,095)	**(10,292,406)**

14 Unrecognised rental and lease commitments

	2020/21 DKK	2019/20 DKK
Total liabilities under rental or lease agreements until maturity	8,174,119	88,614**20**

15 Assets charged and collateral

As security for account with bank, the group has issued a company charge of a nominal amount of DKK ('000) 49,000. The business charge includes assets which have a carrying amount at the balance sheet date of DKK ('000) 127,095.

Debt to bank is secured by buildings, machinery and equipent with a carrying amount of DKK ('000) 52.326.

16 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

17 Subsidiaries

	Registered in	Corporate form	Ownership %
J.J. Holding I ApS	Ikast	ApS	100
Spectre Holding A/S	Ikast	A/S	66,6
Spectre A/S	Ikast	A/S	100
Spectre Real Estate A/S	Ikast	A/S	100
Spectre Latvia Ltd.	Latvia	Ltd.	100
EK Auce Ltd.	Latvia	Ltd.	100
Spectre Garment Technologies Vietnam Company Limited	Vietnam	Ltd.	100
Spectre Garment Technologies II Vietnam Company Limited	Vietnam	Ltd.	100

Parent income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Other external expenses		(43,823)	(30,004)
Gross profit/loss		**(43,823)**	**(30,004)**
Income from investments in group enterprises		25,074,921	7,744,835
Other financial income		138,670	0
Other financial expenses	1	(21,111)	(155,074)
Profit/loss before tax		**25,148,657**	**7,559,757**
Tax on profit/loss for the year	2	37,336	31,828
Profit/loss for the year	3	**25,185,993**	**7,591,585**

Parent balance sheet at 31.03.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Investments in group enterprises		79,196,385	51,620,965
Financial assets	4	**79,196,385**	**51,620,965**
Fixed assets		**79,196,385**	**51,620,965**
Deferred tax	5	0	81,000
Tax receivable		13,000	729,000
Joint taxation contribution receivable		2,490,620	0
Receivables		**2,503,620**	**810,000**
Cash		**234,387**	**98,259**
Current assets		**2,738,007**	**908,259**
Assets		**81,934,392**	**52,529,224**

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital		125,000	125,000
Reserve for net revaluation according to the equity method		34,575,420	42,520,965
Retained earnings		16,553,143	3,921,106
Proposed dividend for the financial year		0	2,000,000
Equity		**51,253,563**	**48,567,071**
Trade payables		12,750	12,750
Payables to group enterprises		22,757,757	3,754,849
Payables to owners and management		5,811,812	192,000
Tax payable		2,095,954	0
Other payables		2,556	2,554
Current liabilities other than provisions		**30,680,829**	**3,962,153**
Liabilities other than provisions		**30,680,829**	**3,962,153**
Equity and liabilities		**81,934,392**	**52,529,224**
Contingent liabilities	6		
Assets charged and collateral	7		
Related parties with controlling interest	8		

Parent statement of changes in equity for 2020/21

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Proposed dividend for the year DKK
Equity beginning of year	125,000	42,520,965	3,921,106	0	2,000,000
Effect of divestments of entities etc.	0	0	11,384,973	0	0
Ordinary dividend paid	0	0	0	0	(2,000,000)
Extraordinary dividend paid	0	0	0	(30,000,000)	0
Exchange rate adjustments	0	(1,884,474)	0	0	0
Profit/loss for the year	0	(6,061,071)	1,247,064	30,000,000	0
Equity end of year	**125,000**	**34,575,420**	**16,553,143**	**0**	**0**

	Total DKK
Equity beginning of year	48,567,071
Effect of divestments of entities etc.	11,384,973
Ordinary dividend paid	(2,000,000)
Extraordinary dividend paid	(30,000,000)
Exchange rate adjustments	(1,884,474)
Profit/loss for the year	25,185,993
Equity end of year	**51,253,563**

Notes to parent financial statements

1 Other financial expenses

	2020/21 DKK	2019/20 DKK
Financial expenses from associates	19,812	0
Other interest expenses	1,299	540
Other financial expenses	0	154,534
	21,111	**155,074**

2 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Change in deferred tax	81,000	(41,000)
Adjustment concerning previous years	(53,670)	9,172
Refund in joint taxation arrangement	(64,666)	0
	(37,336)	**(31,828)**

3 Proposed distribution of profit and loss

	2020/21 DKK	2019/20 DKK
Extraordinary dividend distributed in the financial year	30,000,000	0
Retained earnings	(4,814,007)	7,591,585
	25,185,993	**7,591,585**

4 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	9,100,000
Additions	44,620,965
Disposals	(9,100,000)
Cost end of year	**44,620,965**
Revaluations beginning of year	42,520,965
Addition through business combinations etc	11,384,973
Disposals on divestments etc.	(40,520,965)
Exchange rate adjustments	(1,884,474)
Share of profit/loss for the year	25,074,921
Dividend	(2,000,000)
Revaluations end of year	**34,575,420**
Carrying amount end of year	**79,196,385**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

5 Deferred tax

Changes during the year	**2020/21 DKK**
Beginning of year	81,000
Recognised in the income statement	(81,000)
End of year	**0**

Deferred tax is utilized in the joint taxation.

6 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

7 Assets charged and collateral

The parent company has guaranteed all balances in the bank in the Danish group company Spectre A/S.

8 Related parties with controlling interest

Jacob Lundhøj Stubkjær Klausen, Ravnsbjerg Krat 17, Gjellerup, 7400 Herning, executive board.
Jesper Lundhøj Stubkjær Klausen, Else Alfelts Vej 20, 7430 Ikast, executive board.

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 consolidated financial statements and parent 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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Parent is jointly taxed with all of its 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, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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:

Buildings	50 years
Plant and machinery	3-8 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	3-8 years

Estimated useful lives and residual values are reassessed annually.

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises 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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date, and unlisted investments measured at the lower of cost and net realisable value.

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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.