# *2care4 ApS*

Stenhuggervej 12, DK-6710 Esbjerg V

# Annual Report for 1 January - 31 December 2021

CVR No 28 96 40 80

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 17/5 2022

Thomas Hjarsbæk Rasmussen
Chairman of the General Meeting

# Contents

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of 2care4 ApS for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Esbjerg, 17 May 2022

**Executive Board**

Ulrik Ernst Rasmussen
CEO

**Board of Directors**

| | |
|---|---|
| Henrik Bisgaard Jensen | Toke Værndal |

# Independent Auditor's Report

To the Shareholders of 2care4 ApS

**Opinion**
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of 2care4 ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Statement on Management's Review**
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

**Management's responsibilities for the Financial Statements**
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Esbjerg, 17 May 2022
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

| | |
|---|---|
| Palle H. Jensen | Stefan Dracea |
| State Authorised Public Accountant | State Authorised Public Accountant |
| mne32115 | mne42827 |

# Company Information

| | |
|---|---|
| **The Company** | 2care4 ApS<br>Stenhuggervej 12<br>DK-6710 Esbjerg V<br><br>Telephone: + 45 7515 2900<br>Facsimile: + 45 7515 2910<br>Website: www.2care4.dk<br><br>CVR No: 28 96 40 80<br>Financial period: 1 January - 31 December<br>Incorporated: 5 August 2005<br>Financial year: 16th financial year<br>Municipality of reg. office: Esbjerg |
| **Board of Directors** | Henrik Bisgaard Jensen<br>Toke Værndal |
| **Executive Board** | Ulrik Ernst Rasmussen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Esbjerg Brygge 28<br>DK-6700 Esbjerg |

# Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

| | 2021<br>DKK'000 | 2020<br>DKK'000 | 2019<br>DKK'000 | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 830,050 | 864,395 | 830,481 | 766,648 | 696,739 |
| Gross profit/loss | 53,312 | 85,235 | 96,132 | 90,998 | 76,501 |
| Operating profit/loss | -23,300 | 8,106 | 22,773 | 30,991 | 17,613 |
| Net financials | -3,582 | -4,210 | -2,673 | -3,925 | -2,352 |
| Net profit/loss for the year | -21,272 | 4,072 | 15,833 | 21,083 | 11,751 |
| **Balance sheet** | | | | | |
| Balance sheet total | 382,321 | 331,132 | 341,533 | 314,888 | 285,558 |
| Equity | 41,467 | 62,739 | 58,667 | 42,833 | 21,750 |
| Investment in property, plant and equipment | 0 | 2,429 | -4,032 | -2,695 | 818 |
| Number of employees | 108 | 118 | 102 | 79 | 64 |
| **Ratios** | | | | | |
| Gross margin | 6.4% | 9.9% | 11.6% | 11.9% | 11.0% |
| Solvency ratio | 10.8% | 18.9% | 17.2% | 13.6% | 7.6% |
| Return on equity | -40.8% | 6.7% | 31.2% | 65.3% | 45.5% |

In connection with changes to accounting policies, the comparative figures back to 2017 have not been restated. See the description under accounting policies.

# Management's Review

### Key activities

The Company's main activities are the sale of parallel-imported medicine.

### Development in the year

Loss for the year after tax constituted DKK 21.3m (2020: a profit of DKK 4.1m). The profit for 2021 was expected to be in line with or slightly above the level of 2020 and therefore, the result is not considered entirely satisfactory and do not meet the expectations for 2021.

The loss is primarily driven by challenges in the import business in the Danish market. Moreover, we experienced a high level of price credits from pharmacies and wholesalers due to comprehensive market inventories driven by safety stock and increased returns from the market.

For the financial year 2022, the Company expects an activity level in line with 2021, and net profit in line with or slightly above 2020. Management does not expect COVID-19 to have a significant impact on the activities and profit in 2022.

#### *General risk*

When launching new products, the Company is very dependent on the processing time, partly in terms of the healthcare authorities in the countries where the products are sold, and partly in terms of the central European registration authority, EMA, in Amsterdam. In a number of countries, the processing time remains long, which limits a fast introduction of both new parallel-imported goods.

Furthermore, we see a general risk related to increased export restrictions resulting from political decisions, which will limit the free movement of goods within the EU.

#### *Financial risks*

The Company is exposed to fluctuations in interest rate levels and foreign exchange rates.

Control of the financial risks and cash flows of the Company is conducted from the Group's headquarters. The Company pursues a low-risk profile in this area.

Equivalently, a tight control of the credit policy is implemented. Thus, the Company only has a very limited risk relating to customers and business partners. Most sales are legally enforced through consolidated pharmaceutical wholesalers.

### Research and development

In general, 2care4 ApS' increasing focus on and investment in product development are expected to generate more revenue for the Company within the next few years.

# Management's Review

## Statement of corporate social responsibility

*Business model*

The business model of 2care4 Aps includes the development, in-licencing, production, import, export, distribution and sale of medical products. The main activities relate to parallel import of medical products and generics. The parallel-imported products are purchased throughout Europe, repacked and ultimately sold in the Scandinavian and German markets. The generic products are sourced internationally, distributed and sold in the Nordics. Both activities are under strict surveillance and in compliance with GMP guidelines. The Company is represented in the Nordic countries, Germany and Poland. It currently employs over 310 staff of whom approximately 140 work at the headquarters in Esbjerg, Denmark.

The Company complies with all relevant corporate social responsibility legislation, and generally strives to minimise the negative impact of its activities to the extent possible.

*Risk analysis*

Risk is defined as the potential negative effect which may be experienced by the business or any of 2care4 ApS' stakeholders. Risk is seen as a combination of impact and likelihood of any given event.

*Repacking*

When purchasing medical products for parallel import, 2care4 ApS buys from wholesalers within the EU. As the Company has no contact with the original producer as such, 2care4 ApS has no influence on the production phase whatsoever. As regards 2care4 ApS' generic business, we are in constant dialogue with our partners to ensure that they are in full compliance with local legislation and rules.

Regarding safety at work, we have a zero-accident target for our internal production sites. In 2021, the total number of accidents was two – one in the administration area and one in the production area. The accidents did not have any health implications for the employees involved. Both cases have been registered and mitigating actions have been implemented to avoid similar cases in future.

In 2020, 2care4 ApS developed a CSR policy, which elaborates on anti-corruption, human rights, social and employee conditions, environment, climate and energy consumption. For further information, please click the link to our CSR policy: https://www.epaper.dk/mss2care4/csrpolicy/csr-2care4-policy/

The CSR policy has been communicated to our suppliers and business partners.

*Anti-corruption*

2care4 ApS has zero tolerance towards corruption, and when marketing products to pharmacies in the Nordics and Germany, the guidelines of AME (Affordable Medicines Europe), MFE (Medicines for Europe) and ENLI (Etisk Nævn for Lægemiddelindustrien) are applied and observed in detail. Due to the fact that we consider the risk of corruption among our partners low, since they are located in countries that have a high score on our CPI index, we chose to draw up a policy regarding bribery and anti-corruption in 2020. In 2021, the number of bribery and anti-corruption cases was nil.

*Human rights*

2care4 ApS' potential risk of influencing social conditions and human rights is in general estimated to be limited, mainly due to the strictly regulated business environment in which the Company operates, even though we see a risk related to the lack of transparency of the working environment at suppliers' sites, which are not under our control. We strive to comply with all current legislation and guidelines in relation to human rights, etc., both internally and externally.

We have no knowledge of any internal breaches relating to either parallel-imported products or generics, or any external breaches by our business partners. As a further initiative to support this area, we prepared a CSR policy in 2020, which requires zero tolerance as regards violation of human rights and applies to the Company and all our suppliers and business partners.

*Social and employee conditions*

A healthy and safe work environment is very important for 2care4 ApS. Therefore, we commit to providing our employees with a good working environment.
Besides our CSR policy, employee conditions are described in the Employee Handbook, which is distributed to all new employees in advance of their first working day. The Employee Handbook is available to all employees in 2care4 ApS' quality system, which contains all quality standards. The Employee Handbook includes our Company's history, practical information, employee rights, the role of HR and governance of the general working environment.

2care4 ApS carries out an annual satisfaction survey, which measures employee satisfaction and motivation on several parameters. The survey is followed up by action plans at overall company level and department level for the purpose of improving identified weaknesses and maintaining the efforts in areas having a positive impact on employee satisfaction and motivation. Based on the 2021 survey, the company level action plans in 2022 will focus on improvements in the following area: "Pressure at work", "Work situation" and "Satisfaction in general".

The overall result of the satisfaction survey in 2021 was a Net Promoter Score of 21, which we consider to be satisfactory. The result of the survey is presented at a meeting of the Board of Directors in February of the following year.

The survey will be performed on an annual basis going forward.

*Environment and energy consumption*

The energy consumption of and general environmental footprint left by the 2care4 Group's parallel-import activities are very limited and have a limited impact on the surrounding environment. Since the medical products are purchased as commodities, the Company has little opportunity to assess and evaluate impacts on the environment in the supply chain. This is because we do not have access to the information from the original producer. Therefore the Company has no influence on the production phase whatsoever.

# Management's Review

In our opinion, we, as a Company, comply with current legislation in the area, and we are engaged in a dialogue with our business partners concerning compliance with local legislation at the locations throughout the world where the Company's products are manufactured. The Company's generic division is managed by the headquarters in Denmark at which we ensure compliance with local Danish legislation.

The CSR policy (see link below) includes the Company's policy on environment and climate. Since its preparation in 2020, the following initiatives have been implemented: optimised waste disposal, change to LED lightning and electricity consumption based on 100% sustainable energy.

https://www.epaper.dk/mss2care4/csrpolicy/csr-2care4-policy/

Going forward, 2care4 ApS will update the CSR policy on a regular basis to optimise our energy consumption and environmental footprint.

### Data ethics

The internal data ethics guidelines of 2care4 ApS are focused on protection of the employees' personal data. The guidelines contain a description of which personal data the Company is storing and how the data is protected during and beyond employment with the Company. The internal guidelines are available to all employees through the Company's system containing all quality standards (D4), and introduction as well as formal confirmation of having understood the guidelines are mandatory for all new employees.

Overall, the general protection of data in the Company is taken very seriously. The majority of data is embedded in the various data systems of the Company, which are being monitored in real time for data breaches, and general access to the data network is protected using two-factor user authentication.

### Statement on gender composition

*Diversity target for the Board of Directors*

The Company has set a target of 20% women on the Board of Directors. Status at the end of 2021 is 0% given that no changes were made to the Board at the annual general meeting in 2021. We are working towards realising the target of 20% women on Board of Directors before 2025.

The Company has obtained a gender representation of 32% women and 68% men at other management levels.

In general, the Company is recruiting leaders based on qualifications. However, in case of equal qualifications, the candidate from the under-represented gender will be chosen for the open position.

### Subsequent events

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

# Income Statement 1 January - 31 December

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | DKK'000 | DKK'000 |
| **Revenue** | 1 | **830,050** | **864,395** |
| Change in inventories of finished goods, work in progress and goods for resale | | 16,561 | 20,157 |
| Other operating income | | -382 | 1,347 |
| Expenses for raw materials and consumables | | -764,113 | -771,156 |
| Other external expenses | | -28,804 | -29,508 |
| **Gross profit/loss** | | **53,312** | **85,235** |
| Staff expenses | 2 | -66,873 | -65,299 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 3 | -10,121 | -10,483 |
| **Profit/loss before financial income and expenses** | | **-23,682** | **9,453** |
| Financial income | 4 | 105 | 266 |
| Financial expenses | 5 | -3,687 | -4,476 |
| **Profit/loss before tax** | | **-27,264** | **5,243** |
| Tax on profit/loss for the year | 6 | 5,992 | -1,171 |
| **Net profit/loss for the year** | | **-21,272** | **4,072** |

# Balance Sheet 31 December

## Assets

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | DKK'000 | DKK'000 |
| Completed development projects | | 2,515 | 1,327 |
| Acquired licenses | | 9,668 | 11,543 |
| **Intangible assets** | 7 | **12,183** | **12,870** |
| Other fixtures and fittings, tools and equipment | | 5,307 | 2,229 |
| Leasehold improvements | | 874 | 1,197 |
| Prepayments for property, plant and equipment | | 0 | 2,881 |
| **Property, plant and equipment** | 8 | **6,181** | **6,307** |
| **Fixed assets** | | **18,364** | **19,177** |
| **Inventories** | 9 | **178,006** | **195,225** |
| Trade receivables | | 89,635 | 97,730 |
| Receivables from group enterprises | | 81,816 | 11,604 |
| Other receivables | 10 | 666 | 478 |
| Deferred tax asset | 13 | 3,794 | 3,007 |
| Corporation tax receivable from group enterprises | | 5,205 | 0 |
| Prepayments | 11 | 864 | 849 |
| **Receivables** | | **181,980** | **113,668** |
| **Cash at bank and in hand** | | **3,971** | **3,062** |
| **Currents assets** | | **363,957** | **311,955** |
| **Assets** | | **382,321** | **331,132** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|---|
| Share capital | | 125 | 125 |
| Reserve for development costs | | 1,304 | 1,439 |
| Retained earnings | | 40,038 | 61,175 |
| **Equity** | | **41,467** | **62,739** |
| Other provisions | 14 | 20,650 | 21,886 |
| **Provisions** | | **20,650** | **21,886** |
| Credit institutions | | 24,298 | 4,217 |
| Lease obligations | | 538 | 0 |
| Other payables | | 3,002 | 3,559 |
| **Long-term debt** | 15 | **27,838** | **7,776** |
| Credit institutions | 15 | 170,484 | 185,051 |
| Lease obligations | 15 | 135 | 0 |
| Trade payables | | 13,587 | 13,427 |
| Payables to group enterprises | | 85,412 | 15,424 |
| Payables to group enterprises relating to corporation tax | | 0 | 2,902 |
| Other payables | 15 | 22,748 | 21,927 |
| **Short-term debt** | | **292,366** | **238,731** |
| **Debt** | | **320,204** | **246,507** |
| **Liabilities and equity** | | **382,321** | **331,132** |
| Distribution of profit | 12 | | |
| Contingent assets, liabilities and other financial obligations | 16 | | |
| Related parties | 17 | | |
| Accounting Policies | 18 | | |

# Statement of Changes in Equity

| | Share capital | Reserve for development costs | Retained earnings | Total |
|---|---|---|---|---|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Equity at 1 January | 125 | 1,439 | 61,175 | 62,739 |
| Depreciation, amortisation and impairment for the year | 0 | -135 | 135 | 0 |
| Net profit/loss for the year | 0 | 0 | -21,272 | -21,272 |
| **Equity at 31 December** | **125** | **1,304** | **40,038** | **41,467** |

# Notes to the Financial Statements

| | | 2021 | 2020 |
|---|---|---|---|
| | | DKK'000 | DKK'000 |
| 1 | **Revenue** | | |
| | **Geographical segments** | | |
| | EU | 745,199 | 801,260 |
| | Other world | 84,851 | 63,135 |
| | | **830,050** | **864,395** |
| | **Revenue by activity** | | |
| | Human | 830,050 | 864,395 |
| | | **830,050** | **864,395** |
| 2 | **Staff expenses** | | |
| | Wages and salaries | 61,264 | 60,162 |
| | Pensions | 3,320 | 2,645 |
| | Other social security expenses | 930 | 815 |
| | Other staff expenses | 1,359 | 1,677 |
| | | **66,873** | **65,299** |
| | **Average number of employees** | **108** | **118** |

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

# Notes to the Financial Statements

| | | 2021 | 2020 |
|---|---|---|---|
| | | DKK'000 | DKK'000 |
| **3** | **Depreciation, amortisation and impairment of intangible assets and property, plant and equipment** | | |
| | Amortisation of intangible assets | 7,979 | 8,496 |
| | Depreciation of property, plant and equipment | 1,772 | 1,470 |
| | Gain and loss on disposal | 370 | 517 |
| | | **10,121** | **10,483** |
| **4** | **Financial income** | | |
| | Interest received from group enterprises | 105 | 266 |
| | | **105** | **266** |
| **5** | **Financial expenses** | | |
| | Interest paid to group enterprises | 37 | 31 |
| | Other financial expenses | 2,172 | 3,290 |
| | Exchange adjustments, expenses | 1,478 | 1,155 |
| | | **3,687** | **4,476** |
| **6** | **Tax on profit/loss for the year** | | |
| | Current tax for the year | -5,205 | 2,902 |
| | Deferred tax for the year | -787 | -1,731 |
| | | **-5,992** | **1,171** |

# Notes to the Financial Statements

## 7 Intangible assets

| | Completed development projects | Acquired licenses |
|---|---|---|
| | DKK'000 | DKK'000 |
| Cost at 1 January | 1,683 | 54,939 |
| Additions for the year | 1,423 | 6,339 |
| Disposals for the year | 0 | -4,145 |
| Cost at 31 December | 3,106 | 57,133 |
| Impairment losses and amortisation at 1 January | 356 | 43,396 |
| Amortisation for the year | 235 | 7,748 |
| Reversal of amortisation of disposals for the year | 0 | -3,679 |
| Impairment losses and amortisation at 31 December | 591 | 47,465 |
| **Carrying amount at 31 December** | **2,515** | **9,668** |
| Amortised over | 5 years | 5 years |

Completed development projects

Completed development projects include development and registration of pharmaceutical products for humans. Each product has a 3 year depreciation period, starting from when the product is launched in the market. The management has not established any indication for impairment of the current book value of the assets.

# Notes to the Financial Statements

## 8 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Leasehold improvements | Prepayments for property, plant and equipment |
|---|---|---|---|
| | DKK'000 | DKK'000 | DKK'000 |
| Cost at 1 January | 7,344 | 4,173 | 2,881 |
| Additions for the year | 1,702 | 0 | 0 |
| Disposals for the year | -500 | 0 | 0 |
| Transfers for the year | 2,881 | 0 | -2,881 |
| Cost at 31 December | 11,427 | 4,173 | 0 |
| Impairment losses and depreciation at 1 January | 5,115 | 2,976 | 0 |
| Depreciation for the year | 1,449 | 323 | 0 |
| Reversal of impairment and depreciation of sold assets | -444 | 0 | 0 |
| Impairment losses and depreciation at 31 December | 6,120 | 3,299 | 0 |
| **Carrying amount at 31 December** | **5,307** | **874** | **0** |
| Depreciated over | 3-5 years | 3-10 years | |
| Including assets under finance leases amounting to | 810 | 0 | 0 |

| | 2021 | 2020 |
|---|---|---|
| | DKK'000 | DKK'000 |

## 9 Inventories

| | 2021 | 2020 |
|---|---|---|
| Raw materials and consumables | 85,064 | 75,346 |
| Work in progress | 4,381 | 4,660 |
| Finished goods and goods for resale | 64,404 | 97,957 |
| Prepayments for goods | 24,157 | 17,262 |
| | **178,006** | **195,225** |

## 10 Other receivables

The company has entered a currency forward contract to hedge future cashflow in Swedish kroner, totalling kSEK 25,100 for January 2022. Compared to the forward exchange rates the contract hold a positive value of kDKK 129. The hedging does not meet the accounting criterias for hedging and the profit is therefore booked in the income statement under financial income.

# Notes to the Financial Statements

## 11 Prepayments

Prepayments consist of prepaid expenses.

## 12 Distribution of profit

| | 2021 | 2020 |
|---|---|---|
| | DKK'000 | DKK'000 |
| Retained earnings | -21,272 | 4,072 |
| | **-21,272** | **4,072** |

## 13 Deferred tax asset

| | 2021 | 2020 |
|---|---|---|
| Intangible assets | 2,681 | 2,832 |
| Property, plant and equipment | -460 | -565 |
| Inventories | -716 | -57 |
| Trade receivables | -73 | -73 |
| Amortization | -4,978 | -5,144 |
| Tax loss carry-forward | -248 | 0 |
| Transferred to deferred tax asset | 3,794 | 3,007 |
| | **0** | **0** |
| **Deferred tax asset** | | |
| Calculated tax asset | 3,794 | 3,007 |
| **Carrying amount** | **3,794** | **3,007** |

## 14 Other provisions

The recognized provision amounts to kDKK 20,650 (2020: kDKK 21,886) to cover the estimated reimbursement of price reductions to customers, to cover items at customers and profit on goods that probably will be returned according to cooperation agreements. The provision is recognized based on previous experience regarding the extend of these liabilities.

# Notes to the Financial Statements

## 15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

| | 2021 | 2020 |
|---|---|---|
| | DKK'000 | DKK'000 |
| **Credit institutions** | | |
| Between 1 and 5 years | 24,298 | 4,217 |
| Long-term part | 24,298 | 4,217 |
| Within 1 year | 1,080 | 1,080 |
| Other short-term debt to credit institutions | 169,404 | 183,971 |
| Short-term part | 170,484 | 185,051 |
| | **194,782** | **189,268** |
| **Lease obligations** | | |
| Between 1 and 5 years | 538 | 0 |
| Long-term part | 538 | 0 |
| Within 1 year | 135 | 0 |
| | **673** | **0** |
| **Other payables** | | |
| Between 1 and 5 years | 3,002 | 3,559 |
| Long-term part | 3,002 | 3,559 |
| Other short-term payables | 22,748 | 21,927 |
| | **25,750** | **25,486** |

# Notes to the Financial Statements

## 16 Contingent assets, liabilities and other financial obligations

**Charges and security**

The following assets have been placed as security with bankers:

As collateral for bank loans kDKK 193,350, the company has issued af floating company charge at nominal value kDKK 125,000 including the following assets, which on the 31st of december 2021 amounts to kDKK:

| | 2021<br>DKK'000 | 2020<br>DKK'000 |
|---|---|---|
| Trade receiveables | 89,635 | 97,730 |
| Inventories | 178,006 | 195,225 |
| Fixture and fittings, tools and equipment (excl. finance leasing) | 5,307 | 2,229 |
| Intangible assets | 12,183 | 12,870 |

**Other contingent liabilities**

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of 2care4 Group ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

# Notes to the Financial Statements

## 17 Related parties

| | Basis |
|---|---|
| **Controlling interest** | |
| 2care4 Group ApS | Parent company |

**Transactions**

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

**Consolidated Financial Statements**

Name and registered office of the Parent preparing consolidated financial statements for the smallest group

| Name | Place of registered office |
|---|---|
| 2care4 Group ApS | Stenhuggervej 12, 6710 Esbjerg V. |

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of 2care4 ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in kDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of 2care4 Group ApS, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

# Notes to the Financial Statements

**18 Accounting Policies** (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

**Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

**Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

# Income Statement

**Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

**Expenses for raw materials and consumables**

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

# Notes to the Financial Statements

**18 Accounting Policies** (continued)

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

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

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

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

The Company is jointly taxed with 2care4 Group ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

# Notes to the Financial Statements

**18 Accounting Policies** (continued)

## Balance Sheet

### Intangible assets

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

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful liveswhich are determined based on a specific assessment of each development project. If the useful lifecannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, butover no more than 20 years.

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

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the

# Notes to the Financial Statements

**18 Accounting Policies** (continued)

expected useful lives of the assets, which are:

| | | |
|---|---|---|
| Other fixtures and fittings, tools and equipment | 3-5 | years |
| Leasehold improvements | 3-10 | years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

**Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

**Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

**Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

**Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

# Notes to the Financial Statements

**18 Accounting Policies** (continued)

**Equity**

***Dividend***

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

**Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

**Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

**Financial debts**

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

**Deferred income**

Deferred income comprises payments received in respect of income in subsequent years.

**18 Accounting Policies** (continued)

## Financial Highlights

**Explanation of financial ratios**

| | |
|---|---|
| Gross margin | $\frac{\text{Gross profit x 100}}{\text{Revenue}}$ |
| Solvency ratio | $\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$ |