

---

# ***2care4 ApS***

Stenhuggervej 12, DK-6710 Esbjerg V

## **Annual Report for 1 January - 31 December 2020**

---

CVR No 28 96 40 80

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
20/5 2021

Frederik Bloch Jørgensen  
Chairman of the General  
Meeting



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 January - 31 December	11
Balance Sheet 31 December	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15

# 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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 20 May 2021

## 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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' 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.

## 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-

# Independent Auditor's Report

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

## Independent Auditor's Report

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, 20 May 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Palle H. Jensen  
State Authorised Public Accountant  
mne32115

Stefan Dracea  
State Authorised Public Accountant  
mne42827

## Company Information

### **The Company**

2care4 ApS  
Stenhuggervej 12  
DK-6710 Esbjerg V

Telephone: + 45 7515 2900  
Facsimile: + 45 7515 2910  
Website: [www.2care4.dk](http://www.2care4.dk)

CVR No: 28 96 40 80  
Financial period: 1 January - 31 December  
Incorporated: 5 August 2005  
Financial year: 15th financial year  
Municipality of reg. office: Esbjerg

### **Board of Directors**

Henrik Bisgaard Jensen  
Toke Værndal

### **Executive Board**

Ulrik Ernst Rasmussen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Esbjerg Brygge 28  
DK-6700 Esbjerg

## Financial Highlights

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

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	864,395	830,481	766,648	696,739	626,773
Gross profit/loss	85,235	96,132	90,998	76,501	83,368
Operating profit/loss	8,106	22,773	30,991	17,613	32,417
Net financials	-4,210	-2,673	-3,925	-2,352	-5,790
Net profit/loss for the year	4,072	15,833	21,083	11,751	20,723
<b>Balance sheet</b>					
Balance sheet total	331,132	341,533	314,888	285,558	244,275
Equity	62,739	58,667	42,833	21,750	29,871
Investment in property, plant and equipment	2,429	4,526	-2,695	818	1,871
Number of employees	118	102	79	64	61
<b>Ratios</b>					
Gross margin	9.9%	11.6%	11.9%	11.0%	13.3%
Solvency ratio	18.9%	17.2%	13.6%	7.6%	12.2%
Return on equity	6.7%	31.2%	65.3%	45.5%	74.1%

In connection with changes to accounting policies, the comparative figures back to 2016 have not been restated. See the description under accounting policies.



# Management's Review

## Key activities

The company's main activities are sales of Parallel Imported - and Generic pharmaceuticals.

## Development in the year

Development in the year Profit for the year after tax for 2020 amounts to DKKm 4.1 (2019: DKKm 15.8). The profit for the year is considered unsatisfactory and does not meet the expectations for 2020. Despite surpassing last year, growth was expected to be approx. 10% and thus not met. This primarily due to impact of the COVID-19 pandemic and price/market development.

For the financial year 2021, the Company expects an increase in activity level to of 10%, and a net profit level at same or slightly better level than 2020.

## General risk

When launching new products, the Company is very dependent on the processing time partially involving healthcare authorities in the respective sales countries and partially involving European Medicines Agency, EMA, located in Amsterdam. In a number of countries, the processing time still remain long, which limit a fast introduction of both new parallel imported goods and Generics.

Furthermore, we see a general risk in increase of export restrictions from political side.

## 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 headquarters of the Group. The Company pursues a low risk profile within this area.

Equivalently, a tight control of the credit policy is implemented. Thus, the Company only has a very limited risk towards customers or partners/ co-operators. The majority of sales are legally enforced through consolidated pharmaceutical wholesalers.

## Research and development

The development of the Company includes implemented measures that within a few years is expected to generate increased revenue for the Company.

## Statement of corporate social responsibility

### *Business model*

The business model of 2care4 ApS includes the development, in-licensing, production, import, export, distribution and sales of medical products. The main activities relates to parallel import of pharmaceutical products and Generics. The parallel imported products are purchased throughout

## Management's Review

Europe, repacked and subsequent sold on the Nordic markets and Germany. The Generic pharmaceuticals are sourced internationally, distributed and sold in the Nordics. Both activities are under strict surveillance and in compliance with GMP and GDP guidelines. The Company is represented in the Nordic countries, Germany and in Poland. It currently employs more than 320 people of whom approximately 140 work out of the headquarters in Esbjerg, Denmark.

The Company complies with all relevant legislation related to Corporate Social Responsibility, and generally strives to minimize the negative impact of the Company's activities as much as possible.

### *Risk analysis*

Risk is defined as the potential negative effect that can be experienced by the business or any of 2care4 ApS's stakeholders. Risk is seen as a combination between impact and likelihood of any given subject.

### *Repacking*

When purchasing pharmaceutical products for parallel import, the 2care4 ApS buys from wholesalers within the EU. There is no direct contact with the original manufacturers as such, and therefore, the 2care4 ApS has no influence on the production phase at all. As regards the 2care4's generic business, we are in constant dialogue with our partners to ensure that they are in compliance with all local and international legislation and guidelines.

Regarding worker safety, we have a zero-accident target for our internal repacking sites. The result for 2020 was zero accidents.

2care4 ApS have developed a CSR policy in 2020 which elaborates on anti-corruption, human rights, social and employee conditions and environment and energy consumption. For further explanation please find link to our CSR policy, <https://www.epaper.dk/mss2care4/csrpolicy/csr-2care4-policy/>

### *Anti-corruption*

The Company has a zero tolerance toward corruption and when marketing products toward pharmacies in the Nordics and Germany the guidelines of AME (Affordable Medicines Europe), MFE (Medicines for Europe) and of ENLI (Etisk Nævn for Lægemediel Industrien) are applied to and complied with. Due to the fact that we see a lower risk of corruption among our partners being located in countries that have a high score on our CPI index, we have chosen to draw up a policy in 2020 regarding bribery and anti-corruption.

### *Human rights*

2care4 ApS's potential risk of influencing social conditions and human rights is in general estimated to be limited. Mainly due to the strict regulated business environment in which the Company operates, even though we see a risk based on lack of transparency regarding the working environment on the sites of suppliers which is out of our control. We strive to comply with all current legislation and guidelines in relation to human rights etc. both internal as well as external. We have no knowledge of internal breach in any way for both PI and Generics or external through our business partners. As a further initiative to support this we created a CSR policy in 2020, which have zero tolerance in violating human rights for us

## Management's Review

and all suppliers and business partners.

2care4 Group have developed a CSR policy in 2020 which elaborates on human rights, for further explanation we refer to our CSR policy.

### *Social and employee conditions*

A healthy and safe work environment is very important for 2care4 ApS. Therefore we commit to ensure that our employees has the right working environment. For further explanation we refer to our CSR policy.

Besides our CSR policy, 2care4 ApS does a yearly satisfactions survey, the results of the satisfaction survey in 2020 was a Net Promoter Score of 37 which we consider to be satisfactory.

### *Environment and energy consumption*

The energy consumption and general environmental footprint from the 2care4 ApS's PI activities are very limited and has limited impact on the surrounding environment. Since the pharmaceutical products are purchased as commodities, the Company has little opportunity to assess and evaluate impact on the environment in the supply chain. Given that there is none or very little contact with the original manufactures as such thus the Company has no influence on the production phase at all.

In our opinion, we as a Company comply with current relevant legislation and are in dialogue with our business partners concerning compliance with local legislation in 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.

2care4 ApS has developed a CSR policy in 2020 which elaborate on our impact on environment and climate. For further explanation please refer to our CSR policy.

As result of the CSR policy, we have initiated focus on where 2care4 ApS can make a difference, which includes focus on the utilization of renewable energy.

The CSR policy have been communicated to our suppliers & business partners and required them to adhere. The positive result from this exercise is that none has chosen to terminate the cooperation.

### **Statement on gender composition**

The Company has set at target of 20 % women on the Board of Directors. Status at the end of 2020 is 0 % given that there were no changes to the Board at the general assembly in 2020.

The Company has obtained a gender split of 42 % women and 58 % men at other management levels and has thereby obtained equal representation.

## **Management's Review**

### **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	2020 DKK'000	2019 DKK'000
<b>Revenue</b>	1	<b>864,395</b>	<b>830,481</b>
Change in inventories of finished goods, work in progress and goods for resale		20,157	19,400
Other operating income		1,347	0
Expenses for raw materials and consumables		-771,156	-722,939
Other external expenses		-29,508	-30,810
<b>Gross profit/loss</b>		<b>85,235</b>	<b>96,132</b>
Staff expenses	2	-65,299	-61,473
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-10,483	-11,886
<b>Profit/loss before financial income and expenses</b>		<b>9,453</b>	<b>22,773</b>
Financial income	4	266	993
Financial expenses	5	-4,476	-3,666
<b>Profit/loss before tax</b>		<b>5,243</b>	<b>20,100</b>
Tax on profit/loss for the year	6	-1,171	-4,267
<b>Net profit/loss for the year</b>		<b>4,072</b>	<b>15,833</b>

# Balance Sheet 31 December

## Assets

	Note	2020 DKK'000	2019 DKK'000
Completed development projects		1,327	793
Acquired licenses		11,543	13,452
<b>Intangible assets</b>	7	<b>12,870</b>	<b>14,245</b>
Other fixtures and fittings, tools and equipment		2,229	2,390
Leasehold improvements		1,197	731
Prepayments for property, plant and equipment		2,881	2,881
<b>Property, plant and equipment</b>	8	<b>6,307</b>	<b>6,002</b>
<b>Fixed assets</b>		<b>19,177</b>	<b>20,247</b>
<b>Inventories</b>	9	<b>195,225</b>	<b>188,711</b>
Trade receivables		97,730	87,927
Receivables from group enterprises		11,604	24,944
Other receivables	10	478	788
Deferred tax asset	13	3,007	1,276
Prepayments	11	849	1,437
<b>Receivables</b>		<b>113,668</b>	<b>116,372</b>
<b>Cash at bank and in hand</b>		<b>3,062</b>	<b>16,203</b>
<b>Currents assets</b>		<b>311,955</b>	<b>321,286</b>
<b>Assets</b>		<b>331,132</b>	<b>341,533</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 DKK'000	2019 DKK'000
Share capital		125	125
Reserve for development costs		1,439	541
Retained earnings		61,175	58,001
<b>Equity</b>		<b>62,739</b>	<b>58,667</b>
Other provisions	14	21,886	16,005
<b>Provisions</b>		<b>21,886</b>	<b>16,005</b>
Credit institutions		4,217	5,199
Other payables		3,559	1,119
<b>Long-term debt</b>	15	<b>7,776</b>	<b>6,318</b>
Credit institutions	15	185,051	205,982
Lease obligations		0	90
Trade payables		13,427	24,862
Payables to group enterprises		15,424	5,456
Corporation tax		2,902	6,677
Other payables	15	21,927	17,476
<b>Short-term debt</b>		<b>238,731</b>	<b>260,543</b>
<b>Debt</b>		<b>246,507</b>	<b>266,861</b>
<b>Liabilities and equity</b>		<b>331,132</b>	<b>341,533</b>
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	541	58,001	58,667
Development costs for the year	0	916	-916	0
Depreciation, amortisation and impairment for the year	0	-18	18	0
Net profit/loss for the year	0	0	4,072	4,072
<b>Equity at 31 December</b>	<b>125</b>	<b>1,439</b>	<b>61,175</b>	<b>62,739</b>



# Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
<b>1 Revenue</b>		
<b>Geographical segments</b>		
EU	801,260	754,027
Other world	63,135	76,454
	<b>864,395</b>	<b>830,481</b>
<b>Revenue by activity</b>		
Human	864,395	830,481
	<b>864,395</b>	<b>830,481</b>
<b>2 Staff expenses</b>		
Wages and salaries	60,162	56,839
Pensions	2,645	1,883
Other social security expenses	815	804
Other staff expenses	1,677	1,947
	<b>65,299</b>	<b>61,473</b>
<b>Average number of employees</b>	<b>118</b>	<b>102</b>

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

	2020 DKK'000	2019 DKK'000
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	8,496	10,518
Depreciation of property, plant and equipment	1,470	1,410
Gain and loss on disposal	517	-42
	<b>10,483</b>	<b>11,886</b>
<b>4 Financial income</b>		
Interest received from group enterprises	266	993
	<b>266</b>	<b>993</b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	31	509
Other financial expenses	3,290	3,157
Exchange adjustments, expenses	1,155	0
	<b>4,476</b>	<b>3,666</b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	2,902	6,844
Deferred tax for the year	-1,731	-2,410
Adjustment of tax concerning previous years	0	-167
	<b>1,171</b>	<b>4,267</b>

## Notes to the Financial Statements

### 7 Intangible assets

	Completed development projects <u>DKK'000</u>	Acquired licenses <u>DKK'000</u>
Cost at 1 January	5,358	52,882
Additions for the year	1,407	7,018
Disposals for the year	<u>-5,082</u>	<u>-4,961</u>
Cost at 31 December	<u>1,683</u>	<u>54,939</u>
Impairment losses and amortisation at 1 January	4,565	39,430
Amortisation for the year	101	8,395
Reversal of amortisation of disposals for the year	<u>-4,310</u>	<u>-4,429</u>
Impairment losses and amortisation at 31 December	<u>356</u>	<u>43,396</u>
<b>Carrying amount at 31 December</b>	<b><u>1,327</u></b>	<b><u>11,543</u></b>
Amortised over	<u>5 years</u>	<u>5 years</u>

#### 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 DKK'000	Leasehold improvements DKK'000	Prepayments for property, plant and equipment DKK'000
Cost at 1 January	6,425	3,391	2,881
Additions for the year	1,647	782	0
Disposals for the year	-728	0	0
Cost at 31 December	<u>7,344</u>	<u>4,173</u>	<u>2,881</u>
Impairment losses and depreciation at 1 January	4,036	2,660	0
Depreciation for the year	1,154	316	0
Impairment and depreciation of sold assets for the year	-75	0	0
Impairment losses and depreciation at 31 December	<u>5,115</u>	<u>2,976</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>2,229</u></b>	<b><u>1,197</u></b>	<b><u>2,881</u></b>
Depreciated over	<u>3-5 years</u>	<u>3-10 years</u>	

### 9 Inventories

	2020 DKK'000	2019 DKK'000
Raw materials and consumables	75,346	79,848
Work in progress	4,660	4,634
Finished goods and goods for resale	97,957	63,292
Prepayments for goods	17,262	40,937
	<b><u>195,225</u></b>	<b><u>188,711</u></b>

### 10 Other receivables

The company has entered currency forward contracts to hedge future cashflow in Swedish and Norwegian kroner, totalling kNOK 24,500 and kSEK 57,300 for January 2021. Compared to the forward exchange rates the contracts hold a negative value of kDKK 896. 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.

	2020 DKK'000	2019 DKK'000
<b>12 Distribution of profit</b>		
Retained earnings	4,072	15,833
	<b>4,072</b>	<b>15,833</b>

## 13 Deferred tax asset

Intangible assets	2,832	3,134
Property, plant and equipment	-565	-483
Inventories	-57	-3
Trade receivables	-73	-78
Amortization	-5,144	-3,850
Tax loss carry-forward	0	4
Transferred to deferred tax asset	3,007	1,276
	<b>0</b>	<b>0</b>
<b>Deferred tax asset</b>		
Calculated tax asset	3,007	1,276
<b>Carrying amount</b>	<b>3,007</b>	<b>1,276</b>

## 14 Other provisions

The recognized provision amounts to kDKK 21,886 (2019: kDKK 16,005) 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:

	2020 DKK'000	2019 DKK'000
<b>Credit institutions</b>		
After 5 years	0	878
Between 1 and 5 years	4,217	4,321
Long-term part	<u>4,217</u>	<u>5,199</u>
Within 1 year	1,080	1,080
Other short-term debt to credit institutions	183,971	204,902
Short-term part	<u>185,051</u>	<u>205,982</u>
	<b><u>189,268</u></b>	<b><u>211,181</u></b>
<b>Other payables</b>		
Between 1 and 5 years	3,559	1,119
Long-term part	<u>3,559</u>	<u>1,119</u>
Other short-term payables	21,927	17,476
	<b><u>25,486</u></b>	<b><u>18,595</u></b>

## Notes to the Financial Statements

	2020 DKK'000	2019 DKK'000
<b>16 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers:		
As collateral for bank loans kDKK 184,429, the company has issued af floating company charge at nominal value kDKK 98,000 including the following assets, which on the 31st of december 2020 amounts to kDKK:		
Trade receiveables	97,730	87,926
Inventories	195,225	188,711
Fixture and fittings, tools and equipment (excl. finance leasing)	2,229	2,300
Intangible assets	12,870	14,246

### 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 2020 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 2020 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 in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred 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 lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. 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, but over 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.

# Notes to the Financial Statements

## 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

$$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$