
EAST.DK ApS

Siriusvej 17, DK-7430 Ikast

Annual Report for 2022

CVR No. 30 90 30 21

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 25/5 2023

Poul Jacob Skovgaard
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Consolidated Financial Statements and Parent Company Financial Statements of EAST.DK ApS for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Ikast, 25 May 2023

Executive Board

Poul Jacob Skovgaard
Executive officer

Board of Directors

Poul Jacob Skovgaard

Jesper Lund Timmermann

Independent Auditor's report

To the shareholders of EAST.DK ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of EAST.DK ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's report

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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's report

Herning, 25 May 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen
State Authorised Public Accountant
mne18628

Mads Hornbæk
State Authorised Public Accountant
mne33762

Company information

The Company	EAST.DK ApS Siriusvej 17 DK-7430 Ikast CVR No: 30 90 30 21 Financial period: 1 January - 31 December Municipality of reg. office: Ikast-Brande
Board of Directors	Poul Jacob Skovgaard Jesper Lund Timmermann
Executive board	Poul Jacob Skovgaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Platanvej 4 7400 Herning

Group Chart

<u>Company</u>	<u>Residence</u>	<u>Ownership</u>
EAST.DK ApS	Ikast-Brande, Denmark	
EAST.EU GmbH	Düsseldorf, Germany	100
Guangzhou Trendseuro Garment Co Ltd,	Cuangzhou, China	100

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	89,913	57,940	67,105	54,858	46,764
Profit/loss before financial income and expenses	41,004	26,808	52,998	40,122	32,148
Profit/loss of financial income and expenses	-1,041	-1,001	-80	-300	-250
Net profit/loss	30,340	20,071	41,266	31,045	24,853
Balance sheet					
Balance sheet total	92,103	143,987	78,827	64,292	58,973
Equity	42,816	40,377	59,958	50,456	37,855
Cash flows					
Cash flows from:					
- operating activities	60,228	-5,502	17,384	30,418	28,787
- investing activities	-906	-174	-14	60	25
- financing activities	-59,048	11,355	-24,937	-24,377	-27,691
Change in cash and cash equivalents for the year	274	5,679	-7,567	6,101	1,121
Number of employees	221	116	17	16	18
Ratios					
Solvency ratio	46.5%	28.0%	76.1%	78.5%	64.2%
Return on equity	72.9%	40.0%	74.7%	70.3%	83.4%

Management's review

Key activities

As in previous years, the main activity has consisted of importing and trading in textile goods.

Development in the year

The income statement of the Group for 2022 shows a profit of TDKK 30,340, and at 31 December 2022 the balance sheet of the Group shows positive equity of TDKK 42,816.

The result for the year is considered satisfactory but is negatively affected by higher freight costs and unfavorable exchange rates.

During the year the two subsidiaries EAST.EU ApS and EAST.Nordic ApS have been merged with EAST.dk ApS using the pooling-of-interests method.

Foreign exchange risks

Due to activities abroad the result, cash flows and equity are affected by exchange rate and interest rate developments for a number of currencies. It is EAST's policy to hedge commercial currency risks. Hedging is primarily via forward exchange contracts to hedge expected purchases within the next 12 months. There are not speculative currency dispositions.

Interest rate risks

As the interest-bearing net debt does not constitute a significant amount, moderate changes in the interest rate level will not have any significant, direct effect on earnings. Therefore, no interest dispositions are entered into to hedge interest rate risks.

Targets and expectations for the year ahead

For the coming year, a profit before tax, based on current market conditions, is expected to be DKK 30 - 40 million.

External environment

EAST is environmentally conscious and works continuously to reduce the environmental impact of the company's operations. The Management is aware of measures that can protect the environment and are therefore having ESG high on the agenda, as EAST wants to work with responsible and more sustainable business operations.

Income statement 1 January - 31 December

	Note	Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Gross profit		89,913	57,940	58,773	34,760
Staff expenses	1	-47,777	-28,664	-16,178	-10,546
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-670	-241	-187	-9
Other operating expenses		-462	-2,227	0	-2,189
Profit/loss before financial income and expenses		41,004	26,808	42,408	22,016
Income from investments in subsidiaries		0	229	-2,214	1,931
Financial income	3	616	6	616	0
Financial expenses	4	-1,657	-1,236	-1,217	-1,015
Profit/loss before tax		39,963	25,807	39,593	22,932
Tax on profit/loss for the year	5	-9,623	-5,736	-9,253	-4,619
Net profit/loss for the year	6	30,340	20,071	30,340	18,313

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Acquired other similar rights		972	953	741	918
Intangible assets	7	972	953	741	918
Other fixtures and fittings, tools and equipment		611	323	0	2
Leasehold improvements		432	549	0	0
Property, plant and equipment	8	1,043	872	0	2
Investments in subsidiaries	9	0	0	0	14,314
Deposits	10	168	151	168	151
Fixed asset investments		168	151	168	14,465
Fixed assets		2,183	1,976	909	15,385
Raw materials and consumables		1,696	1,947	0	0
Finished goods and goods for resale		19,090	36,574	23,355	19,862
Prepayments for goods		6,407	9,550	0	0
Inventories		27,193	48,071	23,355	19,862
Trade receivables		42,313	70,537	31,876	47,546
Receivables from group enterprises		0	0	20,628	26,374
Other receivables	14	9,935	14,646	0	1,456
Deferred tax asset	11	1,242	309	185	0
Corporation tax receivable from group enterprises		542	0	542	1,811
Prepayments	12	176	203	627	202
Receivables		54,208	85,695	53,858	77,389
Cash at bank and in hand		8,519	8,245	1,547	3,077
Current assets		89,920	142,011	78,760	100,328
Assets		92,103	143,987	79,669	115,713

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Share capital		179	179	179	179
Reserve for hedging transactions		0	1,282	0	1,092
Other reserves		573	106	0	0
Retained earnings		42,064	38,810	42,637	39,106
Equity		42,816	40,377	42,816	40,377
Provision for deferred tax	11	0	0	0	404
Provisions relating to investments in group enterprises		0	0	2,109	0
Other provisions	13	950	1,546	950	988
Provisions		950	1,546	3,059	1,392
Credit institutions		23,955	58,264	24,540	54,561
Prepayments received from customers		68	1,956	0	0
Trade payables		10,836	27,250	934	3,088
Payables to group enterprises		1,565	304	2,176	7,607
Corporation tax		390	2,391	0	2,391
Other payables	14	11,523	11,899	6,144	6,297
Short-term debt		48,337	102,064	33,794	73,944
Debt		48,337	102,064	33,794	73,944
Liabilities and equity		92,103	143,987	79,669	115,713
Contingent assets, liabilities and other financial obligations	17				
Related parties	18				
Subsequent events	19				
Accounting Policies	20				

Statement of changes in equity

Group

	Share capital	Reserve for hedging transactions	Other reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	179	1,282	106	38,810	40,377
Exchange adjustments	0	0	467	0	467
Extraordinary dividend paid	0	0	0	-26,000	-26,000
Fair value adjustment of hedging instruments, beginning of year	0	-1,699	0	0	-1,699
Fair value adjustment of hedging instruments, end of year	0	0	0	-1,646	-1,646
Tax on adjustment of hedging instruments for the year	0	417	0	318	735
Other equity movements	0	0	0	242	242
Net profit/loss for the year	0	0	0	30,340	30,340
Equity at 31 December	179	0	573	42,064	42,816

Statement of changes in equity

Parent company

	Share capital	Reserve for net revaluation under the equity method	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	179	0	1,092	39,105	40,376
Net effect from merger and acquisition under the uniting of interests method	0	1,001	190	-1,191	0
Adjusted equity at 1 January	179	1,001	1,282	37,914	40,376
Extraordinary dividend paid	0	0	0	-26,000	-26,000
Exchange adjustments relating to foreign entities	0	467	0	0	467
Fair value adjustment of hedging instruments, beginning of year	0	0	-1,699	0	-1,699
Fair value adjustment of hedging instruments, end of year	0	0	0	-1,646	-1,646
Tax on adjustment of hedging instruments for the year	0	0	417	319	736
Other equity movements	0	242	0	0	242
Net profit/loss for the year	0	-1,710	0	32,050	30,340
Equity at 31 December	179	0	0	42,637	42,816

Cash flow statement 1 January - 31 December

	Note	Group	
		2022	2021
		TDKK	TDKK
Result of the year		30,340	20,071
Adjustments	15	11,334	6,987
Change in working capital	16	31,957	-24,530
Cash flow from operations before financial items		73,631	2,528
Financial income		616	6
Financial expenses		-1,657	-1,121
Cash flows from ordinary activities		72,590	1,413
Corporation tax paid		-12,362	-6,915
Cash flows from operating activities		60,228	-5,502
Purchase of intangible assets		-241	-964
Purchase of property, plant and equipment		-650	-345
Fixed asset investments made etc		-33	0
Sale of fixed asset investments made etc		18	0
Business acquisition		0	1,135
Cash flows from investing activities		-906	-174
Repayment of loans from credit institutions		-34,309	52,301
Repayment of payables to group enterprises		1,261	304
Cash capital increase		0	18,300
Other equity entries		0	-18,300
Dividend paid		-26,000	-41,250
Cash flows from financing activities		-59,048	11,355
Change in cash and cash equivalents		274	5,679
Cash and cash equivalents at 1 January		8,245	2,566
Cash and cash equivalents at 31 December		8,519	8,245
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		8,519	8,245
Cash and cash equivalents at 31 December		8,519	8,245

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
1. Staff Expenses				
Wages and salaries	41,844	24,739	15,159	9,373
Pensions	1,049	1,223	916	1,087
Other social security expenses	4,884	2,702	103	86
	47,777	28,664	16,178	10,546
Including remuneration to the Executive Board and Board of Directors		1,521		1,521
Average number of employees	221	116	12	11

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment				
Amortisation of intangible assets	214	11	185	0
Depreciation of property, plant and equipment	456	230	2	9
	670	241	187	9

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
3. Financial income				
Interest received from group enterprises	606	0	606	0
Other financial income	10	6	10	0
	616	6	616	0

Notes to the Financial Statements

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
4. Financial expenses				
Interest paid to group enterprises	0	0	0	73
Other financial expenses	1,657	1,236	1,217	942
	1,657	1,236	1,217	1,015

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
5. Income tax expense				
Current tax for the year	9,819	6,465	9,160	4,580
Deferred tax for the year	-196	-729	93	39
	9,623	5,736	9,253	4,619

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
6. Profit allocation				
Extraordinary dividend paid	26,000	0	26,000	0
Reserve for net revaluation under the equity method	0	0	-1,710	-10,125
Minority interests' share of net profit/loss of subsidiaries	0	1,758	0	0
Retained earnings	4,340	18,313	6,050	28,438
	30,340	20,071	30,340	18,313

Notes to the Financial Statements

7. Intangible fixed assets

Group

	Acquired other similar rights
	TDKK
Cost at 1 January	1,027
Exchange adjustment	-11
Additions for the year	241
Cost at 31 December	<u>1,257</u>
Impairment losses and amortisation at 1 January	74
Exchange adjustment	-3
Amortisation for the year	214
Impairment losses and amortisation at 31 December	<u>285</u>
Carrying amount at 31 December	<u>972</u>

Parent company

	Acquired other similar rights
	TDKK
Cost at 1 January	918
Additions for the year	8
Cost at 31 December	<u>926</u>
Impairment losses and amortisation at 1 January	0
Amortisation for the year	185
Impairment losses and amortisation at 31 December	<u>185</u>
Carrying amount at 31 December	<u>741</u>

Notes to the Financial Statements

8. Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 January	2,063	759
Exchange adjustment	-28	-22
Additions for the year	447	203
Cost at 31 December	<u>2,482</u>	<u>940</u>
Impairment losses and depreciation at 1 January	1,740	210
Exchange adjustment	-11	-16
Depreciation for the year	142	314
Impairment losses and depreciation at 31 December	<u>1,871</u>	<u>508</u>
Carrying amount at 31 December	<u>611</u>	<u>432</u>

Parent company

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	1,219
Disposals for the year	-17
Cost at 31 December	<u>1,202</u>
Impairment losses and depreciation at 1 January	1,217
Depreciation for the year	2
Reversal of impairment and depreciation of sold assets	-17
Impairment losses and depreciation at 31 December	<u>1,202</u>
Carrying amount at 31 December	<u>0</u>

Notes to the Financial Statements

	<u>Parent company</u>	
	2022	2021
	TDKK	TDKK
9. Investments in subsidiaries		
Cost at 1 January	19,928	350
Net effect from merger and acquisition	-18,491	0
Additions for the year	<u>0</u>	<u>19,578</u>
Cost at 31 December	<u>1,437</u>	<u>19,928</u>
Value adjustments at 1 January	-5,614	9,828
Net effect from merger and acquisition	3,572	0
Exchange adjustment	467	106
Net profit/loss for the year	-1,628	4,858
Dividend to the Parent Company	0	-3,850
Other equity movements, net	0	190
Change in intercompany profit on inventories	-585	-3,157
Other adjustments	<u>242</u>	<u>-13,589</u>
Value adjustments at 31 December	<u>-3,546</u>	<u>-5,614</u>
Equity investments with negative net asset value transferred to provisions	<u>2,109</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>14,314</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Guangzhou Trendseuro Garment Co Ltd	Guangzhou, China	CNY 1.813k	100%
East.EU GmbH	Düsseldorf, Germany	EUR 25k	100%

Notes to the Financial Statements

10. Other fixed asset investments

Group

	Deposits TDKK
Cost at 1 January	150
Additions for the year	34
Disposals for the year	-16
Cost at 31 December	<u>168</u>
Carrying amount at 31 December	<u>168</u>

Parent company

	Deposits TDKK
Cost at 1 January	150
Additions for the year	34
Disposals for the year	-16
Cost at 31 December	<u>168</u>
Carrying amount at 31 December	<u>168</u>

Group		Parent company	
2022	2021	2022	2021
TDKK	TDKK	TDKK	TDKK

11. Deferred tax asset

Deferred tax asset at 1 January	309	-2	-404	-2
Net effect from merger and acquisition	0	0	-53	0
Amounts recognised in the income statement for the year	196	729	-93	-39
Amounts recognised in equity for the year	737	-418	735	-363
Deferred tax asset at 31 December	<u>1,242</u>	<u>309</u>	<u>185</u>	<u>-404</u>

The recognised tax asset comprises tax regarding intercompany profit on inventories expected to be utilised within the next year.

Notes to the Financial Statements

12. Prepayments

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

13. Other provisions

The Company provides warranties of on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 950 (2021: TDKK 558) have been recognised for expected warranty claims.

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Other provisions	950	1,546	950	988
	950	1,546	950	988

The provisions are expected to mature as follows:

Provisions falling due after 5 years	0	0	0	0
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14. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Assets	0	1,699	0	1,465
Liabilities	1,646	0	1,646	0

Forward exchange contracts have been concluded to hedge future buy of goods in CNY. At the balance sheet date, the fair value of the forward exchange contracts amounts to TDKK 1,646. The forward exchange contracts have a term of 1-12 months.

Notes to the Financial Statements

Group	
2022	2021
TDKK	TDKK

15. Cash flow statement - Adjustments

Financial income	-616	-6
Financial expenses	1,657	1,236
Depreciation, amortisation and impairment losses, including losses and gains on sales	670	250
Income from investments in subsidiaries	0	-229
Tax on profit/loss for the year	9,623	5,736
	11,334	6,987

Group	
2022	2021
TDKK	TDKK

16. Cash flow statement - Change in working capital

Change in inventories	21,327	-9,919
Change in receivables	33,526	-38,156
Change in other provisions	-596	1,546
Change in trade payables, etc	-18,955	20,102
Fair value adjustments of hedging instruments	-3,345	1,897
	31,957	-24,530

Group		Parent company	
2022	2021	2022	2021
TDKK	TDKK	TDKK	TDKK

17. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

Corporate mortgage totaling TDKK 20,000. which provides a mortgage on inventories, receivables from sales and services, as well as tangible fixed assets to a total carrying amount of	55,979	68,327	55,979	68,327
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Notes to the Financial Statements

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	386	466	289	294
Between 1 and 5 years	130	428	127	343
	<u>516</u>	<u>894</u>	<u>416</u>	<u>637</u>

Rent obligations, non-cancellation period 3-24 months. (2021: 3-36 months.)	5,334	7,860	1,062	1,542
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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 East Holding 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.

18. Related parties and disclosure of consolidated financial statements

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.

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration. All transactions were carried out on normal market terms pursuant to the Annual Accounts Act § 98C subsection 7.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
EAST Holding ApS	Ikast, Denmark

19. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

20. Accounting policies

The Annual Report of EAST.DK ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022 are presented in TDKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, EAST.DK ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Notes to the Financial Statements

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

EAST.dk ApS was merged with EAST.EU ApS and EAST.Nordic ApS during the financial year. The book value method was used, and comparative figures have not been restated.

Leases

Leases in terms of which the Group 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 Group.

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.

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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

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.

Notes to the Financial Statements

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, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income statement

Net sales

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 Group.

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 the consolidated revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Notes to the Financial Statements

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries.. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Rights are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Rights are amortised over the period of the agreements, which is 3-5 years.

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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Notes to the Financial Statements

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 and investments 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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

fixed asset investments consist of deposits.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale 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

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-2 years. Provisions are measured and recognised based on experience with guarantee work.

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, including the tax base of tax loss carry-forwards, 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.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Solvency ratio $\text{Equity at year end} \times 100 / \text{Total assets at year end}$

Return on equity $\text{Net profit for the year} \times 100 / \text{Average equity}$