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# ***Lakrids by Johan Bülöw A/S***

Sydholmen 7, DK-2650 Hvidovre

## **Annual Report for 1 January - 31 December 2021**

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CVR No 33 04 15 86

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2022

Tonny Dragheim  
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 Annual Report of Lakrids by Johan Bülow A/S 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.

Hvidovre, 5 May 2022

## Executive Board

Fredrik R. Nilsson  
CEO

Johan Askari Bülow  
Executive Officer

Tonny Dragheim  
Executive Officer

## Board of Directors

Tue Mantoni  
Chairman

Charlotte Strand  
Deputy Chairman

Johan Askari Bülow

Per Forsberg

Lisa Jane Bridgett

Louise Margaret Cruttenden

# Independent Auditor's Report

To the Shareholders of Lakrids by Johan Bülow A/S

## 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 Lakrids by Johan Bülow A/S 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-

# 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 disclosures, and whether the Financial Statements represent the underlying transactions and events

# Independent Auditor's Report

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.

Hellerup, 5 May 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild  
State Authorised Public Accountant  
mne33262

Claus Damhave  
State Authorised Public Accountant  
mne34166

## Company Information

### The Company

Lakrids by Johan Bülow A/S  
Sydholmen 7  
DK-2650 Hvidovre  
E-mail: [service@lakridsbybulow.dk](mailto:service@lakridsbybulow.dk)  
Website: [www.lakridsbybulow.dk](http://www.lakridsbybulow.dk)

CVR No: 33 04 15 86  
Financial period: 1 January - 31 December  
Financial year: 12nd financial year  
Municipality of reg. office: Hvidovre

### Board of Directors

Tue Mantoni, Chairman  
Charlotte Strand  
Johan Askari Bülow  
Per Forsberg  
Lisa Jane Bridgett  
Louise Margaret Cruttenden

### Executive Board

Fredrik R. Nilsson  
Johan Askari Bülow  
Tonny Dragheim

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	156.351	129.684	93.567	72.169	73.453
Profit/loss before financial income and expenses	28.515	24.493	9.274	-739	6.368
Net financials	2.693	-747	121	-2.762	-2.486
Net profit/loss for the year	24.288	19.027	7.505	-3.206	2.605
<b>Balance sheet</b>					
Balance sheet total	142.900	124.304	106.790	107.639	109.709
Equity	69.243	49.689	31.097	23.507	36.815
Investment in property, plant and equipment	16.833	13.595	7.051	11.277	10.641
Number of employees	105	110	108	109	116
<b>Ratios</b>					
Return on assets	20,0%	19,7%	8,7%	-0,7%	5,8%
Solvency ratio	48,5%	40,0%	29,1%	21,8%	33,6%
Return on equity	40,8%	47,1%	27,5%	-10,6%	6,0%

For definitions, see under accounting policies



# Management's Review

## Key activities

Lakrids by Johan Bülow A/S is a limited liability company incorporated in Denmark. The principal activities through its subsidiaries are to develop, manufacture and sell licorice and products with licorice flavor.

## Development in the year

The income statement of the Company for 2021 shows a profit of TDKK 24,288, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 69,243.

The financial year 2021 was once again an extraordinary year. We had anticipated a gradual normalization of society through the course of the year and instead the year ended much like it started, with limited physical interactions.

Nevertheless, 2021 became the best year on record for LAKRIDS BY BÜLOW, both in terms of sales and earnings, and therefore exceed the expectations mentioned in the Annual Report for 2020.

Growth was primarily driven by e-commerce which grew by 26% and became our biggest sales channel, accounting for 36% of total group revenue. Geographically, Germany and the United Kingdom were key contributors with growth of 25% and 33% respectively, emphasizing the great international potential for our Nordic treat.

Despite being closed down by COVID-19 almost one third of the year, our 26 own retail stores saw a 10% increase in revenue from 2020. Also, our business-to-business (B2B) channel, covering almost 2.000 high-quality third-party retailers, as well as corporate customers, managed to navigate through the rough waters convincingly and delivered healthy growth.

## Financial risks

The company has limited exposure to changes in exchange rates and interest levels. The company's activities in foreign currency are mainly in NOK, SEK, AED, GBP, USD and EUR. The majority, however, is in EUR and thus the Danish-European ERM II-cooperation limits the traditional currency and interest related risks.

## Targets and expectations for the year ahead

The company expects continued growth in both revenue and profit in 2022. This will mainly be driven by increased export to subsidiaries. As a result of the revenue growth and increased productivity on the back of investments in recent years management expects growth in the company's profit of 10% to 35%.

# **Management's Review**

## **Research and development**

The company continuously invests in development of staff and management and optimization of processes in production. This entails high focus on sustainability, hygiene, safety and quality in all processes surrounding the company's product offerings.

In addition, the company continuously carry expenses to improving existing product and development of new. It will continue to be necessary to carry expenses into the products to maintain and develop the best quality towards the consumers.

## **Subsequent events**

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

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
<b>Gross profit/loss</b>		<b>156.351</b>	<b>129.684</b>
Distribution expenses	1	-72.153	-57.027
Administrative expenses	1	<u>-55.683</u>	<u>-48.164</u>
<b>Operating profit/loss</b>		<b>28.515</b>	<b>24.493</b>
<b>Profit/loss before financial income and expenses</b>		<b>28.515</b>	<b>24.493</b>
Income from investments in subsidiaries		3.197	2.305
Financial income	2	1.229	664
Financial expenses	3	<u>-1.733</u>	<u>-3.716</u>
<b>Profit/loss before tax</b>		<b>31.208</b>	<b>23.746</b>
Tax on profit/loss for the year	4	<u>-6.920</u>	<u>-4.719</u>
<b>Net profit/loss for the year</b>		<b><u>24.288</u></b>	<b><u>19.027</u></b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Completed development projects		6.636	3.266
Development projects in progress		3.087	4.733
<b>Intangible assets</b>	5	<b>9.723</b>	<b>7.999</b>
Other fixtures and fittings, tools and equipment		23.059	17.166
Leasehold improvements		10.675	5.329
Property, plant and equipment in progress		5.671	7.218
<b>Property, plant and equipment</b>	6	<b>39.405</b>	<b>29.713</b>
Investments in subsidiaries	7	19.614	16.151
Deposits	8	1.684	1.683
<b>Fixed asset investments</b>		<b>21.298</b>	<b>17.834</b>
<b>Fixed assets</b>		<b>70.426</b>	<b>55.546</b>
<b>Inventories</b>	9	<b>25.028</b>	<b>20.054</b>
Trade receivables		12.407	14.425
Receivables from group enterprises		32.551	31.886
Other receivables		445	5
Prepayments	10	1.809	1.563
<b>Receivables</b>		<b>47.212</b>	<b>47.879</b>
<b>Cash at bank and in hand</b>		<b>234</b>	<b>825</b>
<b>Currents assets</b>		<b>72.474</b>	<b>68.758</b>
<b>Assets</b>		<b>142.900</b>	<b>124.304</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		500	500
Reserve for net revaluation under the equity method		4.237	774
Reserve for development costs		7.584	3.278
Retained earnings		51.922	40.137
Proposed dividend for the year		5.000	5.000
<b>Equity</b>		<b>69.243</b>	<b>49.689</b>
Provision for deferred tax	12	2.941	914
Other provisions	13	2.659	0
<b>Provisions</b>		<b>5.600</b>	<b>914</b>
Other payables		3.140	3.075
<b>Long-term debt</b>	14	<b>3.140</b>	<b>3.075</b>
Credit institutions		1.472	3.447
Trade payables		26.090	13.788
Payables to group enterprises		21.894	33.012
Corporation tax		4.894	4.057
Other payables	14	10.567	16.322
<b>Short-term debt</b>		<b>64.917</b>	<b>70.626</b>
<b>Debt</b>		<b>68.057</b>	<b>73.701</b>
<b>Liabilities and equity</b>		<b>142.900</b>	<b>124.304</b>
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
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## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	774	3.683	39.732	5.000	49.689
Ordinary dividend paid	0	0	0	0	-5.000	-5.000
Exchange adjustments relating to foreign entities	0	266	0	0	0	266
Development costs for the year	0	0	5.254	-5.254	0	0
Depreciation, amortisation and impairment for the year	0	0	-1.353	1.353	0	0
Net profit/loss for the year	0	3.197	0	16.091	5.000	24.288
<b>Equity at 31 December</b>	<b>500</b>	<b>4.237</b>	<b>7.584</b>	<b>51.922</b>	<b>5.000</b>	<b>69.243</b>

# Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
<b>1 Staff</b>		
Wages and Salaries	45.796	46.610
Other social security expenses	723	646
Other staff expenses	2.617	2.330
	<u><b>49.136</b></u>	<u><b>49.586</b></u>
Wages and Salaries, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	15.009	16.832
Distribution expenses	7.497	8.810
Administrative expenses	26.630	23.944
	<u><b>49.136</b></u>	<u><b>49.586</b></u>
<b>Including remuneration to the Executive Board</b>	<u><b>4.039</b></u>	<u><b>3.709</b></u>
<b>Average number of employees</b>	<u><b>105</b></u>	<u><b>110</b></u>
<b>2 Financial income</b>		
Interest received from group enterprises	569	649
Other financial income	22	15
Exchange adjustments	638	0
	<u><b>1.229</b></u>	<u><b>664</b></u>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	779	894
Other financial expenses	954	1.013
Exchange adjustments, expenses	0	1.809
	<u><b>1.733</b></u>	<u><b>3.716</b></u>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	4.154	4.057
Deferred tax for the year	2.017	659
Adjustment of tax concerning previous years	739	1.506
Adjustment of deferred tax concerning previous years	10	-1.503
	<b>6.920</b>	<b>4.719</b>

### 5 Intangible assets

	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost at 1 January	6.012	4.733	10.745
Additions for the year	1.827	1.632	3.459
Transfers for the year	3.278	-3.278	0
Cost at 31 December	11.117	3.087	14.204
Impairment losses and amortisation at 1 January	2.746	0	2.746
Amortisation for the year	1.735	0	1.735
Impairment losses and amortisation at 31 December	4.481	0	4.481
<b>Carrying amount at 31 December</b>	<b>6.636</b>	<b>3.087</b>	<b>9.723</b>
Amortised over	5 years		

Development projects comprises the cost directly related to the further development of ERP applications, reporting tools and web-shop. The group estimates the remaining useful life of the development projects to be 5 years.

	2021 TDKK	2020 TDKK
Amortisation and impairment of intangible assets are recognised in the following items:		
Administrative expenses	1.735	874
	<b>1.735</b>	<b>874</b>



## Notes to the Financial Statements

### 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	32.660	16.784	7.218	56.662
Additions for the year	2.083	3.831	10.919	16.833
Disposals for the year	-245	0	0	-245
Transfers for the year	7.740	4.726	-12.466	0
Cost at 31 December	<u>42.238</u>	<u>25.341</u>	<u>5.671</u>	<u>73.250</u>
Impairment losses and depreciation at 1 January	15.532	11.360	0	26.892
Depreciation for the year	3.832	3.306	0	7.138
Impairment and depreciation of sold assets for the year	-185	0	0	-185
Impairment losses and depreciation at 31 December	<u>19.179</u>	<u>14.666</u>	<u>0</u>	<u>33.845</u>
<b>Carrying amount at 31 December</b>	<b><u>23.059</u></b>	<b><u>10.675</u></b>	<b><u>5.671</u></b>	<b><u>39.405</u></b>
Depreciated over	<u>3 - 10 years</u>	<u>2- 10 years</u>		
			2021	2020
			TDKK	TDKK
Depreciation and impairment of property, plant and equipment are recognised in the following items:				
Cost of sales			3.832	3.651
Administrative expenses			3.306	2.916
			<u>7.138</u>	<u>6.567</u>

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>7 Investments in subsidiaries</b>		
Cost at 1 January	15.377	15.371
Additions for the year	<u>0</u>	<u>6</u>
Cost at 31 December	<u>15.377</u>	<u>15.377</u>
Value adjustments at 1 January	774	-1.093
Exchange adjustment	266	-436
Net profit/loss for the year	3.617	3.178
Amortisation of goodwill	<u>-420</u>	<u>-875</u>
Value adjustments at 31 December	<u>4.237</u>	<u>774</u>
<b>Carrying amount at 31 December</b>	<b><u>19.614</u></b>	<b><u>16.151</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Lakrids by Johan Bülow GmbH	Germany	1.025.000 EUR	100%
Lakrids by Johan Bülow Norge AS	Norway	100.000 NOK	100%
Lakrids by Johan Bülow AB	Sweden	500.000 SEK	100%
Lakrids by Johan Bülow OY	Finland	2.500 EUR	100%
Lakrids by Johan Bülow Dubai	Dubai	300.000 AED	100%
Lakrids by Bülow Inc.	USA	1.000 USD	100%
Lakrids by Johan Bülow Ltd	United Kingdom	10.000 GBP	100%

# Notes to the Financial Statements

## 8 Other fixed asset investments

	Deposits TDKK
Cost at 1 January	1.683
Additions for the year	<u>1</u>
Cost at 31 December	<u>1.684</u>
<b>Carrying amount at 31 December</b>	<b><u>1.684</u></b>

## 9 Inventories

	2021 TDKK	2020 TDKK
Raw materials and consumables	15.229	13.571
Finished goods and goods for resale	<u>9.799</u>	<u>6.483</u>
	<b><u>25.028</u></b>	<b><u>20.054</u></b>

## 10 Prepayments

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

## 11 Distribution of profit

	2021 TDKK	2020 TDKK
Proposed dividend for the year	5.000	5.000
Reserve for net revaluation under the equity method	3.197	1.209
Retained earnings	<u>16.091</u>	<u>12.818</u>
	<b><u>24.288</u></b>	<b><u>19.027</u></b>

## 12 Provision for deferred tax

Provision for deferred tax at 1 January	914	1.758
Amounts recognised in the income statement for the year	<u>2.027</u>	<u>-844</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>2.941</u></b>	<b><u>914</u></b>

## Notes to the Financial Statements

	<u>2021</u> TDKK	<u>2020</u> TDKK
<b>13 Other provisions</b>		
Other provisions	2.659	0
	<b><u>2.659</u></b>	<b><u>0</u></b>

The Company is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the asset.

### 14 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:

	<u>2021</u> TDKK	<u>2020</u> TDKK
<b>Other payables</b>		
Between 1 and 5 years	3.140	3.075
Long-term part	3.140	3.075
Other short-term payables	10.567	16.322
	<b><u>13.707</u></b>	<b><u>19.397</u></b>

## Notes to the Financial Statements

	<u>2021</u> TDKK	<u>2020</u> TDKK
<b>15 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers:		
Corporate mortgage as security for bank engagement in Danske Bank	3.000	3.000
The following assets have been placed as security with suppliers:		
The Company has issued payment guarantee to their suppliers	1.875	1.666
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	6.613	4.962
Between 1 and 5 years	<u>13.388</u>	<u>15.557</u>
	<u><b>20.001</b></u>	<u><b>20.519</b></u>
The Company has an obligation to buy raw materials in 2022 and 2023 from suppliers at a total of	21.634	27.788

### 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 Valedo II Services 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

## 16 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Valedo Partners Fund II AB	Ultimate Parent
Lakrids JB ApS	Parent

### 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 such transactions.

### Consolidated Financial Statements

The Company is included in the Group Annual Report for the parent company, JB Lakrids Holding ApS, and in the Group Annual Report for the ultimate parent company, Valedo Partners Fund II AB.

<u>Name</u>	<u>Place of registered office</u>
Valedo Partners Fund II AB	Stockholm, Sweden
JB Lakrids Holding ApS	Hvidovre, Denmark

## 17 Subsequent events

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

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Lakrids by Johan Bülow A/S for 2021 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 Financial Statements for 2021 are presented in TDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Lakrids JB Holding ApS, the Company has not prepared consolidated financial statements.

### 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 JB Lakrids Holding 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

All 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

## 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.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales, other operating income.



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### **Distribution expenses**

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, 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 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 the Danish Group. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Intangible assets**

#### ***Development projects, patents and licences***

Costs of development projects comprise external consultants regarding development of ERP-systems.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enter-

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

prise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 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.

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 - 10 years
Leasehold improvements	2 - 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

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 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

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

The cost of 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### **Prepayments**

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

### **Equity**

#### ***Dividend***

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

### **Provisions**

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

Provisions comprise of refurbishment obligations and are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

### **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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

### Financial Highlights

#### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$