

# Skandinavisk SR ApS

Ny Vestergade 7B, 1., 1471 København K

**Company reg. no. 34 62 06 28**

## Annual report

**1 January - 31 December 2022**

The annual report was submitted and approved by the general meeting on the 9 June 2023.

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Shaun Herbert Russell  
Chairman of the meeting

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## Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## **Management's statement**

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Today, the Managing Director has approved the annual report of Skandinavisk SR ApS for the financial year 1 January - 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

I consider the chosen accounting policy to be appropriate, and in my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in my opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

København K, 9 June 2023

**Managing Director**

Shaun Herbert Russell

## Independent auditor's report

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### To the Shareholders of Skandinavisk SR ApS

#### Opinion

We have audited the financial statements of Skandinavisk SR ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

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

#### 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.

#### 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 misstatement, 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.

## Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### 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.

## **Independent auditor's report**

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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, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Alleroed, 9 June 2023

**Piaster Revisorerne**  
Statsautoriseret Revisionsaktieselskab  
Company reg. no. 25 16 00 37

Niels Kristian Tordrup Mørk  
State Authorised Public Accountant  
mne35462

## **Company information**

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### **The company**

Skandinavisk SR ApS  
Ny Vestergade 7B, 1.  
1471 København K

Company reg. no. 34 62 06 28  
Established: 23 July 2012  
Domicile: København  
Financial year: 1 January - 31 December

### **Managing Director**

Shaun Herbert Russell

### **Auditors**

Piaster Revisorerne, Statsautoriseret Revisionsaktieselskab  
Engholm Parkvej 8  
3450 Allerød

## **Management's review**

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### **Description of key activities of the company**

The company's activities are the creation, design and trading of home & body fragrance products under the brand name 'Skandinavisk' in the global retail marketplace. Skandinavisk creates fragrances inspired by the unique balance between the dramatic Scandinavian landscapes and the peaceful approach to life of the Scandinavians. Skandinavisk is a Certified B Corporation with the highest standards of social and environmental impact. The company's mission is to inspire the world to take a more Scandinavian approach to life.

### **Development in activities and financial matters**

The year's result is considered satisfying.

### **Events occurring after the end of the financial year**

No special events have occurred since the end of the financial statements.

**Income statement 1 January - 31 December**

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
<b>Gross profit</b>	<b>12.982.597</b>	<b>14.430.371</b>
1 Staff costs	-10.705.927	-9.869.536
2 Depreciation, amortisation, and impairment	-603.235	-248.701
<b>Operating profit</b>	<b>1.673.435</b>	<b>4.312.134</b>
Other financial income from group enterprises	0	2.081
Other financial income	414.913	512.434
3 Other financial expenses	-1.271.376	-867.373
<b>Pre-tax net profit or loss</b>	<b>816.972</b>	<b>3.959.276</b>
4 Tax on net profit or loss for the year	-235.841	-837.042
<b>Net profit or loss for the year</b>	<b>581.131</b>	<b>3.122.234</b>

**Proposed distribution of net profit:**

Dividend for the financial year	0	2.000.000
Transferred to retained earnings	581.131	1.122.234
<b>Total allocations and transfers</b>	<b>581.131</b>	<b>3.122.234</b>

**Balance sheet at 31 December**

All amounts in DKK.

Assets	Note	2022	2021
<b>Non-current assets</b>			
5 Completed development projects, including patents and similar rights arising from development projects		1.158.664	546.646
6 Acquired concessions, patents, licenses, trademarks, and similar rights			
		237.771	267.218
Total intangible assets		<u>1.396.435</u>	<u>813.864</u>
7 Other fixtures, fittings, tools and equipment			
		95.465	164.580
Total property, plant, and equipment		<u>95.465</u>	<u>164.580</u>
8 Deposits			
		305.430	215.523
Total investments		<u>305.430</u>	<u>215.523</u>
<b>Total non-current assets</b>		<b><u>1.797.330</u></b>	<b><u>1.193.967</u></b>
<b>Current assets</b>			
Raw materials and consumables		2.227.863	2.031.771
Manufactured goods and goods for resale		12.211.762	8.363.495
Prepayments for goods		398.639	0
Total inventories		<u>14.838.264</u>	<u>10.395.266</u>
Trade receivables		12.262.579	10.817.137
Receivables from group enterprises		0	276.836
Other receivables		356.358	360.360
Prepayments		138.415	190.308
Total receivables		<u>12.757.352</u>	<u>11.644.641</u>
Cash and cash equivalents		519.969	1.322.315
<b>Total current assets</b>		<b><u>28.115.585</u></b>	<b><u>23.362.222</u></b>
<b>Total assets</b>		<b><u>29.912.915</u></b>	<b><u>24.556.189</u></b>

**Balance sheet at 31 December**

All amounts in DKK.

**Equity and liabilities**

Note	2022	2021
<b>Equity</b>		
Contributed capital	121.446	121.446
Reserve for development costs	903.758	426.384
Retained earnings	6.790.427	6.686.670
Proposed dividend for the financial year	0	2.000.000
<b>Total equity</b>	<b>7.815.631</b>	<b>9.234.500</b>
<b>Provisions</b>		
9 Provisions for deferred tax	227.769	86.899
<b>Total provisions</b>	<b>227.769</b>	<b>86.899</b>
<b>Liabilities other than provisions</b>		
Other mortgage debt	2.008.207	3.496.353
Other payables	640.656	713.820
10 Total long term liabilities other than provisions	2.648.863	4.210.173
10 Current portion of long term liabilities	1.492.000	0
Bank loans	8.347.789	3.639.641
Trade payables	5.858.886	3.654.662
Payables to group enterprises	906.669	0
Payables to shareholders and management	400.777	0
Income tax payable	94.971	734.035
Other payables	2.119.560	2.996.279
Total short term liabilities other than provisions	19.220.652	11.024.617
<b>Total liabilities other than provisions</b>	<b>21.869.515</b>	<b>15.234.790</b>
<b>Total equity and liabilities</b>	<b>29.912.915</b>	<b>24.556.189</b>

**11 Charges and security****12 Contingencies**

## Statement of changes in equity

All amounts in DKK.

	<b>Contributed capital</b>	<b>Reserve for development costs</b>	<b>Retained earnings</b>	<b>Proposed dividend for the financial year</b>	<b>Total</b>
<b>Equity 1</b>					
January 2021	121.446	54.790	5.936.030	500.000	6.612.266
Distributed dividend	0	0	0	-500.000	-500.000
Retained earnings for the year	0	0	1.122.234	2.000.000	3.122.234
Transferred from retained earnings	0	371.594	-371.594	0	0
<b>Equity 1</b>					
January 2022	121.446	426.384	6.686.670	2.000.000	9.234.500
Distributed dividend	0	0	0	-2.000.000	-2.000.000
Retained earnings for the year	0	0	581.131	0	581.131
Transferred from retained earnings	0	477.374	-477.374	0	0
	<b>121.446</b>	<b>903.758</b>	<b>6.790.427</b>	<b>0</b>	<b>7.815.631</b>

**Notes**

All amounts in DKK.

	2022	2021
<b>1. Staff costs</b>		
Salaries and wages	9.701.822	9.063.688
Pension costs	752.936	657.149
Other costs for social security	251.169	148.699
	<b>10.705.927</b>	<b>9.869.536</b>
Average number of employees	20	18
<b>2. Depreciation, amortisation, and impairment</b>		
Amortisation of development projects	479.693	33.034
Amortisation of concessions, patents, and licences	31.847	30.478
Depreciation of other fixtures and fittings, tools and equipment	91.695	185.189
	<b>603.235</b>	<b>248.701</b>
<b>3. Other financial expenses</b>		
Financial costs, group enterprises	12.443	0
Other financial costs	1.258.933	867.373
	<b>1.271.376</b>	<b>867.373</b>
<b>4. Tax on net profit or loss for the year</b>		
Tax on net profit or loss for the year	94.971	734.035
Adjustment of deferred tax for the year	140.870	103.007
	<b>235.841</b>	<b>837.042</b>

## Notes

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All amounts in DKK.

	31/12 2022	31/12 2021
<b>5. Completed development projects, including patents and similar rights arising from development projects</b>		
Cost 1 January 2022	583.812	74.375
Additions during the year	<u>1.091.711</u>	<u>509.437</u>
<b>Cost 31 December 2022</b>	<b><u>1.675.523</u></b>	<b><u>583.812</u></b>
Amortisation and write-down 1 January 2022	-37.166	-4.132
Amortisation and depreciation for the year	<u>-479.693</u>	<u>-33.034</u>
<b>Amortisation and write-down 31 December 2022</b>	<b><u>-516.859</u></b>	<b><u>-37.166</u></b>
<b>Carrying amount, 31 December 2022</b>	<b><u>1.158.664</u></b>	<b><u>546.646</u></b>
The development projects relates to the development of integrated webshop solution with own software code. The development projects are expected to generate increase in turnover and profits for the coming years in the company webshop.		
<b>6. Acquired concessions, patents, licenses, trademarks, and similar rights</b>		
Cost 1 January 2022	317.809	274.594
Additions during the year	<u>2.400</u>	<u>43.215</u>
<b>Cost 31 December 2022</b>	<b><u>320.209</u></b>	<b><u>317.809</u></b>
Amortisation and write-down 1 January 2022	-50.591	-20.113
Amortisation and depreciation for the year	<u>-31.847</u>	<u>-30.478</u>
<b>Amortisation and write-down 31 December 2022</b>	<b><u>-82.438</u></b>	<b><u>-50.591</u></b>
<b>Carrying amount, 31 December 2022</b>	<b><u>237.771</u></b>	<b><u>267.218</u></b>

**Notes**

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>		
<b>7. Other fixtures, fittings, tools and equipment</b>				
Cost 1 January 2022	809.301	698.379		
Additions during the year	22.580	110.922		
<b>Cost 31 December 2022</b>	<b>831.881</b>	<b>809.301</b>		
Depreciation and write-down 1 January 2022	-644.721	-459.532		
Amortisation and depreciation for the year	-91.695	-185.189		
<b>Depreciation and write-down 31 December 2022</b>	<b>-736.416</b>	<b>-644.721</b>		
<b>Carrying amount, 31 December 2022</b>	<b>95.465</b>	<b>164.580</b>		
<b>8. Deposits</b>				
Cost 1 January 2022	215.523	209.120		
Additions during the year	295.107	6.403		
Disposals during the year	-205.200	0		
<b>Cost 31 December 2022</b>	<b>305.430</b>	<b>215.523</b>		
<b>Carrying amount, 31 December 2022</b>	<b>305.430</b>	<b>215.523</b>		
<b>9. Provisions for deferred tax</b>				
Provisions for deferred tax 1 January 2022	86.899	-16.108		
Deferred tax relating to the net profit or loss for the year	140.870	103.007		
	<b>227.769</b>	<b>86.899</b>		
<b>10. Long term liabilities other than provisions</b>				
	<b>Total payables 31 Dec 2022</b>	<b>Current portion of long term payables</b>	<b>Long term payables 31 Dec 2022</b>	<b>Outstanding payables after 5 years</b>
Other mortgage debt	3.500.207	1.492.000	2.008.207	0
Other payables	640.656	0	640.656	0
	<b>4.140.863</b>	<b>1.492.000</b>	<b>2.648.863</b>	<b>0</b>

## Notes

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All amounts in DKK.

### 11. Charges and security

As security for bank debts, the Company has granted charges of DKK 3.500.000 to Vækstfonden and DKK 13.500.000 to Danske Bank on existing and future acquisitions of Other fixtures, fittings, tools and equipment, manufactured goods and goods for resale, trade receivables, goodwill and rights. The carrying amount of assets comprised by the company charge is DKK 27.035.440 at 31 December 2022.

### 12. Contingencies

#### Contingent liabilities

The company has entered into lease agreement with af residual maturity of 6 months with an average benefit of DKK 50.700, a total of DKK 304.200.

#### Joint taxation

With The Russell Holding Company ApS, company reg. no 35 39 31 37 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

## Accounting policies

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The annual report for Skandinavisk SR ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

### Change in classification

As of 31 December 2022, there are no monetary effects of the changes in classification. The net impact of this change is zero on the statement of financial position.

As the change has no monetary effect, there are also no changes the comparative figures in monetary terms for 2021.

### Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

### Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

## **Accounting policies**

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Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

### **Income statement**

#### **Gross profit**

Gross profit comprises the revenue, changes in inventories of finished goods, other operating income and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

#### **Staff costs**

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

#### **Depreciation, amortisation, and write-down for impairment**

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

#### **Financial income and expenses**

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

#### **Tax on net profit or loss for the year**

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

## **Accounting policies**

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### Statement of financial position

#### **Intangible assets**

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

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and write-downs for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 3 years.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

#### **Property, plant, and equipment**

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

## **Accounting policies**

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The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0%

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

### **Investments**

#### **Deposits**

Deposits are measured at amortised cost and represent lease deposits, etc.

#### **Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

### **Inventories**

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

## **Accounting policies**

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Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value.

### **Prepayments**

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand.

### **Equity**

#### **Reserve for development costs**

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

### **Dividend**

Dividend expected to be distributed for the year is recognised as a separate item under equity.

### **Income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

## **Accounting policies**

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Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

### **Liabilities other than provisions**

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

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## Shaun Herbert Russell

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## Shaun Herbert Russell

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