

**WATERMILL ApS**

Nordlundvej 1

DK-7330 Brande

Reg. no. 35 02 42 71

**Annual Report for 2020**

(8th Financial Year)

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 28 June 2021

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Jesper Roe

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**STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE BOARD**

The Board of Directors and the Executive Board have today discussed and approved the annual report of Watermill ApS for the financial year 1 January - 31 December 2020.

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

In our opinion, the consolidated and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2019 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2020.

Furthermore, in our opinion, Management's review includes a fair review of the development in the Group's and the Company's operations and financial circumstances, of the results for the year and of the financial position of the Group and the Company.

We recommend that the annual report be approved at the annual general meeting.

Brande, 28 June 2021

**EXECUTIVE BOARD**

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Jesper Roe

**BOARD OF DIRECTORS**

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Arvind Kumar Vij  
(Chairman)

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Jesper Roe

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Tim Lund Larsen

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Watermill ApS

#### Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Watermill ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies for both the Group and the Parent Company, as well as consolidated statement of cash flows for the Group. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group or the Company at 31 December 2019 and of the results of the Group and the Parent Company's operations as well as the consolidated cash flows of the Group for the financial year 1 January - 31 December 2020 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 Consolidated Financial Statements and the Parent Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### Material uncertainty relating to Going Concern

We point out that there is uncertainty that can raise doubts about the company's ability to continue operations. We refer to the note "Continuing operations" in the annual report, which states that the group is in the final phase of renegotiation of a new bank facility agreement with lender due to the effect of the Covid-19 pandemic. At the time of presentation of accounts, the results of the final negotiations have not been completed, but it is the assessment of the management, that they will turn out positively. Management has chosen to present the accounts on the assumption of going concern. Our conclusion is not modified regarding this matter.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **Management's Responsibilities for the Consolidated Financial Statements and the Parent Company Financial Statements**

Management is responsible for the preparation of Consolidated Financial Statements and the 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 Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements.

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 Consolidated Financial Statements and the Parent Company 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.

**INDEPENDENT AUDITOR'S REPORT (continued)**

- 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 Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company 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.

**Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and the Parent Company Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Parent Company Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

**INDEPENDENT AUDITOR'S REPORT (continued)**

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 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 of Management's Review.

Vejle, 28 June 2021

**BDO**

Statsautoriseret revisionsaktieselskab

Reg. no. 20 22 26 70

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Allan Lund

State Authorised Public Accountant

MNE no. mne10093

## COMPANY DETAILS

### **The Company:**

Watermill ApS

Nordlundvej 1

DK-7330 Brande

Phone: +45 96 42 42 42

Fax: +45 97 18 18 98

Website: [www.btxgroup.dk](http://www.btxgroup.dk)

Email: [info@btx.dk](mailto:info@btx.dk)

### **Board of Directors:**

Arvind Kumar Vij (Chairman)

Jesper Roe

Tim Lund Larsen

### **Executive Board:**

Jesper Roe

### **Shareholders according to the Danish Companies Act:**

Grow Capital Global Holdings Pte. Ltd. Singapore, which is ultimately owned by Arvind Kumar Vij, Great Britain and Ajay Kumar Vij, India.

### **Group relations:**

Watermill ApS (CVR no. 35 02 42 71) is the ultimate parent company of the Danish Group.

The registered office of Watermill ApS is the Municipality of Ikast-Brande.

### **Auditors:**

BDO Statsautoriseret revisionsaktieselskab

Roms Hule 4, 1st floor

DK-7100 Vejle

### **Bankers:**

Sydbank



## Consolidated financial highlights

	2020	2019	2018	2017	2016
<b>Key figures</b>					
<b>Income statement in DKKm</b>					
Revenues	263	335	387	418	446
Gross profit	50	82	88	102	115
Operating profit/loss before exceptional items	-25	-6	-112	2	26
Profit from financial income and expenses	-9	-6	-9	-15	-12
Operation profit/loss before financial income and tax (EBIT)	-25	-6	-112	1	27
Profit/loss	-41	-10	-119	-14	7
<b>Balance sheet in DKKm</b>					
Total assets	98	121	179	278	316
Hereof for investment in property, plant and equipment	1	2	5	5	1
Equity	-110	-59	-46	62	90
Working capital <sup>1)</sup>	19	33	30	44	33
Net interest-bearing debt	132	116	111	104	100
<b>Ratios</b>					
Gross margin ratio	19,1%	24,6%	22,7%	21,5%	25,8%
EBIT margin	-9,5%	-1,8%	-29,0%	0,3%	6,0%
Equity ratio	-112,0%	-49,0%	-25,9%	22,3%	28,4%
Return on invested capital	-22,7%	-4,1%	-49,3%	0,6%	8,0%

1) Hedging transactions are not included.

The financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines.

## MANAGEMENT'S REVIEW

### THE GROUP

#### Consolidated

The consolidated financial statements comprise the operating company Watermill ApS and its subsidiaries,

#### Principal activities of the Group

The principal activities are design, purchase and sale of garments. The products are purchased in the Far East as well as in Europe and are sold primarily in the European markets. The Company sells fashion for women.

#### Development in activities and financial position

Following a strong start of 2020, market conditions changed in March on the account of COVID-19, which had a significant impact on business from March 2020 and throughout the year, leading to lock down of stores, customers going out of business and in general low appetite for business and a lot of uncertainty. The sudden change in market situation lead to reduced customer shipments, lower reorder intake, inventory clearing/write-down and loss on debtors, which overshadowed outcome of our benefit plans. Revenue ended at DKK 263 million compared to DKK 335 million in 2019.

The changed business environment also meant that action plans to benefit our long term business were put on hold as management had to focus differently, causing a delay in improvement plans. A transformation plan to secure efficient processes and lean cost base continued into 2020, where the impact did benefit the earnings, but full impact will be in 2021. Costs for these programs are included in 2020 and lowered earnings.

With a drop in revenue of DKK 72 million, the operating profit decreased to DKK -25 million compared to DKK -6 million in 2019.

The result for the year ended at DKK -41 million. The result is considered unsatisfactory.

The challenging market conditions in 2020 are expected to continue in 2021, as COVID-19 and lock down remain. Investments in market-oriented activities will continue in 2021 and fortunately the focus on growth has already started to pay off, where major accounts have been picked up in 2021. To catch up on the delay in improvement plans, action plans to benefit our long term business will have highest priority together with continuously focus on lean processes and cost base.

At the end of 2020, the Group had 145 employees which is a decrease of 20 compared to the end of 2019.

## MANAGEMENT'S REVIEW (Continued)

### **The Group's capital structure**

Funds tied up as working capital amounted to DKK 19 million (7% of revenues) as opposed to DKK 33 million (10% of revenues) in 2019.

In 2020, cash flows from operating activities amounted to DKK -15 million compared to DKK 5 million in 2019. Consolidated interest-bearing debt was DKK 132 million in 2020 compared to DKK 116 million in 2019. Some government support programs have been booked, both domestic and foreign, but they were not sufficient to offset the impact of COVID-19. As a result cash flow came in short of plans. To mitigate the cash impact from COVID-19 a loan of DKK 35 million was granted by the bank and secured by a guarantee from EKF. End 2020 we had utilised DKK 9 million of the loan, ending up with a positive cash flow for the year 2020 of DKK 26 million.

In normal course of business, process has started with the bank in June 2021 to renegotiate and extend the bank facility agreement, which has a planned expiry date of end September 2021.

We expect the bank facility agreement to be agreed and extended past 2021 so the overall bank facility is ensured throughout the year. The bank agreement has a number of covenants, which must be continuously fulfilled. No breach of the renegotiated covenants is expected in 2021.

Management has chosen to present the accounts on the assumption of going concern.

### **Knowledge resources**

It is the objective of the Group to continue being an attractive place to work and thereby be able to attract and retain highly qualified employees. Through education, training, delegation of duties, clear distribution of responsibilities and targeted efforts, the Group intends to further develop the skills and competencies of its staff on a continuous basis.

### **Particular risks**

The Group is exposed to currency fluctuations with respect to both purchases and sales, particularly fluctuations in USD, NOK and SEK. Other than this, it is management's opinion that the Group is not influenced by any particular risks apart from those characteristic for the industry. The Group operates in a segment that is sensitive to market fluctuations; the financial conditions caused by recession in the macro economies in Europe and changed purchasing conditions in the Far East are particularly hard to predict, which has been confirmed by COVID-19.

### **Research and development activities**

The Group's collections are continuously developed throughout the year.

## MANAGEMENT'S REVIEW (Continued)

### Important events after the end of the financial year

The outcome and potential impact on the Company's activity and financial impact on the business due to continuous impact from COVID-19 incl. increase in raw material, transportation costs etc., is as of the date of the approval of the annual report uncertain given the rapid day-to-day development. Management currently expects COVID-19 to have a negative impact of DKK 10-15 million on the 2021 financial performance. As of the date of the approval of the annual report BTX Group A/S continues to work with its clients and the financial short-term impact has been limited. The Board of Directors and Executive Board follows the situation closely.

There are no other events after the reporting period to be disclosed.

### Outlook

In spite of COVID-19 and another challenging year in 2021 management expects, as a result of the strategic initiatives and cost savings, a significant improvement in earnings in 2021. We expect to see further substantial improvements in earnings in 2022, as the new major accounts will help us to recover.

### Corporate Social Responsibility

This statutory statement of the Watermill ApS' corporate social responsibility covers the financial year 1 January - 31 December 2020 and relates to the annual report 2020. The statement includes the auditors' opinion on management's review included in the annual report for the Group.

Social responsibility is a focus area for the Group as it works continuously with standards and processes that are evaluated annually by the Board of Directors.

So far the Group has aimed and will continue to aim at recruiting the most suitable managers and other employees regardless of gender, race and religion. The management of the Group are composed in view of the long-term strategy of the Group and recruitment is made with this in mind. The Board of Directors of Watermill ApS may consist of up to five members and currently consists of three. In view of the Group's ambition about recruiting the most suitable candidates and in the event where the Board of Directors consists of five members or less, it is the objective that the underrepresented gender should be at least 20% of the Board of Directors and at least 30% in other management positions. Other management position consists of Executive Management, directors as well as middle management. At the signing of the financial statements, no women were in Board of Directors and men accounted for 23% of all management positions.

The Group is developing its code of conduct and related follow-up processes, which are to ensure, among other things, that suppliers live up to the Group's requirements concerning human rights, social and environmental conditions, etc. The group's code of conduct can be downloaded at <http://www.btx-group.com>.

## ACCOUNTING POLICIES

The annual report of the Watermill ApS Group for 2020 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies of the Watermill ApS Group are unchanged compared to last year.

### **Consolidated financial statements**

The consolidated financial statements comprise the parent company, Watermill ApS, and subsidiaries in which Watermill ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

### **Business combinations**

Enterprises acquired or formed are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal including non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the purchase method, according to which identifiable assets and liabilities of the acquired enterprises are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. Allowance is made for the tax effect of revaluations made.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the

## **ACCOUNTING POLICIES (continued)**

balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill arising on acquisition can be adjusted until the end of the year after the acquisition.

### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or liability arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at average exchange rates for the months, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on the portion of loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries, which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

## ACCOUNTING POLICIES (continued)

### Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as other receivables or other payables and in equity until the hedged transaction is realised. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

### Income statement

#### Revenue

Revenue from the sale of goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT less returned goods, bonuses and discounts in relation to the sale.

#### Cost of sales

Cost of sales includes costs incurred in generating the revenue for the year. It also includes direct and indirect costs of raw materials and consumables.

#### Other external costs

Other external expenses comprise costs of sale, advertising, administration, premises, bad debts, costs of operating leases, etc.

## ACCOUNTING POLICIES (continued)

### Staff costs

Staff costs include wages and salaries, including holiday pay and pensions as well as other social security costs etc. for the Group's and the Company's employees. Staff costs are stated less reimbursements received from public authorities.

### Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on sale of intangible assets and property, plant and equipment.

### Other operating costs

Other operating costs comprise items secondary to the activities of the Group and the Company, including loss on sale of intangible assets and property, plant and equipment.

### Financial income and expenses

Financial income and expenses include interest income and expense, financial costs incurred on finance leases, realised and unrealised gains and losses on securities, debt and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial income and expense are recognised at the amounts relating to the financial year.

### Tax on profit/loss for the year

Watermill ApS is jointly taxed with all wholly-owned Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

Watermill ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated in connection with the settlement of joint tax contributions between the jointly taxed Danish companies in proportion to their taxable income (full distribution of tax with refunds for tax losses). The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.



## ACCOUNTING POLICIES (continued)

### Balance sheet

#### Intangible assets

##### *Goodwill*

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised over 3-20 years corresponding to the Company's time horizon for long-term investments. The carrying amount of goodwill is assessed regularly and written down over the income statement if the carrying amount exceeds the expected future net income from the company or activity to which the goodwill relates.

##### *Acquired intellectual property rights*

Acquired intellectual property rights are measured at cost less accumulated amortisation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

Intangible assets are amortised on a straight-line basis over the expected useful lives of the assets.

Acquired intellectual property rights	3-5 years
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#### **Property, plant and equipment**

Fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets.

Fixtures and fittings, other plant and equipment	3-5 years
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## ACCOUNTING POLICIES (continued)

### Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Group are initially recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. For the calculation of the net present value, the interest rate implicit in the lease or the Group's alternative borrowing rate is used as discount rate. Assets held under finance leases are subsequently depreciated as the Group's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are classified as operating leases. Services related to operating leases and other lease contracts are recognised in the income statement over the term of the contract. The Group's total liabilities regarding operating leases and lease agreements are disclosed as contingent liabilities, etc.

### Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the Watermill ApS has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Watermill ApS are not recognised in the reserve for net revaluation.

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.

## ACCOUNTING POLICIES (continued)

### Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods and goods for resale comprise the cost of raw materials, consumables, external production costs and delivery costs.

### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Group's credit risk management policy. The objective indicators used in relation to portfolios are based on historical loss experience.

### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Payable and receivable joint tax contributions are recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

## **ACCOUNTING POLICIES (continued)**

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### **Provisions**

Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

### **Liabilities**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. During subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

### **Deferred income**

Deferred income comprises payments received concerning income in subsequent years and is measured at amortised cost.

### **Cash flow statement**

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

## **ACCOUNTING POLICIES (continued)**

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities are calculated using the indirect method as profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest received and paid, dividends received as well as corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, intangible assets, property, plant and equipment and investments.

Entering of finance leases are considered non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash flows relating to assets held under finance lease are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash as well as securities with less than three months to maturity, which can readily be converted into cash and cash equivalents and which only carry an insignificant risk of changes in value.

### **Segment information**

Information on business segments and geographical markets has not been disclosed, as such information in Management's opinion may cause substantial damage to the Watermill ApS Group.

**INCOME STATEMENT**  
**1 January - 31 December 2020**  
DKK'000

	Notes	<b>Consolidated</b>	
		2020	2019
Revenue		262.870	334.728
Cost of sales		-135.835	-167.805
Other external costs		-76.745	-84.630
<b>Gross profit</b>		50.290	82.293
Staff costs	1	-69.454	-78.201
Depreciation, amortisation and impairment, intangible assets and prop., plant and equip.		-7.357	-9.147
Other operating income		4.184	0
Other operating expenses		-2.559	-1.029
<b>Operating profit/loss</b>		-24.896	-6.084
Other financial income		354	2.946
Other financial expenses	2	-9.371	-9.413
<b>Profit/loss before tax</b>		-33.913	-12.551
Tax on profit/loss for the year	3	-7.226	2.477
<b>PROFIT/LOSS FOR THE YEAR</b>	4	<b>-41.139</b>	<b>-10.074</b>

**BALANCE SHEET at 31 December 2020**

DKK'000

**ASSETS**

		<b>Consolidated</b>	
	Notes	2020	2019
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	5		
Consolidated goodwill		0	0
Intellectual property rights acquired		3.724	7.066
Goodwill		<u>1.786</u>	<u>3.644</u>
		<u>5.510</u>	<u>10.710</u>
<b>Property, plant and equipment</b>	6		
Fixtures and fittings, other plant and equipment		<u>4.754</u>	<u>7.813</u>
		<u>4.754</u>	<u>7.813</u>
<b>Investments</b>			
Other receivables	7	<u>149</u>	<u>1.685</u>
		<u>149</u>	<u>1.685</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>10.413</b></u>	<u><b>20.208</b></u>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Finished goods and goods for resale		<u>32.608</u>	<u>45.595</u>
		<u>32.608</u>	<u>45.595</u>
<b>Receivables</b>	8		
Trade receivables		15.899	22.228
Corporation tax receivable		543	1.157
Deferred tax assets	9	3.399	7.554
Other receivables		4.130	9.581
Prepayments		<u>6.134</u>	<u>6.715</u>
		<u>30.105</u>	<u>47.235</u>
<b>Cash at bank and in hand</b>		<u>25.078</u>	<u>8.386</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>87.791</b></u>	<u><b>101.216</b></u>
<b>TOTAL ASSETS</b>		<u><b>98.204</b></u>	<u><b>121.424</b></u>

**BALANCE SHEET at 31 December 2020**  
**DKK'000**  
**EQUITY AND LIABILITIES**

	Notes	<b>Consolidated</b>	
		2020	2019
<b>EQUITY</b>			
Share capital		80	80
Other reserves		-9.399	0
Retained earnings		-100.687	-59.548
<b>TOTAL EQUITY</b>		<b>-110.006</b>	<b>-59.468</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>	10		
Bank loans and overdrafts		35.000	0
Capitalised lease payments		659	0
Subordinate loan capital		40.957	39.047
Other payables		6.476	1.997
		83.092	41.044
<b>Short-term liabilities</b>			
Short-term portion of capitalised lease payments		207	551
Bank loans and overdrafts		73.651	83.205
Trade payables		21.704	40.622
Corporation tax		263	423
Other payables		28.952	14.731
Deferred income		341	316
		125.118	139.848
<b>TOTAL LIABILITIES</b>		<b>208.210</b>	<b>180.892</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>98.204</b>	<b>121.424</b>
Fee for auditors appointed at the annual general meeting	11		
Contractual obligations and contingent liabilities	12		
Mortgages and securities	13		
Continued operations	14		
Currency and interest risks as well as use of derived financial instruments	15		
Related party transactions	16		
Group chart	17		



### STATEMENT OF CHANGES IN EQUITY

The company's share capital comprises 80,000 shares of DKK 1 each or multiples hereof.

The share capital consists of the following classes of shares:

70,960 A-shares

3,200 B-shares

5,840 C-shares

The B- and C-shares do not carry any votes.

Changes in equity can be specified as follows:

DKK'000	<u>Share capital</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Equity at 1 January 2020	80	-	-59.548	-59.468
Transferred through distribution of profit/loss	-	-	-41.139	-41.139
Exchange rate adjustments on translation of foreign entities	-	-164	-	-164
Adjustment of hedging instruments:	-	-9.235	-	-9.235
<b>EQUITY AT 31 DECEMBER 2020</b>	<u>80</u>	<u>-9.399</u>	<u>-100.687</u>	<u>-110.006</u>

**CONSOLIDATED CASH FLOW STATEMENT for 2020**  
DKK'000

	<b>Consolidated</b>	
	2020	2019
Profit before financial income and expenses	-24.896	-6.084
Depreciation, amortisation and impairment	7.357	9.147
Profit/loss from sale of intangible assets	470	383
Profit/loss from sale of property, plant and equipment	2.182	235
Provisions, exchange rate adjustments, etc.	-110	1.408
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL</b>	<b>-14.997</b>	<b>5.089</b>
Changes in inventories	12.987	2.331
Changes in trade receivables, other receivables and prepayments (ex. gains/losses on forward exchange contracts)	8.086	11.839
Changes in trade payables	-17.699	-5.607
Changes in other short-term liabilities (ex. gains/losses on forward exchange contracts)	5.461	-6.172
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX</b>	<b>-6.162</b>	<b>7.481</b>
Interest income, received	354	2.946
Interest expenses, paid	-7.461	-8.240
Corporation tax paid	-12	-2.409
<b>CASH FLOWS FROM OPERATING ACTIVITIES AFTER TAX</b>	<b>-13.281</b>	<b>-222</b>
Acquisition of intangible assets	-354	-977
Acquisition of property, plant and equipment (ex. assets held under finance leases)	-754	-2.173
Sale of property, plant and equipment (ex. assets held under finance leases)	172	0
Acquisition of other fixed asset investments	-24	-62
Sale of other fixed asset investments	1.559	62
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>599</b>	<b>-3.150</b>
Loan from the Fund of Tilgodehavende Feriemidler	4.479	1.997
Loan from shareholders	0	13.124
Changes in bank loans and overdrafts, net	35.000	-56.000
Changes regarding finance leases	-551	-710
Paid dividend	0	-750
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>38.928</b>	<b>-42.339</b>
<b>CASH FLOWS FOR THE YEAR</b>	<b>26.246</b>	<b>-45.711</b>
Cash and cash equivalents at the beginning of the year	-74.819	-29.108
Cash flows for the year	26.246	-45.711
<b>CASH AND CASH EQUIVALENTS AT YEAR END</b>	<b>-48.573</b>	<b>-74.819</b>
<b>CASH AND CASH EQUIVALENTS AT YEAR END COMPRISE:</b>		
Cash at bank and in hand	25.078	8.386
Overdrafts	-73.651	-83.205
	<b>-48.573</b>	<b>-74.819</b>

**NOTES**  
DKK'000

**Consolidated**

2020      2019

**1 STAFF COSTS**

Wages and salaries	62.611	69.695
Pensions	4.664	5.566
Other social security costs	3.427	4.020
Refunds	<u>-1.248</u>	<u>-1.080</u>
	<u>69.454</u>	<u>78.201</u>
Average number of employees	<u>149</u>	<u>170</u>

Remuneration and fees for the Executive Board and the Board of Directors are not disclosed with reference to Section 98b (3) of the Danish Financial Statements Act.

**2 FINANCIAL EXPENSES**

Interest on amounts owed by group enterprises	<u>1.122</u>	<u>1.500</u>
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**3 TAX ON PROFIT FOR THE YEAR**

Tax on profit for the year is computed as follows:

Current tax for the year	444	809
Adjustment of deferred tax for the year	6.735	-3.294
Adjustment regarding previous years	<u>47</u>	<u>8</u>
<b>TOTAL TAX ON PROFIT FOR THE YEAR</b>	<u>7.226</u>	<u>-2.477</u>

**4 PROPOSED DISTRIBUTION OF PROFIT/LOSS:**

Retained earnings	<u>-41.139</u>	<u>-10.074</u>
	<u>-41.139</u>	<u>-10.074</u>

**NOTES**  
DKK'000

**5 INTANGIBLE ASSETS**

	Consoli- dated goodwill	Intellectual property rights acquired	Goodwill
Cost at 1 January 2020	389.302	17.584	8.063
Exchange rate adjustment	0	0	-203
Additions during the year	0	0	354
Disposals during the year	0	0	-872
<b>Cost at 31 December 2020</b>	<u>389.302</u>	<u>17.584</u>	<u>7.342</u>
Amortisation and impairment at 1 January 2020	389.302	10.518	4.419
Exchange rate adjustment	0	0	-150
Amortisation and impairment	0	3.342	1.689
Amortisation and impairment on assets sold	0	0	-402
<b>Amortisation and impairment at 31 December 2020</b>	<u>389.302</u>	<u>13.860</u>	<u>5.556</u>
<b>CARRYING AMOUNT AT 31 DECEMBER 2020</b>	<u>0</u>	<u>3.724</u>	<u>1.786</u>

**6 PROPERTY, PLANT AND EQUIPMENT**

	Fixtures and fittings, other plant and equipment
Cost at 1 January 2020	35.203
Exchange rate adjustment	-46
Additions during the year	1.620
Disposals during the year	-7.830
<b>Cost at 31 December 2020</b>	<u>28.947</u>
Depreciation and impairment at 1 January 2020	27.390
Exchange rate adjustment	-45
Depreciation and impairment for the year	2.324
Depreciation and impairment on assets sold	-5.476
<b>Depreciation and impairment at 31 December 2020</b>	<u>24.193</u>
<b>CARRYING AMOUNT AT 31 DECEMBER 2020</b>	<u>4.754</u>
Carrying amount of leased assets	<u>815</u>

**NOTES**  
DKK'000

	<b>Consolidated</b>	
	2020	2019
<b>7 OTHER RECEIVABLES</b>		
Cost at 1 January	1.685	1.686
Exchange rate adjustment	-1	-1
Additions during the year	24	62
Disposals during the year	-1.559	-62
<b>CARRYING AMOUNT AT 31 DECEMBER</b>	<b>149</b>	<b>1.685</b>
<b>8 RECEIVABLES/OTHER PAYABLES</b>		
Receivables falling due for payment more than one year after the end of the financial year	98	93
<p>The fair value of forward exchange contracts regarding hedging of future purchase and sale in foreign currencies is included in other payables at 31 December 2020 at an amount of DKK 9 million and at 31 December 2019 in other receivables at an amount of DKK 4 million.</p>		
<b>9 DEFERRED TAX ASSETS</b>		
Balance at 1 January	7.554	3.388
Adjustments for the year, income statement	-6.735	3.294
Adjustments for the year, equity	2.605	870
Exchange rate adjustments	-25	2
<b>BALANCE AT 31 DECEMBER</b>	<b>3.399</b>	<b>7.554</b>
<b>10 LONG-TERM LIABILITIES</b>		
Long-term liabilities falling due after five years as from the end of the financial year	12.105	0
<p>Subordinate loan capital comprises amounts owed to group enterprises and shareholders.</p>		
<b>11 FEE FOR AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING</b>		
Total fee for the auditors appointed at the annual general meeting:		
Statutory audit	339	339
Other assurance engagements	0	0
Tax consultancy	221	414
Non-audit services	33	134
<b>TOTAL FEE FOR AUDITORS APPOINTED AT THE GENERAL MEETING</b>	<b>593</b>	<b>887</b>

## NOTES

### 12 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

#### Contingent liabilities

The Group's total commitments under letters of credit amount to DKK 11 million (2019: DKK 11 million).

Customs guarantees have been provided in the amount of DKK 3 million (2019: DKK 3 million).

Contingent liabilities and warranties other than those above do not exceed DKK 2 million (2019: DKK 2 million).

#### Operating lease commitments

The Group leases properties and operating equipment under operating leases. The Group's domicile properties are leased on contracts that are interminable both by the Group and the lessor for 1 to 5 years. The leasing period for other assets is typically between 1 and 4 years with the possibility of renewal.

Total non-provided discounted rent liabilities of the Group amount to approx. DKK 18 million (2019: DKK 24 million)

Total lease commitments of the Group regarding other operating leases amount to approx. DKK 4 million. (2019: approx. 5 million).

### 13 MORTGAGES AND SECURITY

As security for the Company's and the Group's overdraft, a floating charge has been granted in receivables, fixtures and fittings, tools and equipment, inventories and intellectual property rights of DKK 140 million. (2019: DKK 140 million). The carrying amount of assets used as security amounts to DKK 52 million (2019: DKK 75 million).

### 14 CONTINUED OPERATIONS

In 2020 some government support programs have been booked, both domestic and foreign, but they were not sufficient to offset the impact of COVID-19. As a result cash flow came in short of plans. To mitigate the cash impact from COVID-19 a loan of DKK 35 million was granted by the bank and secured by a guarantee from EKF. End 2020 we had utilised DKK 9 million of the loan, ending up with a positive cash flow for the year 2020 of DKK 26 million.

In normal course of business, process has started with the bank in June 2021 to renegotiate and extend the bank facility agreement, which has a planned expiry date of end September 2021.

We expect the bank facility agreement to be agreed and extended past 2021 so the overall bank facility is ensured throughout the year. The bank agreement has a number of covenants, which must be continuously fulfilled. No breach of the renegotiated covenants is expected in 2021.

Management has chosen to present the accounts on the assumption of going concern.

### 15 CURRENCY RISKS AS WELL AS USE OF DERIVED FINANCIAL INSTRUMENTS

The Group uses forward exchange contracts to cover the Group's risks related to variability in cash flows due to fluctuations in exchange rates.

The Group has entered forward exchange contracts at 31 December 2020 to hedge future purchases of currency totalling DKK 96 million (2019: DKK 151 million) and sale of currency totalling DKK 51 million (2019: DKK 58 million).

## NOTES

### 16 RELATED PARTY TRANSACTIONS

#### 17 GROUP CHART

<i>Company</i>	<i>Reg. office</i>	<i>Country</i>
Watermill ApS	Brande	Denmark
 <b>Group enterprises, wholly-owned</b>		
Holdingselskabet af 24. februar 2006 A/S	Brande	Denmark
BTX Group A/S	Brande	Denmark
BTX Apparel Ltd.	Thornaby	England
BTX Norge AS	Oslo	Norway
BTX Netherlands B.V.	Almere	The Netherlands
Apparel Innovation LLC Ivanjica	Belgrade	Serbia
BTX Apparel India Private Limited	New Delhi	India

**INCOME STATEMENT**  
**1 January - 31 December 2020**  
DKK'000

		<b>Parent company</b>	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Other external costs		-1.045	-1.431
<b>Gross profit</b>		-1.045	-1.431
Staff costs	1	-6.315	-8.271
Other operating income		7.920	9.900
Other operating expenses		0	-411
<b>Operating income</b>		560	-213
Profit from investments after tax in group enterprises		-38.753	-8.340
Other financial income	2	280	193
Other financial expenses	2	-2.857	-2.083
<b>Profit/loss before tax</b>		-40.770	-10.443
Tax on profit/loss for the year	3	-369	369
<b>PROFIT/LOSS FOR THE YEAR</b>	4	<b><u>-41.139</u></b>	<b><u>-10.074</u></b>



**BALANCE SHEET at 31 December 2020**

DKK'000

**ASSETS**

		<b>Parent company</b>	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>NON-CURRENT ASSETS</b>			
<b>Investments</b>	5		
Investments in group enterprises		<u>0</u>	<u>0</u>
		<u>0</u>	<u>0</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>0</b></u>	<u><b>0</b></u>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Corporation tax receivable		0	442
Deferred tax asset	6	<u>0</u>	<u>369</u>
		<u>0</u>	<u>811</u>
<b>Cash at bank and in hand</b>		<u>22</u>	<u>1</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>22</b></u>	<u><b>812</b></u>
<b>TOTAL ASSETS</b>		<u><u><b>22</b></u></u>	<u><u><b>812</b></u></u>

**BALANCE SHEET at 31 December 2020**

DKK'000

**EQUITY AND LIABILITIES**

		<b>Parent company</b>	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<b>EQUITY</b>			
Share capital		80	80
Retained earnings		<u>-110.086</u>	<u>-59.548</u>
<b>TOTAL EQUITY</b>		<b><u>-110.006</u></b>	<b><u>-59.468</u></b>
<b>PROVISIONS</b>			
Other provisions	7	<u>65.901</u>	<u>19.729</u>
<b>TOTAL PROVISIONS</b>		<b><u>65.901</u></b>	<b><u>19.729</u></b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Subordinate loan capital		40.957	39.047
Other payables		<u>1.384</u>	<u>146</u>
		<u>42.341</u>	<u>39.193</u>
<b>Short-term liabilities</b>			
Trade payables		7	39
Other payables		1.543	1.082
Deferred income		<u>236</u>	<u>237</u>
		<u>1.786</u>	<u>1.358</u>
<b>TOTAL LIABILITIES</b>		<b><u>44.127</u></b>	<b><u>40.551</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>22</u></u></b>	<b><u><u>812</u></u></b>

Contractual obligations and contingent liabilities, etc.	9
Mortgages and security	10
Continued operations	11
Related party transactions	12
Cash flow statement	13

## STATEMENT OF CHANGES IN EQUITY

The company's share capital comprises 80,000 shares of DKK 1 each or multiples hereof.

The share capital consists of the following classes of shares:

70,960 A-shares  
3,200 B-shares  
5,840 C-shares

The B- and C-shares do not carry any votes.

Changes in equity can be specified as follows:

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2020	80	-59.548	-59.468
Transferred through distribution of profit/loss	-	-41.139	-41.139
Other adjustments on equity	-	-9.399	-9.399
<b>EQUITY AT 31 DECEMBER 2020</b>	<b>80</b>	<b>-110.086</b>	<b>-110.006</b>

**NOTES**  
DKK'000

	<b>Parent company</b>	
	2020	2019
<b>1 STAFF COSTS</b>		
Wages and salaries	5.802	7.593
Pensions	491	642
Other social security costs	22	35
	6.315	8.271
Average number of employees	4	5
<b>2 FINANCIAL INCOME AND EXPENSES</b>		
Interest income from group enterprises	279	193
Interest payable to group enterprises	1.122	1.500
<b>3 TAX ON PROFIT FOR THE YEAR</b>		
Tax on profit for the year is computed as follows:		
Current tax for the year	0	0
Adjustment of deferred tax for the year	369	-369
<b>TOTAL TAX ON PROFIT FOR THE YEAR</b>	369	-369
<b>4 PROPOSED DISTRIBUTION OF PROFIT/LOSS</b>		
Retained earnings	-41.139	-10.074
	-41.139	-10.074

**NOTES**  
DKK'000

	<b>Parent company</b>	
	<u>2020</u>	<u>2019</u>
<b>5 INVESTMENTS</b>		
<b>Investments in group companies</b>		
Cost at 1 January	<u>69.341</u>	<u>69.341</u>
<b>Cost at 31 December</b>	<u>69.341</u>	<u>69.341</u>
Adjustments at 1 January	-109.383	-98.000
Fair value adjustments after tax of forward exchange contracts	-9.235	-3.084
Exchange rate adjustments on translation of foreign entities	-164	41
Share of profit/loss for the year	<u>-38.753</u>	<u>-8.340</u>
<b>Adjustments at 31 December</b>	<u>-157.535</u>	<u>-109.383</u>
<b>CARRYING AMOUNT AT 31 DECEMBER</b>	<u><u>-88.194</u></u>	<u><u>-40.042</u></u>

Investments in group enterprises are recognised in the balance sheet in the following items:

Investments in group enterprises recognised in investments	0
Investments with negative net asset value transferred to provisions	<u>-88.194</u>
	<u><u>-88.194</u></u>

<u>Name and reg. office</u>	Voting rights and <u>equity interest</u>	<u>Result</u>	<u>Equity</u>
Holdingselskabet af 24. februar 2006 A/S, Brande, Denmark	100%	-38.753	-88.194

**NOTES**  
DKK'000

	<b>Parent company</b>	
	<u>2020</u>	<u>2019</u>
<b>6 DEFERRED TAX ASSETS</b>		
Balance at 1 January	369	0
Adjustment for the year, income statement	-369	369
<b>BALANCE AT 31 DECEMBER</b>	<u>0</u>	<u>369</u>
<b>7 OTHER PROVISIONS</b>		
Provisions relating to investments in group enterprises:		
Amounts owed by group enterprises	-22.293	-20.313
Investments with negative net asset value transferred to provisions	88.194	40.042
	<u>65.901</u>	<u>19.729</u>
<b>8 LONG-TERM LIABILITIES</b>		
Long-term liabilities falling due for payment 5 years after the end of the financial year	<u>450</u>	<u>0</u>
Long-term liabilities comprise amounts owed to group companies and shareholders.		

**9 CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES**

**Contingent liabilities**

The parent company has provided guarantees for the Group's overdraft.

The parent company functions as administrative company for the jointly taxed group companies and has joint and several liability for the taxes relating to the joint taxation.

**10 MORTGAGES AND SECURITY**

The shares in Holdingselskabet af 24.februar 2006 A/S have been provided as security for the Group's overdrafts.

**11 CONTINUED OPERATIONS**

In 2020 some government support programs have been booked, both domestic and foreign, but they were not sufficient to offset the impact of COVID-19. As a result cash flow came in short of plans. To mitigate the cash impact from COVID-19 a loan of DKK 35 million was granted by the bank and secured by a guarantee from EKF. End 2020 we had utilised DKK 9 million of the loan, ending up with a positive cash flow for the year 2020 of DKK 26 million.

In normal course of business, process has started with the bank in June 2021 to renegotiate and extend the bank facility agreement, which has a planned expiry date of end September 2021.

We expect the bank facility agreement to be agreed and extended past 2021 so the overall bank facility is ensured throughout the year. The bank agreement has a number of covenants, which must be continuously fulfilled. No breach of the renegotiated covenants is expected in 2021.

Management has chosen to present the accounts on the assumption of going concern.

## NOTES

### 12 RELATED PARTY TRANSACTIONS

Watermill ApS has registered the following shareholders holding 5% or more of the share capital:

Grow Capital Global Holdings Pte. Ltd., 17 Phillip Street # 05-01, Grand Building, 048695 Singapore

JR Invest Holding 2019 ApS, Enggårdstøften 121, DK-7120 Vejle Øst

Related parties with significant influence comprise group companies and the parent company's Executive Board. Related party transactions are conducted under normal market conditions.

### 13 CASH FLOW STATEMENT

For information on cash flows please see the consolidated financial statements.