

DK-Konfektur K/S

Lyskær 7, 2730 Herlev

CVR no. 36 07 11 68

Annual report 2019

Approved at the Company's annual general meeting on 3 February 2020

Chairman:


.....
Dan Kongsted



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Statement by the Executive Board

Today, the Management has discussed and approved the annual report of DK-Konfektur K/S for the financial year 1 January - 31 December 2019.

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

In my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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

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

Herlev, 3 February 2020
Executive Board:

A handwritten signature in blue ink, appearing to be 'Dan Kongsted', is written over a horizontal dotted line.

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Dan Kongsted

Independent auditor's report

To the limited partners of DK-Konfektur K/S

Opinion

We have audited the financial statements of DK-Konfektur K/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 as to 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 the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 3 February 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Jesper Jørn Pedersen
State Authorised Public Accountant
mne21326



Kim Thomsen
State Authorised Public Accountant
mne26736

Management's review

Company details

| | |
|----------------------------|---|
| Name | DK-Konfektur K/S |
| Address, Postal code, City | Lyskær 7, 2730 Herlev |
| CVR no. | 36 07 11 68 |
| Registered office | Herlev |
| Financial year | 1 January - 31 December |
| Executive Board | Dan Kongsted |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark |

Management's review

Business review

The principal activities of the Company is to secure the route to market for leading international confectionery brands in the Danish retail market, and to secure long-term organic growth for each of the 4 brands that are part of the Company's product portfolio.

Financial review

The income statement for 2019 shows a profit of DKK 4,612,162 against a profit of DKK 4,277,839 last year, and the balance sheet at 31 December 2019 shows equity of DKK 4,985,081.

Management considers the Company's financial performance in the year satisfying.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

| Note | DKK | <u>2019</u> | <u>2018</u> |
|------|---|-------------------------|-------------------------|
| | Gross profit | 18,187,416 | 18,930,552 |
| 2 | Staff costs | -13,529,534 | -14,252,349 |
| | Depreciation of property, plant and equipment | -40,540 | -389,625 |
| | Profit before net financials | <u>4,617,342</u> | <u>4,288,578</u> |
| 3 | Financial income | 40,534 | 0 |
| 4 | Financial expenses | -45,714 | -10,739 |
| | Profit for the year | <u><u>4,612,162</u></u> | <u><u>4,277,839</u></u> |
| | Recommended appropriation of profit | | |
| | Retained earnings | <u>4,612,162</u> | <u>4,277,839</u> |
| | | <u><u>4,612,162</u></u> | <u><u>4,277,839</u></u> |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK | 2019 | 2018 |
|------|--|-------------------|-------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 5 | Property, plant and equipment | | |
| | Fixtures and fittings, tools and equipment | 91,775 | 33,119 |
| | | <u>91,775</u> | <u>33,119</u> |
| | Total fixed assets | <u>91,775</u> | <u>33,119</u> |
| | Non-fixed assets | | |
| | Inventories | | |
| | Finished goods and goods for resale | 11,181,108 | 9,937,132 |
| | | <u>11,181,108</u> | <u>9,937,132</u> |
| | Receivables | | |
| | Trade receivables | 14,007,000 | 21,887,027 |
| | Other receivables | 0 | 255,924 |
| | Prepayments | 1,180,720 | 448,474 |
| | | <u>15,187,720</u> | <u>22,591,425</u> |
| | Cash | <u>9,816,328</u> | <u>9,997,492</u> |
| | Total non-fixed assets | <u>36,185,156</u> | <u>42,526,049</u> |
| | TOTAL ASSETS | <u>36,276,931</u> | <u>42,559,168</u> |
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| | Capital accounts | 372,919 | 372,919 |
| | Private accounts | 4,612,162 | 4,277,839 |
| | Total equity | <u>4,985,081</u> | <u>4,650,758</u> |
| | Liabilities other than provisions | | |
| | Current liabilities other than provisions | | |
| | Trade payables | 3,426,801 | 3,109,319 |
| | Payables to shareholders | 12,455,880 | 13,178,885 |
| | Other payables | 6,522,643 | 8,590,270 |
| | Duties payable | 8,886,526 | 13,029,936 |
| | | <u>31,291,850</u> | <u>37,908,410</u> |
| | Total liabilities other than provisions | <u>31,291,850</u> | <u>37,908,410</u> |
| | TOTAL EQUITY AND LIABILITIES | <u>36,276,931</u> | <u>42,559,168</u> |

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties

Financial statements 1 January - 31 December**Statement of changes in equity**

| DKK | <u>Capital accounts</u> | <u>Private accounts</u> | <u>Total</u> |
|--|-------------------------|-------------------------|------------------|
| Equity at 1 January 2019 | 372,919 | 4,277,839 | 4,650,758 |
| Transfer through appropriation of profit | 0 | 4,612,162 | 4,612,162 |
| Paid out | 0 | -4,277,839 | -4,277,839 |
| Equity at 31 December 2019 | <u>372,919</u> | <u>4,612,162</u> | <u>4,985,081</u> |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of DK-Konfektur K/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

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

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods, comprising sale of confectionery in Denmark, is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

To the extent that customers are offered a right of return in connection with the sale, revenue corresponding to the Company's experience with returns is recognised. In cases where the Company has no experience from similar transactions, no revenue is recognised until the return period has expired.

Gross profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|--|-----------|
| Fixtures and fittings, tools and equipment | 3-5 years |
|--|-----------|

Financial income and expenses

Financial income and expenses comprise losses on transactions in foreign currencies and interest income and expenses etc.

Tax

The financial statements do not include tax, since the individual limited partners include the results from the limited partnership in their income statements.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

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 net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Liabilities

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

| DKK | 2019 | 2018 |
|--|-------------------|---|
| 2 Staff costs | | |
| Wages/salaries | 12,167,037 | 12,827,332 |
| Pensions | 1,057,802 | 1,064,486 |
| Other social security costs | 147,310 | 114,832 |
| Other staff costs | 157,385 | 245,699 |
| | <u>13,529,534</u> | <u>14,252,349</u> |
| | | |
| Average number of full-time employees | <u>18</u> | <u>19</u> |
| | | |
| 3 Financial income | | |
| Other financial income | 40,534 | 0 |
| | <u>40,534</u> | <u>0</u> |
| | | |
| 4 Financial expenses | | |
| Other financial expenses | 45,714 | 10,739 |
| | <u>45,714</u> | <u>10,739</u> |
| | | |
| 5 Property, plant and equipment | | |
| DKK | | <u>Fixtures and fittings, tools and equipment</u> |
| Cost at 1 January 2019 | | 1,565,964 |
| Additions in the year | | 474,196 |
| Cost at 31 December 2019 | | <u>2,040,160</u> |
| Impairment losses and depreciation at 1 January 2019 | | 1,532,845 |
| Depreciation in the year | | 40,540 |
| Transferred | | 375,000 |
| Impairment losses and depreciation at 31 December 2019 | | <u>1,948,385</u> |
| Carrying amount at 31 December 2019 | | <u>91,775</u> |

Financial statements 1 January - 31 December

Notes to the financial statements

6 Contractual obligations and contingencies, etc.

Other financial obligations

The Company has entered into rent and operating leases totalling DKK 3,140 thousand.

7 Related parties

Ownership

Information on related parties:

| <u>Name</u> | <u>Domicile</u> |
|---|---------------------|
| Administrator Verwaltungsgesellschaft mbH | Waldenbuch, Germany |
| Katjes Fassin GmbH + Co. KG | Emmerich, Germany |
| Dan Kongsted | Køge |