ANNUAL REPORT

2023

LIEWOOD

LIEWOOD A/S

BLEGDAMSVEJ 124 / 2100 COPENHAGEN Ø
CVR NO. 36 97 15 09

The Annual Report was presented and adopted
at the Annual General Meeting of the company

30th of June 2024
Anne Marie Lie Norvig
Chairman of the general meeting

CONTENTS

MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Liewood A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 30 June 2024

Executive Board

Anne Marie Lie Norvig

Board of Directors

Jimmi King Mortensen Chairman	Lars Radoor Sørensen Vice Chairman	Anne Marie Lie Norvig
Bo Boulund Knudsen	Kim Balle	

INDEPENDENT AUDITOR'S REPORT

To the shareholders of LIEWOOD A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Liewood A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

INDEPENDENT AUDITOR'S REPORT

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting etimates 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.

INDEPENDENT AUDITOR'S REPORT

Hellerup, 30 June 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

COMPANY INFORMATION

The Company	LIEWOOD A/S Blegdamsvej 124 DK-2100 Copenhagen Ø CVR No: 36 97 15 09 Financial period: 1 January - 31 December Financial year: 8th financial year Municipality of reg. office: Copenhagen
Board of Directors	Jimmi King Mortensen, chairman Lars Radoor Sørensen, vice chairman Anne Marie Lie Norvig Bo Boulund Knudsen Kim Balle
Executive board	Anne Marie Lie Norvig
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

FINANCIAL HIGHLIGHTS

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

DKK in thousands.	2023	2022	2021	2020	2019
KEY FIGURES					
Profit/loss					
Revenue	332,083	383,011	365,943	193,850	95,491
Gross profit	71,924	106,398	130,543	73,816	27,485
Profit/loss before of primary operations	-17,878	27,670	86,271	50,811	16,575
Profit/loss of financial income and expenses	-5,501	-12,708	-3,627	293	-767
Net profit/loss for the year	-18,077	11,377	64,208	39,799	12,300
Balance sheet					
Balance sheet total	208,846	221,357	190,652	80,762	27,381
Investment in property, plant and equipment	2,860	12,205	5,469	2,233	504
Equity	43,490	60,816	85,729	45,005	12,309
Number of employees	105	102	64	31	19
Ratios					
Gross margin	21.7%	27.8%	35.7%	38.1%	28.8%
Profit margin	-5.4%	7.2%	23.6%	26.2%	17.4%
Return on assets	-8.6%	12.5%	45.3%	62.9%	60.5%
Solvency ratio	20.8%	27.5%	45.0%	55.7%	45.0%
Return on equity	-34.7%	15.5%	98.2%	138.9%	150.7%

The Financial Ratios have been calculated as described in Accounting Policies.

MANAGEMENT REPORT

With a philosophy of creating fun, functional, and conscious choices, LIEWOOD is made for children to be loved by parents.

In our work with designing and producing toys, interiors, nursery, apparel, accessories, and footwear for children we keep our strong values as our guideline in our everyday work - making durable safe products in a timeless design for the contemporary family.

A strong position in a challenging market
At LIEWOOD, we have experienced strong growth over the past years. A development we are very thankful for and proud of.

2023 has been both a developing and challenging year. While we expected to grow further, macro developments caused that we did not meet our financial expectations. Therefore, the financial result for 2023 is not satisfactory to the management, despite having achieved a continued high revenue of 332 million DKK.

We have achieved significant growth in our direct-to-consumer channel despite an overall decline in commercial activities in 2023. This underlines the continued high level of trust that consumers place in LIEWOOD and our brand. It reflects the enduring appeal and reputation we have built, highlighting the strong connection and loyalty that end-consumers have towards our products and values.

But operating in a changing market that faces financial difficulties and has a strong competition on pricing is challenging. It has resulted in a natural reluctance among retailers. And like many colleagues in the industry, we experienced a lower demand due to a changed consumer behaviour and a decreasing costumer confidence globally due to economic uncertainty.

While the organization was geared for a higher growth, this resulted in a too high cost base which is reflected in the results for 2023. This, alongside higher prices on raw materials, high inflation, and higher freight rates, resulted in lower margins and net profit compared to previous years.

In 2023, we have made great investments into the future: we have invested in the relocation of our distribution centre to Poland in late 2023 and a new ERP-system, which will further contribute to ensuring operational efficiency and the company's future growth. Finally, we have invested in a new and improved B2B shop platform. These investments have been resource demanding and capex investments are reflected in the net profit.

In addition, following the COVID-19 pandemic, both LIEWOOD and retailers are facing challenges with excessive inventory. Consequently, it was necessary to trim the balance sheet and sell out aging stock at lower margins. This exercise has had a significant negative impact on the result for 2023.

The income statement shows a profit of -18 million DKK, and as of December 31, 2023, the balance sheet shows a positive equity of 43.5 million DKK.

MANAGEMENT REPORT

Sticking to the course by strengthening the financial position
As a response to the current challenges, we have recalibrated our strategy and financial objectives for LIEWOOD towards 2028. We expect a greater gross profit in 2024 and improvements to networking capital.

With a focus on continuing to strengthen our market presence, the past year has been prioritized to stabilize and invest in our core business; building a solid platform for the years to come.

Additionally, we have strengthened the board and leadership team and made significant developments to our corporate leadership and strategic direction, as part of our journey of strategic realignment. This is not to change the core of LIEWOOD but to ensure the best journey for LIEWOOD going forth. We are proud of our vision and our values, and we remain in a strong position across markets, and we aim for growth in our key markets in the time to come.

Making thoughtful choices on behalf of the future
At LIEWOOD, we dedicate ourselves to creating high-quality products for families and children across the world. We believe in being thoughtful and making responsible and conscious choices when creating safe and long-lasting products offering sustainable advantages to the consumer.
Therefore, we use sustainable materials like organic cotton, recycled polyester, nylon, and plastic and other sustainable materials, as well as mono materials for a large part of textile production, for easier recycling. The focus is continuously on sourcing responsible materials and suppliers.

To ensure that all materials used in the supply chain meet the REACH standards and EU regulations, LIEWOOD has an internal RSL (Restricted Substances List). The Code of Conduct and Supplier Manual is updated twice a year to make sure LIEWOOD follows the updated requirements. To structure and focus our efforts, we have adopted a systematic approach based on GOTS and GRS goals and we continue to expand and follow GOTS certification requirements in our growing supply chain.

In addition, LIEWOOD has an Internal Compliance Team to ensure all products are being tested for both safety and hazardous chemicals. All the production goes through rigid QC inspections from our partners.

Global standards as a driving force in production
LIEWOOD has decided to align with the ten fundamental principles of the United Nations Global Compact for Corporate Social Responsibility. We are committed to integrating these principles into our strategy and corporate culture, with a specific focus on human rights, labour rights, environmental preservation, and anti-corruption measures. For the upcoming years, we have planned to perform materiality assessment for materials within our value chain covering the areas of environment, human rights, and corruption, among others.

MANAGEMENT REPORT

The value chain including raw materials through processing, transport, and the final presentation of our products to end customers involves multiple stages, each with potential risks to people and the environment. Consequently, we consider it our duty to enhance our understanding of this process and continually improve transparency. Simultaneously, we strive to simplify and promote transparency for end customers, empowering them to make informed and responsible choices.

Engaged employees as a core value

Our people are our most valuable asset and crucial for the future success of our company, as we depend on their knowledge and expertise. As a result, LIEWOOD's Working Committee has been established to ensure that the organization focuses on maintaining a safe and healthy work environment. The committee conducts regular employee surveys to ensure a proper work environment. The employee survey for 2023 was satisfactory.

At LIEWOOD we believe we can enact change and positively impact our stakeholders. We are committed to being a responsible business and respecting fundamental human rights throughout our value chain – from our HQ in Copenhagen and through operations and those of external stakeholders. We respect and uphold all human rights stated in the International Bill of Human Rights, including the labour rights expressed by the International Labor Organization (ILO), and recognize the "protect, respect, and remedy" framework outlined by the UN Guiding Principles on Business and Human Rights. Likewise, we also have a zero-tolerance policy for corruption and bribery.

Financial Risks

Production and procurement take place outside of Denmark, and a considerable part of the revenue is earned outside Denmark and settled in currencies other than DKK. This exposes LIEWOOD to continued fluctuations in exchange rates that affect both earnings and cash flows. To minimize risks, the company conducts ongoing hedging. However, the USD had a negative impact on the annual result. LIEWOOD only hedges cash flows and not speculative transactions.

Future Expectations

LIEWOOD aims to continue its positive development, offering a core range of products to customers, strengthening the corporation with existing customers and continuing the growth within its own direct-to-consumer channel. Based on the current economic outlook and consumer behaviour trends, we project that 2024 will mirror the challenges experienced in 2023. Specifically, we anticipate stagnant revenue growth with a slight downturn in commercial activities. In response, we have continued our focus on cost optimization and COGS reduction with the aim of achieving an EBITDA margin of +8 % and realizing an improved gross profit by the end of 2024. Consequently, we expect our EBIDTA for 2024 to be between 20 – 25 million DKK. Additionally, we will consolidate our operating platform and resources to scale our digital business model further in 2025.

Subsequent events

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

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Note	DKK	2023	2022
	Revenue	332,082,508	383,010,934
	Work on own account recognised in assets	0	3,542,293
	Cost of goods sold	-202,050,745	-229,065,870
	Other external expenses	-58,108,121	-51,088,924
	Gross profit	**71,923,642**	**106,398,433**
1	Staff expenses	-75,372,452	-70,694,844
2	Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	-14,429,098	-8,033,501
	Profit/loss before financial income and expenses	**-17,877,908**	**27,670,088**
	Income from investments in subsidiaries	1,073,279	-1,065,777
3	Financial income	1,962,243	57,206
4	Financial expenses	-8,536,848	-11,699,694
	Profit/loss before tax	**-23,379,234**	**14,961,823**
5	Tax on profit/loss for the year	5,301,973	-3,584,833
6	**Net profit/loss for the year**	**-18,077,261**	**11,376,990**

BALANCE SHEET 31 DECEMBER

ASSETS

Note	DKK	2023	2022
	Completed development projects	16,203,788	18,279,806
	Acquired trademarks	979,277	1,113,412
7	**Intangible assets**	**17,183,065**	**19,393,218**
	Other fixtures and fittings, tools and equipment	11,691,527	14,864,463
	Leasehold improvements	969,844	1,731,443
8	**Property, plant and equipment**	**12,660,371**	**16,595,906**
9	Investments in subsidiaries	0	0
10	Deposits	364,173	323,755
	Fixed asset investments	**364,173**	**323,755**
	Fixed assets	**30,207,609**	**36,312,879**
	Finished goods and goods for resale	63,626,249	94,430,358
	Prepayments for goods	27,159,924	34,003,782
	Inventories	**90,786,173**	**128,434,140**
	Trade receivables	22,852,648	36,061,510
	Receivables from group enterprises	46,715,227	7,344,049
	Other receivables	3,973,113	2,668,720
11	Deferred tax asset	804,230	0
	Corporation tax receivable from group enterprises	1,149,476	2,504,000
12	Prepayments	1,923,927	4,589,939
	Receivables	**77,418,621**	**53,168,218**
	Cash at bank and in hand	**10,433,324**	**3,442,115**
	Current assets	**178,638,118**	**185,044,473**
	Assets	**208,845,727**	**221,357,352**

BALANCE SHEET 31 DECEMBER

LIABILITIES AND EQUITY

Note	DKK	2023	2022
	Share capital	400,000	400,000
	Reserve for development costs	12,638,954	14,258,248
	Reserve for hedging transactions	-162,615	-878,540
	Reserve for exchange rate conversion	35,863	0
	Retained earnings	30,578,008	47,035,974
	Equity	**43,490,210**	**60,815,682**
11	Provision for deferred tax	0	4,146,341
	Provisions relating to investments in group enterprises	196,833	1,604,158
	Provisions	**196,833**	**5,750,499**
	Credit institutions	108,616,744	79,060,183
	Trade payables	21,545,144	32,414,691
	Payables to group enterprises	21,425,370	23,103,490
	Other payables	13,571,376	20,212,807
	Short-term debt	**165,158,634**	**154,791,171**
	Debt	**165,158,634**	**154,791,171**
	Liabilities and equity	**208,845,727**	**221,357,352**

13 Contingent assets, liabilities and other financial obligations
14 Related parties
15 Subsequent events
16 Accounting Policies

STATEMENT OF CHANGES IN EQUITY

DKK	Share capital	Reserve for development costs	Reserve for hedging transactions	Reserve for exchange rate conversion	Retained earnings	Total
Equity at 1 January	400,000	14,258,249	-878,540	0	47,035,974	60,815,683
Exchange adjustments	0	0	0	35,863	0	35,863
Fair value adjustment of hedging instruments, end of year	0	0	917,851	0	0	917,851
Tax on adjustment of hedging instruments for the year	0	0	-201,926	0	0	-201,926
Development costs for the year	0	4,230,062	0	0	-4,230,062	0
Depreciation, amortisation and impairment for the year	0	-5,849,357	0	0	5,849,357	0
Net profit/loss for the year	0	0	0	0	-18,007,261	-18,077,261
Equity at 31 December	**400,000**	**12,638,954**	**-162,615**	**35,863**	**30,578,008**	**43,490,210**

NOTES TO THE FINANCIAL STATEMENTS

	DKK	2023	2022
1.	**STAFF EXPENSES**		
	Wages and salaries	66,782,219	63,722,802
	Pensions	7,665,944	6,305,525
	Other social security expenses	237,886	231,749
	Other staff expenses	686,403	434,768
		75,372,452	**70,694,844**
	Including remuneration to the Executive Board and Board of Directors:		
	Executive board	10,972,760	9,626,351
	Board of directors	0	40,000
		10,972,760	**9,666,351**
	Average number of employees	**105**	**102**
2.	**AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**		
	Amortisation of intangible assets	7,633,310	1,890,315
	Depreciation of property, plant and equipment	6,795,788	6,143,186
		14,429,098	**8,033,501**
3.	**FINANCIAL INCOME**		
	Interest received from group enterprises	1,962,243	55,648
	Other financial income	0	1,558
		1,962,243	**57,206**
4.	**FINANCIAL EXPENSES**		
	Interest paid to group enterprises	865,880	96,487
	Other financial expenses	6,474,964	3,022,348
	Exchange adjustments, expenses	1,196,004	8,580,859
		8,536,848	**11,699,694**

NOTES TO THE FINANCIAL STATEMENTS

DKK	2023	2022
5. INCOME TAX EXPENSE		
Current tax for the year	-149,476	0
Deferred tax for the year	-4,950,571	3,220,957
	-5,100,047	**3,220,957**
Thus distributed:		
Income tax expense	-5,301,973	3,584,833
Tax on equity movements	201,926	-363,876
	-5,100,047	**3,220,957**
6. PROFIT ALLOCATION		
Retained earnings	-18,077,261	11,376,990
	-18,077,261	**11,376,990**

7. INTANGIBLE FIXED ASSETS

	Completed Development projects	Acquired trademarks
Cost at 1 January	20,164,957	1,198,420
Additions for the year	5,423,157	0
Cost at 31 December	25,588,114	1,198,420
Impairment losses and amortisation at 1 January	1,885,151	85,008
Amortisation for the year	7,499,175	134,135
Impairment losses and amortisation at 31 December	9,384,326	219,143
Carrying amount at 31 December	**16,203,788**	**979,277**

LIEWOOD'S development projects consist of development, improvement and upgrading of the Company's Webshop for the B2B-segment and Enterprise Resource Planning system. The development, improvements and upgrading are completed on an ongoing basis and are ready for use upon completion. The software platforms forms the basis of a large part of the Company's existing business. The improvements and upgrading is expected to have lives of three years which are considered to reflect the useful lives. The projects are progressing according to plan through the use of the resources allocated by Management to the development.

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT

	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January	21,590,053	2,777,236
Additions for the year	2,847,772	12,481
Cost at 31 December	24,437,825	2,789,717
Impairment losses and depreciation at 1 January	6,725,590	1,045,793
Depreciation for the year	6,020,708	775,080
Impairment losses and depreciation at 31 December	12,746,298	1,820,873
Carrying amount at 31 December	**11,691,527**	**968,844**

DKK	2023	2022
9. INVESTMENTS IN SUBSIDIARIES		
Cost at 1 January	186,992	186,992
Additions for the year	298,132	0
Cost at 31 December	485,124	186,992
Value adjustments at 1 January	-1,791,150	-725,373
Exchange adjustment	35,863	0
Net profit/loss for the year	1,073,280	-1,065,777
Value adjustments at 31 December	-682,007	-1,791,150
Equity investments with negative net asset value transferred to provisions	196,883	1,604,158
Carrying amount at 31 December	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS

DKK	Deposits
10. OTHER FIXED ASSET INVESTMENTS	
Cost at 1 January	323,755
Additions for the year	40,418
Cost at 31 December	364,173
Carrying amount at 31 December	**364,173**

DKK	2023	2022
11. DEFERRED TAX ASSET		
Deferred tax asset at 1 January	-4,146,341	-43,951
Amounts recognised in the income statement for the year	3,542,293	969,335
Amounts recognised in equity for the year	1,408,278	-5,071,725
Deferred tax asset at 31 December	**804,230**	**-4,146,341**

12. **PREPAYMENTS**

Prepayments under assets are made up of prepaid costs relating to rent, insurance premiums and subscriptions.

NOTES TO THE FINANCIAL STATEMENTS

DKK	2023	2022

13. CONTINGENT ASSETS, LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Charges and security

The following assets have been placed as security with bankers:

Other fixtures and fittings, tools and equipment	11,691,527	14,864,463
Completed development projects and acquired trademarks	17,183,065	19,393,218
Leasehold improvements	968,844	1,731,443
Inventories	86,628,136	126,176,692
Trade receivables	22,852,648	36,061,510

The security with bankers comprise of a business mortgage kDKK 60,000, providing security for bank loans in kDKK 108,617.

Rental and lease obligations

The company has entered into operational leases. The leases have up to 11 months to maturity and total outstanding lease payments total kDKK 188.

The company has entered into a lease on premises. This contracts are non cancellable until 1 June 2028. The annual rent amounts to kDKK 12,782. The total outstanding lease payments is kDKK 56.098.

Other contingent liabilities

The Company has issued a letter of financial support to the subsidiaries Liewood GmbH and Liewood UK Limited to cover negative equity balances.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Lie ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

NOTES TO THE FINANCIAL STATEMENTS

14. RELATED PARTIES AND DISCLOSURE OF CONSOLIDATED FINANCIAL STATEMENTS

Controlling interest	Basis
Lie ApS	Majority shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

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

Name	Place of registered office
Lie ApS	Copenhagen

The Group Annual Report of Lie ApS may be obtained at the following address:
Lie ApS
Blegdamsvej 124
2100 Copenhagen Ø

15. SUBSEQUENT EVENTS

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

NOTES TO THE FINANCIAL STATEMENTS

16. ACCOUNTING POLICIES

The Annual Report of Liewood A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

Adjustment of comparative figures

Certain reclassifications have been made in the balance sheet for the Company. Comparative and key figures have been adjusted accordingly.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Lie ApS, the Company has not prepared consolidated financial statements.

With reference to the exemption in section 96(3) of the Danish Financial Statements Act and to the notes regarding fee to auditors appointed at the general meeting included in the Consolidated Financial Statements of Lie ApS, the Company has excluded the information in the Financial Statement.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Lie ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

INCOME STATEMENT

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of goods sold

Cost of goods sold comprise the purchase price etc. for goods sold in the year.

Other external expenses

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity’s employees. The item is net of refunds made by public authorities.

NOTES TO THE FINANCIAL STATEMENTS

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

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

Financial income and expenses
Financial income and expenses comprise interest, realised and unrealised exchange adjustments, well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year
Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

NOTES TO THE FINANCIAL STATEMENTS

BALANCE SHEET

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

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

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

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-4 year.

Other intangible fixed assets

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

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 10 years.

NOTES TO THE FINANCIAL STATEMENTS

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Other fixtures and fittings, tools and equipment	3 - 8 years
Leasehold improvements	3 - 8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets
The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Other fixed asset investments
Other fixed asset investments consist of deposits.

Inventories
Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and goods for resale equals landed cost.

Receivables
Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

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

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

Deferred tax assets and liabilities
Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities
Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

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

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

FINANCIAL HIGHLIGHTS
Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity