ANNUAL REPORT

LIEWOOD A/S

Blegdamsvej 124 // 2100 Copenhagen Ø // Company reg. no. 36 97 15 09

1 January - 31 December 2021

The annual report was submitted and
approved by the general meeting on the

Chairman of the meeting
Anne Marie Lie Norvig

LIEWOOD

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Notes:

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

MANAGEMENT'S STATEMENT

Today, the Board of Directors and the Executive Board have approved the annual report of Liewood A/S for the financial year 1 January - 31 December 2021.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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

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

Copenhagen, 9 February 2022

Executive board

Anne Marie Lie Norvig

Mikkel Berg Kjærsgaard

Board of directors

Kent Ernst Hansen

Marianne Kolenda Kruse

Anne Marie Lie Norvig

Flemming Riber

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Liewood A/S

Opinion

We have audited the financial statements of Liewood A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies,, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review
anagement is responsible for Managementís Review.

Our opinion on the financial statements does not cover Managementís Review, and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR’S REPORT

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

Based on the work we have performed, we conclude that Managementís 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 Managementís Review.

DK-8960 Randers SØ, 9 February 2022

Kvist & Jensen
Kvist & Jensen State Authorized Public Accountants
Company reg. no. 36 71 77 85

Finn J. Vammen
State Authorised Public Accountant
mne19677

COMPANY INFORMATION

The company	Liewood A/S Blegdamsvej 124 2100 Copenhagen Ø Company reg. no.: 36 97 15 09 Domicile: Copenhagen Financial year: 1 January - 31 December 6th financial year
Board of directors	Kent Ernst Hansen Marianne Kolenda Kruse Anne Marie Lie Norvig Flemming Riber
Executive board	Anne Marie Lie Norvig Mikkel Berg Kjærsgaard
Auditors	Kvist & Jensen Statsautoriseret Revisionspartnerselskab
Bankers	Jyske Bank
Parent company	Lie ApS
Subsidiaries	Liewood GmbH, Germany Liewood UK Limited, United Kingdom

FINANCIAL HIGHLIGHTS

DKK in thousands.	2021	2020	2019	2018	2017
Income statement:					
Revenue	354.950	193.850	95.491	40.886	18.321
Gross profit	130.543	73.816	27.485	13.738	6.094
Profit from operating activities	86.271	50.811	16.575	4.101	841
Net financials	-3.627	293	-767	-412	-112
Net profit or loss for the year	64.208	39.799	12.300	2.852	545
Statement of financial position:					
Balance sheet total	190.113	80.762	27.381	12.847	7.914
Investments in property, plant and equipment	5.469	2.233	504	420	498
Equity	85.729	45.005	12.309	4.010	1.158
Employees:					
Average number of full time employees	64	31	19	15	11
Key figures in %:					
Gross margin ratio	36,8	38,1	28,8	33,6	33,3
Profit margin (EBIT-margin)	24,3	26,2	17,4	10,0	4,6
Acid test ratio	174,3	217,7	171,8	134,7	137,0
Solvency ratio	45,1	55,7	45,0	31,2	14,6
Return on equity	98,2	138,9	150,7	110,4	94,1

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

MANAGEMENT'S REVIEW

The principal activities of the company
LIEWOOD designs, develops, produces, markets and sells interiors, toys, accessories, clothing, shoes, and lifestyle products to children as well as other related activity at the discretion of the Executive Board.

Development in activities and financial matters
LIEWOOD continues its growth and prepares for global transformation with a very satisfying result for 2021, where revenue has once again almost doubled, while the company has invested heavily in new hires and new headquarter in central Copenhagen.

The gross profit for the year is 130 mDKK against 74 mDKK last year. The ordinary result after tax amounts to 64 mDKK against 40 mDKK last year.

Revenue from LIEWOOD's own B2C channel has grown by 100% and total revenue by more than 84% compared to the previous year. Revenue growth is distributed primarily in the European markets, but especially from DACH where the growth has been more than 105%. In 2021, the customer base has grown by more than 40% compared to 2020.

LIEWOOD's continued growth is based on the company's unique brand position and follows the business plan and strategy, where annual growth must contribute to positioning LIEWOOD as a global lifestyle brand for children.

Anne Marie Lie Norvig founded LIEWOOD in 2015 and since then the lifestyle brand for children has doubled its turnover every year, while the number of employees has gone from 0 to about 100. The company has developed from being a startup into a Danish company with international sales.
LIEWOOD has succeeded in hiring passionated and specialized employees who are ambitious and driven to achieve something great. This will also be needed in the future, where the next step is about the transformation into a global company with Danish roots.

In addition to growth, the year 2021 also marked a number of positive events for LIEWOOD. The company was named a Gazelle by Danish newspaper Børsen, just as the founder, CEO and Creative Director of LIEWOOD, Anne Marie Lie Norvig, was named Owner Manager of the Year in the Capital Region by PwC in collaboration with Nykredit and Dansk Erhverv. In addition, the Danish headquarter recently moved into a new location on Blegdamsvej in Copenhagen, in order to accommodate the rapidly growing amount of employees and provide the right conditions for the company's continued positive development.

Above all, the year 2021 was a year that tested and proved the quality of LIEWOOD's organization and culture. The changing market conditions and working conditions of the Corona pandemic have required new workflows in the entire organization. The creative process within a design company is largely a team task, and so it has been challenging for employees, due to Corona restrictions and safety measures, to work separately for large parts of the year.

MANAGEMENT'S REVIEW

In connection to this, it has been uplifting to experience the company's spirit, unity and culture breaking through in the way in which challenges have been met. Furthermore, in a market that was generally challenged in 2021 in light of the Corona pandemic's abrupt market and supply chain influence and shutdown, it is extremely satisfying that LIEWOOD can report continued and strengthened growth.

Environmental Conditions
The company's growth entails a greater responsibility to run the business in a sustainable way.

LIEWOOD uses sustainable materials like organic cotton, recycled polyester, nylon and plastic, certified wood, bamboo etc. in the production, as well as mono-materials for a large part of the textile production. The focus is continuously on sourcing new and responsible materials and suppliers.

To secure 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 follow the updated requirements.

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

Branches abroad
LIEWOOD has established a foreign branch in the United Kingdom and in Germany.

Future Expectations
LIEWOOD's ambitions for the future include continued growth. While 15% of the revenue comes from Scandinavia, the remaining 85% comes primarily from Europe. It also means that global markets are ahead. LIEWOOD expects to move into the Asian and American markets within a reasonable time horizon.

Financial Risks
Production and purchases are made outside Denmark and a significant part of the turnover is outside Denmark and settled in currencies other than DKK. LIEWOOD is thus exposed to ongoing fluctuations in exchange rates, which has an impact on both earnings and cash flows. Hedging is carried out on an ongoing basis to minimize risks. The USD in particular has had a negative effect on the result for the year. Only cash flows are hedged and not speculative.

Events after Balancing Act
After the balance sheet date, no circumstances have arisen which upset the assessment of the annual report.

INCOME STATEMENT
1 JANUARY - 31 DECEMBER

All amounts in DKK.

Note		2021	2020
	Revenue	354.950.297	193.850.439
	Costs of raw materials and consumables	-185.340.475	-104.076.976
	Other external costs	-39.067.303	-15.957.653
	Gross profit	**130.542.519**	**73.815.810**
1	Staff costs	-43.178.794	-22.394.248
	Depreciation, amortisation, and impairment	-980.485	-610.276
	Other operating expenses	-112.255	0
	Operating profit	**86.270.985**	**50.811.286**
	Income from equity investments in group enterprises	-725.373	0
	Other financial income	0	411.580
	Other financial expenses	-2.901.817	-118.250
	Pre-tax net profit or loss	**82.643.795**	**51.104.616**
	Tax on net profit or loss for the year	-18.435.318	-11.305.349
2	**Net profit or loss for the year**	**64.208.477**	**39.799.267**

BALANCE SHEET AT 31 DECEMBER

All amounts in DKK.

Note	Assets	2021	2020
	Non current assets		
3	Acquired concessions, patents, licenses, trademarks, and similar rights	2.623.241	0
	Total intangible assets	2.623.241	0
4	Other fixtures and fittings, tools and equipment	5.253.280	1.813.711
5	Leasehold improvements	1.549.821	532.822
	Total property, plant, and equipment	6.803.101	2.346.533
6	Investments in subsidiaries	0	0
7	Deposits	313.720	575.450
	Total investments	313.720	575.450
	Total non current assets	**9.740.062**	**2.921.983**
	Current assets		
	Raw materials and consumables	100.956.533	43.159.990
	Work in progress	3.730.593	2.021.390
	Total inventories	104.687.126	45.181.380
	Trade receivables	44.139.568	15.324.719
	Receivables from subsidiaries	85.476	0
	Deferred tax assets	0	43.951
	Other receivables	5.449.327	2.660.739
8	Prepayments	22.860.237	9.138.105
	Total receivables	72.534.608	27.167.514
	Cash and cash equivalents	3.151.406	5.491.455
	Total current assets	**180.373.140**	**77.840.349**
	Total assets	**190.113.202**	**80.762.332**

BALANCE SHEET AT 31 DECEMBER

All amounts in DKK.

Equity and liabilities

Note		2021	2020
	Equity		
	Contributed capital	400.000	400.000
	Reserve for hedging transactions	411.565	-1.103.586
	Retained earnings	49.917.232	20.708.755
	Proposed dividend for the financial year	35.000.000	25.000.000
	Total equity	**85.728.797**	**45.005.169**
	Provisions		
9	Provisions for deferred tax	925.384	0
	Total provisions	**925.384**	**0**
	Long term labilities other than provisions		
	Bank loans	41.297.844	8.373.445
	Trade payables	27.682.051	5.761.950
	Payables to group enterprises	1.016.321	972.185
	Income tax payable to group enterprises	17.218.534	8.466.692
	Other payables	16.244.271	12.182.891
	Total short term liabilities other than provisions	103.459.021	35.757.163
	Total liabilities other than provisions	**103.459.021**	**35.757.163**
	Total equity and liabilities	**190.113.202**	**80.762.332**

10 **Charges and security**
11 **Contingencies**
12 **Related parties**

STATEMENT OF CHANGES IN EQUITY

All amounts in DKK.

	Contributed capital	Reserve for hedging transactions	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 January 2021	400.000	-1.103.586	20.708.755	25.000.000	45.005.169
Distributed dividend	0	0	0	-25.000.000	-25.000.000
Retained earnings for the year	0	0	29.208.477	35.000.000	64.208.477
Fair value adjustments of hedging Instruments for the year	0	1.515.151	0	0	1.515.151
	400.000	411.565	49.917.232	35.000.000	85.728.797

NOTES

All amounts in DKK.

		2021	2020
1.	**Staff costs**		
	Salaries and wages	39.028.684	20.498.786
	Pension costs	3.673.282	1.671.226
	Other costs for social security	217.135	115.386
	Other staff costs	259.693	108.850
		43.178.794	**22.394.248**
	Executive board and board of directors	7.738.174	2.359.342
	Average number of employees	64	31
2.	**Proposed appropriation of net profit**		
	Dividend for the financial year	35.000.000	25.000.000
	Transferred to retained earnings	29.208.477	14.799.267
	Total allocations and transfers	**64.208.477**	**39.799.267**

		31/12 2021
3.	**Acquired concessions, patents, licenses, trademarks, and similar rights**	
	Additions during the year	2.703.085
	Cost 31 December 2021	**2.703.085**
	Amortisation and depreciation for the year	-79.844
	Amortisation and writedown 31 December 2021	**-79.844**
	Carrying amount, 31 December 2021	**2.623.241**

NOTES

All amounts in DKK.

		31/12 2021
4.	**Other fixtures and fittings, tools and equipment**	
	Cost 1 January 2021	2.560.475
	Additions during the year	4.169.308
	Disposals during the year	-448.850
	Cost 31 December 2021	**6.280.933**
	Amortisation and writedown 1 January 2021	-746.764
	Amortisation and depreciation for the year	-665.971
	Depreciation, amortisation and impairment loss for the year, assets disposed of	385.082
	Amortisation and writedown 31 December 2021	**-1.027.653**
	Carrying amount, 31 December 2021	**5.253.280**
5.	**Leasehold improvements**	
	Cost 1 January 2021	1.195.226
	Additions during the year	1.300.156
	Disposals during the year	-345.016
	Cost 31 December 2021	**2.150.366**
	Depreciation and writedown 1 January 2021	-662.404
	Amortisation and depreciation for the year	-234.670
	Depreciation, amortisation and impairment loss for the year, assets disposed of	296.529
	Depreciation and writedown 31 December 2021	**-600.545**
	Carrying amount, 31 December 2021	**1.549.821**

NOTES

All amounts in DKK.

		31/12 2021
6.	**Investments in subsidiaries**	
	Cost 1 January 2021	0
	Additions during the year	186.992
	Cost 31 December 2021	**186.992**
	Revaluations, opening balance 1 January 2021	0
	Net profit or loss for the year before amortisation of goodwill	-725.373
	Revaluation 31 December 2021	**-725.373**
	Offset against receiveables	538.381
	Set off against debtors and provisions for liabilities	**538.381**
	Carrying amount, 31 December 2021	**0**

Subsidiaries:	**Domicile**	**Equity interest**
Liewood GmbH	Germany	100 %
Liewood UK Limited	United Kingdom	100 %

7.	**Deposits**	
	Cost 1 January 2021	575.450
	Additions during the year	672.106
	Disposals during the year	-933.836
	Cost 31 December 2021	**313.720**
	Carrying amount, 31 December 2021	**313.720**

8. Prepayments

Prepayments with suppliers.

NOTES

All amounts in DKK.

	31/12 2021	31/12 2020
9. Provisions for deferred taxs		
Provisions for deferred tax 1 January 2021	-43.951	-71.34
Deferred tax of the net profit or loss for the year	969.335	27.389
	925.384	**-43.951**

10. Charges and security

The bank has issued a payment guarantee of TDKK 3.491.

For bank loans, TDKK 41.297, the company has provided security in company assets representing a nominal value of TDKK 40.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	104.687
Trade receivables	44.139
Other fixtures and fittings, tools and equipment	5.253
Leasehold improvements	1.550
Acquired concessions, patents, licenses, trademarks, and similar rights	2.623

11. Contingencies

Contingent liabilities

Lease liabilities

The company has entered into operational leases with an average annual lease payment of TDKK 83. The leases have up to 36 months to maturity and total outstanding lease payments total TDKK 750.

Contingent liabilities

The company has entered into a lease on premises. This contract is non cancellable until 1 February 2027. The annual rent amounts to TDKK 4.638.

The company has entered into a lease in stock. This contract is non cancellable until 31 July 2023.

NOTES

All amounts in DKK.

11. Contingencies (continued)

Joint taxation

With Lie ApS, company reg. no 36996862 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The total tax due in the joint taxation is stated in the parent company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

12. Related parties

Controlling interest

Lie ApS, Blegdamsvej 124, 2100 Copenhagen Ø	Majority shareholder

Consolidated financial statements

The company is included in the consolidated financial statements of Lie ApS, Blegdamsvej 124, 2100 Copenhagen Ø

ACCOUNTING POLICIES

The annual report for Liewood A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, but with reclassifications in the comparative figures. The annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Liewood A/S and its group enterprises are included in the consolidated financial statements for Lie ApS, Copenhagen, CVR nr. 36996862.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Lie ApS.

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

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

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

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

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

INCOME STATEMENT

Revenue
The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

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

ACCOUNTING POLICIES

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

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

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

Depreciation, amortisation, and writedown for impairment
Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Other operating expenses
Other operating expenses comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

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

Results from investments in subsidiaries
After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' post tax profit or loss.

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

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

ACCOUNTING POLICIES

STATEMENT OF FINANCIAL POSITION

Intangible assets

Development projects, patents, and licences

It software are measured at cost less accrued amortisation. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 3 years.

Property, plant, and equipment

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying mount of the asset, depreciation is discontinued.

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

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

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

Depreciation is done on a straight line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-8 years

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

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

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

ACCOUNTING POLICIES

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Leasehold improvements
Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straight-line basis over the estimated useful life of the asset, which is set at 5 years.

Investments
Investments in subsidiaries
Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long term earnings profile.

In relation to material assets and liabilities recognised in subsidiaries but are not represented in the parent, the following accounting policies have been applied.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

ACCOUNTING POLICIES

On the acquisition of enterprises, the acquisition method, the uniting of interests method or the book value method is applied, cf. the above description under Business combinations.

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

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

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

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

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

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

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

Equity
Reserve for hedging transactions
The reserve for hedging transactions arises when hedging instruments are subject to fair value adjustments.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

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

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

ACCOUNTING POLICIES

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as “Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, Liewood A/S is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

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

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

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

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

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