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# ***Pack Tech A/S***

Virkeholm 3B, 2., DK-2730 Herlev

## **Annual Report for 1 July 2020 - 30 June 2021**

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CVR No 37 14 41 18

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
25/11 2021

Peter Skau-Andersen  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Pack Tech A/S for the financial year 1 July 2020 - 30 June 2021.

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 30 June 2021 of the Company and of the results of the Company operations for 2020/21.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Herlev, 25 November 2021

## Executive Board

Søren Kongshøj Marcussen  
CEO

## Board of Directors

Peter Skau-Andersen  
Chairman

Jeppe Holger Hjølund Larsen

Henrik Breck

Christian Loumann Severin

Kristoffer Nilaus Tarp

Thomas Jeffrey Malherbes  
Gullacksen

Jens Høgsted

# Independent Auditor's Report

To the Shareholder of Pack Tech A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Pack Tech A/S for the financial year 1 July 2020 - 30 June 2021, 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## 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.

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 estimates and related disclosures made by Management.

## Independent Auditor's Report

- 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.

Hellerup, 25 November 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Niels Henrik B. Mikkelsen

statsautoriseret revisor

mne16675

Mads Blichfeldt Henriksen

statsautoriseret revisor

mne46065

## **Company Information**

### **The Company**

Pack Tech A/S  
Virkeholm 3B, 2.  
DK-2730 Herlev

CVR No: 37 14 41 18  
Financial period: 1 July - 30 June  
Municipality of reg. office: Herlev

### **Board of Directors**

Peter Skau-Andersen, Chairman  
Jeppe Holger Hjølund Larsen  
Henrik Breck  
Christian Loumann Severin  
Kristoffer Nilas Tarp  
Thomas Jeffrey Malherbes Gullacksen  
Jens Høgsted

### **Executive Board**

Søren Kongshøj Marcussen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2020/21 TDKK	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	125.939	101.412	64.478	63.755	54.823
Operating profit/loss	45.096	38.894	15.181	13.966	10.751
Profit/loss before financial income and expenses	45.096	38.894	15.181	13.966	10.751
Net financials	60	448	385	534	326
Net profit/loss for the year	35.072	30.728	11.782	11.477	8.502
<b>Balance sheet</b>					
Balance sheet total	139.108	101.179	75.982	70.243	62.891
Equity	84.047	64.507	48.646	48.704	36.325
<b>Ratios</b>					
Return on assets	32,4%	38,4%	20,0%	19,9%	17,1%
Solvency ratio	60,4%	63,8%	64,0%	69,3%	57,8%
Return on equity	47,2%	54,3%	24,2%	27,0%	25,7%



# Management's Review

## Key activities

The company's purposes are packaging, trade, industry, publishing and research.

## Development in the year

The income statement of the Company for 2020/21 shows a profit of DKK 35,071,528, and at 30 June 2021 the balance sheet of the Company shows equity of DKK 84,046,800.

The profit shows an increase from last year of DKK 4,343,618, which is considered satisfactory when considering the investments made in the Ocean Waste Plastic (OWP) business, as described later. The increase can be attributed to previous strategy changes to focus on customized solutions and an environmentally friendly focus through the OWP concept. Furthermore, Covid-19 has had an overall positive effect on both sales and earnings in fiscal year 2020/21. Realized profit is slightly below our expectation of a 20% increase as stated in last year's management review. The main driver of ending up below expectations is investments in the OWP business, and profits excluding the investments in OWP would amount to a range between DKK 46.7 and DKK 50.6 million

## Covid-19

Covid-19 has had a huge impact on the company. Not only in terms of sales, but in the entire way of doing business. We believe that we have managed the pandemic well, and we are satisfied with the position we are in.

We have seen the market of packaging for disinfection rising dramatically, while sales of packaging for skin and hair products lost significant pace due to periods of closure of suppliers in China as well as closed stores for the company's customers in the EU and the US. However, the management does not consider Covid-19 to have a significant impact on the accounts, as the two sales changes virtually even each other out.

# Management's Review

## Strategy and objectives

The key part of Pack Tech's business strategy remains a focus in primarily the development and production of sustainable packaging for our key target groups. It is part of the strategy to gain market share by offering the market an opportunity to participate in the cleaning of plastic from ocean and rivers in Southeast Asia through the Ocean Waste Plastic (OWP) concept. This is a strategy that requires structured investment in our supply chain, but at the same time the strategy increases job satisfaction with our employees in the different countries.

At the same time, Pack Tech continues to focus more on customized packaging rather than standard packaging produced through our partners in China. This is accompanied by an agile approach to the business surroundings always looking for optimisation.

Even though, acquisition opportunities are being considered on an ongoing basis, we believe that strong organic growth is a corner stone of our value creation . The profitable growth will keep creating strong value for the shareholders while cleaning the world's oceans of plastic. Our ambition is to become the leading company in this field. Relentlessly, we will keep challenging the industry and ourselves to develop solutions to problems that couldn't be solved yesterday. This is a driving force for our continued success.

## OWP – Ocean Waste Plastic

OWP is a strategic cornerstone of the company. While sales continue to show strong growth, we have in 2020/21 made significant investments in strengthening the documentation of the OWP business. Today, we can track and document every amount and type of recycled plastic in our packaging which is unique in the market. While investments have been significant, we believe that it is necessary to provide full transparency in the supply chain and customer support, and this transparency is a stronghold of the future business.

With the strong growth and investments, we believe in a bright future for OWP. We see OWP as being an ongoing unique concept that allow us to supply environmentally friendly good cause packaging as a strong alternative to virgin made packaging.

In the coming financial year, the Pack Tech Group are setting up a sorting station in Jakarta (Indonesia) and employing more local people to increase the amount of collected plastic from ocean and rivers that can be used in our packaging. We have learned that the success of OWP is dependent on us being in control of the most crucial/important parts of our supply chain. We have, therefore, also certified all our processes (through DNV), and our ambition is to gradually take ownership of the entire value chain from collection in the ocean and rivers to delivering recycled plastic/plastic waste to oil production.

Our investments in our OWP concept will remain on a high level to protect and develop our unique position.

# Management's Review

## ***Market risks***

In order to reduce the effect of a possible risk from individual markets (political, currency, etc.), there is still a focus on sales in several markets. The trade war between the US and China as well as Brexit are expected to have some impact on operations in the coming year.

## ***Foreign exchange risks***

Activities abroad mean that profit and equity are affected by exchange rate and interest rate developments for a number of currencies. It is the company's monetary policy partly to hedge commercial currency risks, and increasingly seek against exchange rate neutrality against primarily the USD.

## ***Liquidity risks***

No liquidity risks are assessed

## **Uncertainty relating to recognition and measurement**

There has been no uncertainty in recognition and measurement in the annual report. The company's assets, liabilities and financial position per June 30, 2021 as well as the result of the company's activities for 2020/21 are not affected by unusual circumstances.

## **Expectations for the coming year**

As described, we are continuing our journey with OWP and investments in the supply chain and marketing is planned to improve awareness of the company and its brand. On this background a continued strong growth in OWP sales is expected.

It is, however, clear that other segments will not see the same demand 2021/22 compared to 2020/21 due to the effects of the Covid pandemic. We also see a unique situation in 2021/22 on the global market for sea freight both in terms of cost and lead times.

In summary this leads to an expectation for 2021/22 of a minor increase in sales of products and a stable development in profits in our core business, thus the future development in freight cost in unsurgent.

## **Subsequent events**

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

## Income Statement 1 July - 30 June

	Note	2020/21 DKK	2019/20 DKK
<b>Gross profit/loss</b>		<b>125.938.959</b>	<b>101.412.285</b>
Distribution expenses	1	-48.034.490	-34.163.926
Administrative expenses	1	-32.808.254	-28.354.257
<b>Operating profit/loss</b>		<b>45.096.215</b>	<b>38.894.102</b>
<b>Profit/loss before financial income and expenses</b>	2	<b>45.096.215</b>	<b>38.894.102</b>
Income from investments in subsidiaries		-1.052	-124.998
Financial income	3	357.597	767.715
Financial expenses		-296.994	-194.516
<b>Profit/loss before tax</b>		<b>45.155.766</b>	<b>39.342.303</b>
Tax on profit/loss for the year	4	-10.084.238	-8.614.393
<b>Net profit/loss for the year</b>		<b>35.071.528</b>	<b>30.727.910</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid		0	7.100.000
Proposed dividend for the year		13.000.000	15.400.000
Retained earnings		22.071.528	8.227.910
		<b>35.071.528</b>	<b>30.727.910</b>

# Balance Sheet 30 June

## Assets

	Note	2020/21 DKK	2019/20 DKK
Plant and machinery		1.178.652	649.858
Other fixtures and fittings, tools and equipment		446.456	706.404
Leasehold improvements		408.617	601.396
<b>Property, plant and equipment</b>	5	<b>2.033.725</b>	<b>1.957.658</b>
Investments in subsidiaries	6	228.099	144.390
Investments in associates	7	0	12.500
Other receivables	8	50.556	73.431
<b>Fixed asset investments</b>		<b>278.655</b>	<b>230.321</b>
<b>Fixed assets</b>		<b>2.312.380</b>	<b>2.187.979</b>
Raw materials and consumables		11.968.092	5.216.492
Finished goods and goods for resale		36.306.420	15.950.715
Prepayments for goods		16.210.735	14.457.018
<b>Inventories</b>		<b>64.485.247</b>	<b>35.624.225</b>
Trade receivables		46.570.309	27.242.377
Receivables from group enterprises		6.143.517	10.611.927
Receivables from associates		82.217	130.082
Other receivables	15	138.799	388.926
Deferred tax asset	9	1.791.301	547.048
Prepayments	10	288.923	761.527
<b>Receivables</b>		<b>55.015.066</b>	<b>39.681.887</b>
<b>Cash at bank and in hand</b>		<b>17.295.749</b>	<b>23.684.431</b>
<b>Currents assets</b>		<b>136.796.062</b>	<b>98.990.543</b>
<b>Assets</b>		<b>139.108.442</b>	<b>101.178.522</b>

# Balance Sheet 30 June

## Liabilities and equity

	Note	2020/21 DKK	2019/20 DKK
Share capital	11	500.000	500.000
Retained earnings		70.546.800	48.607.285
Proposed dividend for the year		13.000.000	15.400.000
<b>Equity</b>		<b>84.046.800</b>	<b>64.507.285</b>
Other provisions	13	6.523.489	450.000
<b>Provisions</b>		<b>6.523.489</b>	<b>450.000</b>
Payables to group enterprises relating to corporation tax		11.182.622	8.372.738
<b>Long-term debt</b>	14	<b>11.182.622</b>	<b>8.372.738</b>
Credit institutions		3.351.730	5.326.065
Prepayments received from customers		6.228.942	5.617.462
Trade payables		9.799.881	6.288.921
Payables to group enterprises		2.420.193	285.086
Payables to associates		0	32.701
Payables to group enterprises relating to corporation tax	14	8.372.746	3.421.528
Other payables		7.182.039	6.876.736
<b>Short-term debt</b>		<b>37.355.531</b>	<b>27.848.499</b>
<b>Debt</b>		<b>48.538.153</b>	<b>36.221.237</b>
<b>Liabilities and equity</b>		<b>139.108.442</b>	<b>101.178.522</b>
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Accounting Policies	18		

## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 July	500.000	48.607.285	15.400.000	64.507.285
Ordinary dividend paid	0	0	-15.400.000	-15.400.000
Fair value adjustment of hedging instruments, end of year	0	-161.056	0	-161.056
Tax on adjustment of hedging instruments for the year	0	29.043	0	29.043
Net profit/loss for the year	0	22.071.528	13.000.000	35.071.528
<b>Equity at 30 June</b>	<b>500.000</b>	<b>70.546.800</b>	<b>13.000.000</b>	<b>84.046.800</b>

# Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK
<b>1 Staff</b>		
Wages and Salaries	25.553.040	24.724.584
Pensions	1.344.612	1.363.500
Other social security expenses	235.822	263.422
Other staff expenses	592.740	508.163
	<b>27.726.214</b>	<b>26.859.669</b>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	187.477	700.135
Distribution expenses	5.554.246	5.616.017
Administrative expenses	21.984.491	20.543.517
	<b>27.726.214</b>	<b>26.859.669</b>
Including remuneration to the Executive and Supervisory Boards of:		
Executive Board	4.475.433	3.703.867
Supervisory Board	225.000	225.000
	<b>4.700.433</b>	<b>3.928.867</b>
<b>Average number of employees</b>	<b>64</b>	<b>54</b>

## 2 Special items

In 2018, Pack Tech A/S launched the product Ocean Waste Plastic. After the launch of the product, there have been uncertainty among Pack Tech A/S' customers about the amount and type of recycled plastic used in the product. As a result, significant investments have been made - both internal and external - to cover disadvantages for Pack Tech A/S's customers and secure the future OWP business.

This has had a significant negative impact on Pack Tech A/S's result for 2020/21. It is management's assessment that costs relating to the OWP issue amount to DKK 15-20 million which has a negative effect on Pack Tech A/S' profit before tax. The Management does not expect further direct costs than what was already recognized. We refer to The Management's review for further information.



## Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK
<b>3 Financial income</b>		
Interest received from group enterprises	309.518	736.091
Other financial income	48.079	31.624
	<b>357.597</b>	<b>767.715</b>

### 4 Tax on profit/loss for the year

Current tax for the year	11.328.491	8.377.581
Deferred tax for the year	-1.244.253	169.571
Adjustment of tax concerning previous years	0	67.241
	<b>10.084.238</b>	<b>8.614.393</b>

### 5 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 July	2.929.248	868.947	1.184.898
Additions for the year	1.200.078	0	0
Disposals for the year	-448.454	-105.900	0
Cost at 30 June	<b>3.680.872</b>	<b>763.047</b>	<b>1.184.898</b>
Impairment losses and depreciation at 1 July	2.279.390	162.543	583.502
Depreciation for the year	671.284	156.206	192.779
Reversal of impairment and depreciation of sold assets	-448.454	-2.158	0
Impairment losses and depreciation at 30 June	<b>2.502.220</b>	<b>316.591</b>	<b>776.281</b>
<b>Carrying amount at 30 June</b>	<b>1.178.652</b>	<b>446.456</b>	<b>408.617</b>
Depreciated over	5 years	3-5 years	10 years

## Notes to the Financial Statements

	2020/21	2019/20
	DKK	DKK
<b>6 Investments in subsidiaries</b>		
Cost at 1 July	150.000	150.000
Additions for the year	0	50.000
Disposals for the year	0	-50.000
Cost at 30 June	<u>150.000</u>	<u>150.000</u>
Value adjustments at 1 July	-170.745	-45.747
Net profit/loss for the year	-255.665	92.115
Other equity movements, net	-50.000	0
Reversals for the year of revaluations in previous years	0	-217.113
Value adjustments at 30 June	<u>-476.410</u>	<u>-170.745</u>
Equity investments with negative net asset value amortised over receivables	<u>554.509</u>	<u>165.135</u>
<b>Carrying amount at 30 June</b>	<b><u>228.099</u></b>	<b><u>144.390</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Responseability ApS	Herlev	50.000	100%
PG Verpackung UG	Harrislee, Germany	1.494	100%

All foreign subsidiaries are recognised and measured as separate entities.

## Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
<b>7 Investments in associates</b>		
Cost at 1 July	12.500	12.500
Disposals for the year	-12.500	0
<b>Carrying amount at 30 June</b>	<b>0</b>	<b>12.500</b>
<b>8 Other fixed asset investments</b>		Other receiv- ables
		DKK
Cost at 1 July		73.431
Disposals for the year		-22.875
Cost at 30 June		50.556
<b>Carrying amount at 30 June</b>		<b>50.556</b>
<b>9 Deferred tax asset</b>		
Deferred tax asset at 1 July	547.048	716.619
Amounts recognised in the income statement for the year	1.244.253	-169.571
<b>Deferred tax asset at 30 June</b>	<b>1.791.301</b>	<b>547.048</b>

Deferred tax assets mainly consist of non tax deductible provisions. The deferred tax asset is expected to be utilized within two years.

### 10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

### 11 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

## Notes to the Financial Statements

	<u>2020/21</u>	<u>2019/20</u>
	DKK	DKK
<b>12 Distribution of profit</b>		
Extraordinary dividend paid	0	7.100.000
Proposed dividend for the year	13.000.000	15.400.000
Retained earnings	<u>22.071.528</u>	<u>8.227.910</u>
	<b><u>35.071.528</u></b>	<b><u>30.727.910</u></b>

### 13 Other provisions

Other provisions	<u>6.523.489</u>	<u>450.000</u>
	<b><u>6.523.489</u></b>	<b><u>450.000</u></b>

Other provisions mainly consist expected costs related to the OWP case.

### 14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

#### Payables to group enterprises relating to corporation tax

Between 1 and 5 years	<u>11.182.622</u>	<u>8.372.738</u>
Long-term part	11.182.622	8.372.738
Within 1 year	<u>8.372.746</u>	<u>3.421.528</u>
	<b><u>19.555.368</u></b>	<b><u>11.794.266</u></b>

# Notes to the Financial Statements

## 15 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	<u>2020/21</u> DKK	<u>2019/20</u> DKK
Other receivables	0	136.856

## Notes to the Financial Statements

	2020/21 DKK	2019/20 DKK
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### 16 Contingent assets, liabilities and other financial obligations

#### Charges and security

The following assets have been placed as security with mortgage credit institutes:

Corporate mortgage with a nominal TDKK 15,000 Mortgage in simple receivables / goods receivables, inventory and operating equipment / equipment.

The following assets have been placed as security with bankers:

A bank guarantee has been provided as a deposit for rent, a total of DKK 181.200.

#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

1 year	30.625	255.989
Between 1 and 5 years	249.210	0
	<b>279.835</b>	<b>255.989</b>

Rental and storage obligations

1 year	0	2.034.931
Between 1 and 5 years	1.158.773	0

#### Other contingent liabilities

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 BE Loumann Holding 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.

The company has submitted a statement of support to the subsidiary.

# Notes to the Financial Statements

## 17 Related parties

### Basis

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#### 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

Selskabet indgår i koncernregnskabet for moderselskabet

Name

Place of registered office

BE Loumann Holding ApS

Vejle

The consolidated financial statements for BE Loumann Holding ApS can be requested at the following address:  
Lysholt Allé 10, 7100 Vejle

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Pack Tech A/S for 2020/21 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 2020/21 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of BE Loumann Holding ApS, the Company has not prepared consolidated financial statements.

### 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 BE Loumann Holding 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.

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



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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, see below.

### 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.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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 sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.,

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

#### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

#### Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

#### Income from investments in subsidiaries and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

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

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

Plant and machinery	5 years	
Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	10 years	

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Impairment of fixed assets

The carrying amounts of property, plant and equipment 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 and associates

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.

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.

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.

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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

### Other fixed asset investments

Other fixed asset investments consist of deposit.

### 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. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### **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 equity item.

### **Provisions**

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

### **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

## 18 Accounting Policies (continued)

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 debts

Loans, such as mortgage loans and 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.

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

## Financial Highlights

### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$