
California HoldCo A/S

C/O Baum und Pferdgarten A/S
Amaliegade 15
DK-1256 København K

Annual Report for 1 January - 31 December 2022

CVR No 40 74 83 26

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/2 2023

Amelie Caroline Michaela
Söderberg
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of California HoldCo A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

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.

Copenhagen, 24 February 2023

Executive Board

Teis Werring Bruun
CEO

Board of Directors

Amelie Caroline Micaela
Söderberg
Chairman

Camilla Skiffard Pedersen

Teis Werring Bruun

Independent Auditor's Report

To the Shareholder of California HoldCo A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of California HoldCo A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group 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.

Independent Auditor's Report

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

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 and the Group'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 Group's and 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 Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 24 February 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kyhnav
State Authorised Public Accountant
mne40028

Pawel Christof Michalak
State Authorised Public Accountant
mne48479

Company Information

The Company

California HoldCo A/S
C/O Baum und Pferdgarten A/S
Amaliegade 15
DK-1256 København K

CVR No: 40 74 83 26
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Amelie Caroline Micaela Söderberg, Chairman
Camilla Skiffard Pedersen
Teis Werring Bruun

Executive Board

Teis Werring Bruun

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	Group			
	2022	2021	2020	2019
	DKK	DKK	DKK	DKK
Key figures				
Profit/loss				
Gross profit/loss	46.443.452	44.664.331	34.243.102	-4.821.288
Profit/loss before financial income and expenses	-8.859.813	-10.527.181	-19.985.337	-18.293.818
Net profit/loss for the year	-15.235.134	-19.008.726	-26.350.901	-19.687.793
Balance sheet				
Balance sheet total	170.399.802	209.741.805	247.750.877	295.111.705
Equity	113.571.948	128.760.007	147.113.409	174.038.202
Cash flows				
Cash flows from:				
Investment in property, plant and equipment	-3.526.281	-512.479	-1.216.500	-3.105.299
Number of employees	38	36	34	32
Ratios				
Return on equity	-12,6%	-13,8%	-16,4%	-22,6%

For definitions, refer to accounting policies.

Management's Review

Key activities

The purpose of the company is to invest in companies that aim to design, sell, and market fashion as well as related business.

Development in the year

The Parent Company's income statement for 2022 realizes a profit of TDKK 610 , and Equity In the balance sheet ultimo 2022 stood at TDKK 180.192.

The Consolidated income statement for 2022 realizes a loss of TDKK 15.235, and Equity in the Consolidated Company's balance sheet ultimo 2022 stood at TDKK 113.572.

In 2022 the Management has for the Group continuously reconsidered the expectations to the business operation and result, and can conclude that the economic development, the derived result, and the underlying parameters meet the Management's expectations and therefore the Management characterizes the result as satisfactory.

Wholesale is the Group's most important sales channel. According to the Management's strategic development plan, the wholesale outside Scandinavian is increased, and the US market is one of the Groups most important export markets in 2022.

Investments in and development of the company's own online have also been in focus in 2022. In 2022, the Management has also allocated resources to and made investments in design and product development, according to the Responsibility Strategy, and in PR and marketing to continue the development of the brand Baum und Pferdgarten.

Outlook

The management expects the start of the financial year 2023 to be affected by the international economic conditions, which also had an impact at the end of the financial year 2022. However, it is expected that Baum und Pferdgarten, in the financial year 2023, will continue to have healthy and strong operations.

There will continue to be a focus on further investments in the development of the brand, as well as further focus on the development of international wholesale markets and own webshop. In addition, there will continue to be a focus on strengthening back-end infrastructure and IT.

Operating risks

Management does not consider that there are any special risks, other than what is customary in the industry and associated with general operations, which could affect the company's ability to meet expectations for the coming fiscal year.

Management's Review

Financial risks

As a result of its financial preparedness, the company is limited exposed to changes in interest rates.

Foreign exchange risks are assessed on an ongoing basis and the risk of exchange losses associated with purchases in foreign currencies is sought to be hedged using the foreign exchange forward transactions.

The risk of loss associated with customers' inability to pay is sought to be minimized through the use of credit insurance and, moreover, through an effective credit rating and follow-up of debtors.

Intellectual capital

It is essential for the groups continued growth to attract and retain competent employees, and therefore continuous investment is made in the development and retention of employees in all key functions.

Environmental matters

The group does not undertake production or the like on its own, so direct environmental impact in the form of energy and water consumption as well as various discharges is minimal. However, the Management is aware of the responsibility of the business and the company's suppliers are required to comply with the Group's supply manual, which includes requirements for environmentally sound production of goods. These requirements include both general environmental impact and work environment.

In 2019, the group announced the organization's continued Responsible- strategy, which contains specific goals for the period up to 2024, with the aim of making Baum Und Pferdgarten even more responsible.

Annual CSR reporting is published primo each year and is available on the company's website.

Branches

California HoldCo A/S owns and operates subsidiaries in Denmark, the US, United Kingdom as well as a branch in Norway. The units' function is to represent Baum Und Pferdgarten, create contact with wholesale customers and thus create the basis for the Group's sales in the respective markets and handle this.

Subsequent events

Management does not consider that circumstances have occurred from the balance sheet date until today, which distort the assessment of the annual report.

Income Statement 1 January - 31 December

	Note	Group		Parent Company	
		2022 DKK	2021 DKK	2022 DKK	2021 DKK
Gross profit/loss		46.443.452	44.664.331	-86.490	-11.154
Staff expenses	1	-18.855.972	-18.865.100	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-36.447.293	-36.326.412	0	0
Profit/loss before financial income and expenses		-8.859.813	-10.527.181	-86.490	-11.154
Financial income	2	2.171.277	3.062.064	891.756	882.407
Financial expenses	3	-4.026.877	-6.361.387	-1.715	-1.030
Profit/loss before tax		-10.715.413	-13.826.504	803.551	870.223
Tax on profit/loss for the year	4	-4.519.721	-5.182.222	-193.281	-191.039
Net profit/loss for the year		-15.235.134	-19.008.726	610.270	679.184

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Acquired patents		78.220	90.584	0	0
Goodwill		131.894.514	167.066.384	0	0
Intangible assets	5	131.972.734	167.156.968	0	0
Other fixtures and fittings, tools and equipment		1.375.945	1.602.773	0	0
Leasehold improvements		2.539.264	40.000	0	0
Property, plant and equipment	6	3.915.209	1.642.773	0	0
Investments in subsidiaries	7	0	0	90.606.343	90.606.343
Deposits	8	824.301	790.525	0	0
Fixed asset investments		824.301	790.525	90.606.343	90.606.343
Fixed assets		136.712.244	169.590.266	90.606.343	90.606.343
Inventories		14.871.407	12.068.980	0	0
Trade receivables		8.675.430	11.522.657	0	0
Receivables from group enterprises		0	0	90.968.833	89.711.096
Other receivables		4.551.243	1.677.154	9	9
Deferred tax asset	12	1.139.068	771.629	0	0
Prepayments	9	2.472.438	1.678.249	0	0
Receivables		16.838.179	15.649.689	90.968.842	89.711.105
Cash at bank and in hand		1.977.972	12.432.870	196	8.533
Currents assets		33.687.558	40.151.539	90.969.038	89.719.638
Assets		170.399.802	209.741.805	181.575.381	180.325.981

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent Company	
		2022 DKK	2021 DKK	2022 DKK	2021 DKK
Share capital	10	2.011.920	2.011.920	2.011.920	2.011.920
Retained earnings		111.560.028	126.748.087	178.180.434	177.854.759
Equity		113.571.948	128.760.007	180.192.354	179.866.679
Other provisions	13	5.060.001	3.857.001	0	0
Provisions		5.060.001	3.857.001	0	0
Credit institutions		5.700.000	46.350.000	0	0
Deferred income		498.022	0	0	0
Long-term debt	14	6.198.022	46.350.000	0	0
Credit institutions	14	21.742.958	9.450.000	0	0
Lease obligations		0	273.722	0	0
Prepayments received from customers		1.108.205	622.466	0	0
Trade payables		12.339.979	10.739.227	11.125	10.625
Payables to group enterprises		0	0	1.178.621	448.677
Corporation tax		4.440.846	3.951.351	193.281	0
Other payables		5.791.843	5.738.031	0	0
Deferred income	14	146.000	0	0	0
Short-term debt		45.569.831	30.774.797	1.383.027	459.302
Debt		51.767.853	77.124.797	1.383.027	459.302
Liabilities and equity		170.399.802	209.741.805	181.575.381	180.325.981
Distribution of profit	11				
Contingent assets, liabilities and other financial obligations	17				
Accounting Policies	18				

Statement of Changes in Equity

Group

	<u>Share capital</u>	<u>Retained</u> <u>earnings</u>	<u>Total</u>
	DKK	DKK	DKK
Equity at 1 January	2.011.920	126.748.088	128.760.008
Exchange adjustments relating to foreign entities	0	331.669	331.669
Purchase of treasury shares	0	-284.595	-284.595
Net profit/loss for the year	0	-15.235.134	-15.235.134
Equity at 31 December	<u>2.011.920</u>	<u>111.560.028</u>	<u>113.571.948</u>

Parent Company

Equity at 1 January	2.011.920	177.854.759	179.866.679
Purchase of treasury shares	0	-284.595	-284.595
Net profit/loss for the year	0	610.270	610.270
Equity at 31 December	<u>2.011.920</u>	<u>178.180.434</u>	<u>180.192.354</u>

Cash Flow Statement 1 January - 31 December

	Note	Group	
		2022 DKK	2021 DKK
Net profit/loss for the year		-15.235.134	-19.008.726
Adjustments	15	42.315.692	47.054.784
Change in working capital	16	103.553	2.802.393
Cash flows from operating activities before financial income and expenses		27.184.111	30.848.451
Financial income		2.233.187	3.062.064
Financial expenses		-4.026.877	-6.361.387
Cash flows from ordinary activities		25.390.421	27.549.128
Corporation tax paid		-5.960.189	-6.065.352
Cash flows from operating activities		19.430.232	21.483.776
Purchase of intangible assets		-19.496	0
Purchase of property, plant and equipment		-3.526.281	-512.479
Fixed asset investments made etc		-49.520	-223.660
Cash flows from investing activities		-3.595.297	-736.139
Repayment of loans from credit institutions		-38.316.569	-23.400.000
Reduction of lease obligations		-273.722	-82.332
Raising of other long-term debt		498.022	0
Purchase of treasury shares		-284.595	0
Cash flows from financing activities		-38.376.864	-23.482.332
Change in cash and cash equivalents		-22.541.929	-2.734.695
Cash and cash equivalents at 1 January		14.622.284	14.622.284
Exchange adjustment of current asset investments		-61.910	545.281
Cash and cash equivalents at 31 December		-7.981.555	12.432.870
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1.977.972	12.432.870
Overdraft facility		-9.959.527	0
Cash and cash equivalents at 31 December		-7.981.555	12.432.870

Notes to the Financial Statements

	Group		Parent Company	
	2022 DKK	2021 DKK	2022 DKK	2021 DKK
1 Staff expenses				
Wages and salaries	17.561.810	17.580.421	0	0
Pensions	978.601	956.138	0	0
Other social security expenses	315.561	328.541	0	0
	18.855.972	18.865.100	0	0
Average number of employees	38	36	0	0
2 Financial income				
Interest received from group enterprises	0	0	891.756	882.407
Other financial income	79.186	55.470	0	0
Exchange adjustments	2.092.091	3.006.594	0	0
	2.171.277	3.062.064	891.756	882.407
3 Financial expenses				
Other financial expenses	2.290.179	2.947.010	1.715	1.030
Exchange adjustments, expenses	1.736.698	3.414.377	0	0
	4.026.877	6.361.387	1.715	1.030
4 Tax on profit/loss for the year				
Current tax for the year	4.699.705	5.037.964	193.281	191.444
Deferred tax for the year	-367.439	190.537	0	0
Adjustment of tax concerning previous years	187.455	-46.279	0	-405
	4.519.721	5.182.222	193.281	191.039

Notes to the Financial Statements

5 Intangible assets

Group

	Acquired pa- tents	Goodwill	Total
	DKK	DKK	DKK
Cost at 1 January	164.539	246.203.092	246.367.631
Additions for the year	19.496	0	19.496
Disposals for the year	2.500	0	2.500
Cost at 31 December	186.535	246.203.092	246.389.627
Impairment losses and amortisation at 1 January	73.955	79.136.708	79.210.663
Amortisation for the year	31.860	35.171.870	35.203.730
Reversal of amortisation of disposals for the year	2.500	0	2.500
Impairment losses and amortisation at 31 December	108.315	114.308.578	114.416.893
Carrying amount at 31 December	78.220	131.894.514	131.972.734

6 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 January	4.311.599	728.739	5.040.338
Exchange adjustment	-14.885	-983	-15.868
Additions for the year	691.643	2.834.638	3.526.281
Disposals for the year	-702.788	-203.477	-906.265
Cost at 31 December	4.285.569	3.358.917	7.644.486
Impairment losses and depreciation at 1 January	2.708.826	688.739	3.397.565
Exchange adjustment	-14.860	-983	-15.843
Depreciation for the year	915.999	335.374	1.251.373
Reversal of impairment and depreciation of sold assets	-700.341	-203.477	-903.818
Impairment losses and depreciation at 31 December	2.909.624	819.653	3.729.277
Carrying amount at 31 December	1.375.945	2.539.264	3.915.209

Notes to the Financial Statements

	Parent Company	
	2022	2021
	DKK	DKK
7 Investments in subsidiaries		
Cost at 1 January	90.606.343	90.606.343
Carrying amount at 31 December	90.606.343	90.606.343

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
California BidCo A/S	Copenhagen	600.000	100%	115.456.292	16.191.353

8 Other fixed asset investments

	Group
	Deposits
	DKK
Cost at 1 January	799.106
Additions for the year	49.520
Disposals for the year	-24.180
Cost at 31 December	824.446
Exchange adjustments at 1 January	3.509
Exchange adjustment	-3.654
Exchange adjustments at 31 December	-145
Carrying amount at 31 December	824.301

9 Prepayments

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

Notes to the Financial Statements

10 Share capital

The share capital consists of 2,011,920 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

On 16 May 2022, the Company acquired 3,640 treasury shares of share class D, corresponding to 0.18%. The total payment for the shares amounted to kDKK 285, which has been transferred from retained earnings under equity. These shares have not been cancelled and are therefore held as treasury shares. The Company may choose to sell these shares at a later time.

	Parent Company	
	2022	2021
	DKK	DKK
11 Distribution of profit		
Retained earnings	610.270	679.184
	610.270	679.184

	Group		Parent Company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
12 Deferred tax asset				
Deferred tax asset at 1 January	771.629	914.144	0	0
Amounts recognised in the income statement for the year	367.439	-190.537	0	0
Deferred tax asset at 31 December	1.139.068	771.629	0	0

13 Other provisions

Other provisions	5.060.001	3.857.001	0	0
	5.060.001	3.857.001	0	0

Other provisions consist of provisions for expected returns from certain customers.

Notes to the Financial Statements

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:

	Group		Parent Company	
	2022 DKK	2021 DKK	2022 DKK	2021 DKK
Credit institutions				
Between 1 and 5 years	5.700.000	46.350.000	0	0
Long-term part	5.700.000	46.350.000	0	0
Other short-term debt to credit institutions	21.742.958	9.450.000	0	0
	27.442.958	55.800.000	0	0
Deferred income				
Between 1 and 5 years	498.022	0	0	0
Long-term part	498.022	0	0	0
	644.022	0	0	0

15 Cash flow statement - adjustments

	Group	
	2022 DKK	2021 DKK
Financial income	-2.171.277	-3.062.064
Financial expenses	4.026.877	6.361.387
Depreciation, amortisation and impairment losses, including losses and gains on sales	36.447.293	36.326.412
Tax on profit/loss for the year	4.519.721	5.182.222
Other adjustments	-506.922	2.246.827
	42.315.692	47.054.784

Notes to the Financial Statements

	Group	
	2022	2021
	DKK	DKK
16 Cash flow statement - change in working capital		
Change in inventories	-2.802.427	-1.957.568
Change in receivables	-821.051	1.039.622
Change in other provisions	1.203.000	-3.238.747
Change in trade payables, etc	2.524.031	6.959.086
	103.553	2.802.393

	Group		Parent Company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
17 Contingent assets, liabilities and other financial obligations				
Lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.621.274	1.527.002	0	0
Between 1 and 5 years	4.467.848	982.614	0	0
	6.089.122	2.509.616	0	0

Notes to the Financial Statements

17 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

To secure bank debt, the subsidiary Baum und Pferdgarten A/S has issued a corporation pledge of DKK 6 million (2021: DKK 6 million).

To secure bank debt, the Company has pledged its shares in California BidCo A/S.

The subsidiary, Baum und Pferdgarten A/S, has entered into guarantee obligations for DKK 1,9 million (2021: DKK 2 million) and issued other guarantees for DKK 223.770 (2021: DKK 223.770)

The 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 Baum und Pferdgarten A/S, which is the management company of the joint taxation purposes. Moreover, the 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

18 Accounting Policies

The Annual Report of California HoldCo A/S for 2022 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 Consolidated and Parent Company Financial Statements for 2022 are presented in DKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, California HoldCo A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

18 Accounting Policies (continued)

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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 Group.

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

Other external expenses

Other external expenses comprise distribution costs and expenses for sales, administration, rental 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, change in inventories of goods for resale, other operating income and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group government grants.

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. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 7 years.

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	3-5	years
Leasehold improvements	5	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 intangible assets and 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

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

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

The cost of goods for resale equals landed cost.

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 .

Notes to the Financial Statements

18 Accounting Policies (continued)

Equity

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in retained earnings under equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Provisions

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

Provisions related to returns are recognised based on the expected future returns on sold collections and based on historical return rates.

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial debts

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.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$