

DG Organic Basics ApS

Værnedamsvej 12A, 1., 1619 København V

CVR no. 43 42 06 23

Annual report 2022

(As of the establishment of the Company 31 July - 31 December 2022)

Approved at the Company's annual general meeting on 26 June 2023

Chair of the meeting:

.....
Mads Fibiger Rasmussen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of DG Organic Basics ApS for the financial year as of the establishment of the Company 31 July - 31 December 2022.

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 of the Company at 31 December 2022 and of the results of the Company's operations for the financial year as of the establishment of the Company 31 July - 31 December 2022.

Further, in our opinion, the Management's review gives a 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, 26 June 2023
Executive Board:

.....
Mads Fibiger Rasmussen

.....
Hans Alexander Hovgaard
Christiansen

Board of Directors:

.....
Ethan Jay Keller
Chairman

.....
Inbar Schwartz

.....
Paul Michael Gelb

Independent auditor's report

To the shareholders of DG Organic Basics ApS

Conclusion

We have conducted an extended review of the financial statements of DG Organic Basics ApS for the financial year as of the establishment of the Company 31 July - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work we have performed, in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year as of the establishment of the Company 31 July - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's standard on extended review for Small entities and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence

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.

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 that 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance for our conclusion on the financial statements and perform specifically required supplementary procedures to obtain additional assurance for our conclusion.

An extended review comprises procedures that primarily consist of making enquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our extended review of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Independent auditor's report

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 26 June 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Andersen
State Authorised Public Accountant
mne34313

Management's review

Company details

Name	DG Organic Basics ApS
Address, Postal code, City	Værnedamsvej 12A, 1., 1619 København V
CVR no.	43 42 06 23
Established	31 July 2022
Registered office	København
Financial year	31 July - 31 December 2022
Board of Directors	Ethan Jay Keller, Chairman Inbar Schwartz Paul Michael Gelb
Executive Board	Mads Fibiger Rasmussen Hans Alexander Hovgaard Christiansen
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

The Company's main activities are trading clothes and similar goods.

Financial review

The income statement for 2022 shows a profit of DKK 2,155,301, and the balance sheet at 31 December 2022 shows equity of DKK 2,195,301.

The Company have received a letter of support from the owners, stating that they will support the Company in meeting its liabilities as they fall due, to the extend that sufficient funds are not otherwise available. The statement is valid for at least 12 months from the signing of the financial statements for 2022.

Events after the balance sheet date

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

Financial statements for the period 31 July - 31 December 2022

Income statement

Note	DKK	2022 5 months
	Gross profit	3,202,955
2	Staff costs	-977,686
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-273,641
	Profit before net financials	1,951,628
	Financial income	978,030
3	Financial expenses	-168,531
	Profit before tax	2,761,127
4	Tax for the year	-605,826
	Profit for the year	2,155,301
	 Recommended appropriation of profit	
	Retained earnings	2,155,301
		2,155,301

Financial statements for the period 31 July - 31 December 2022

Balance sheet

Note	DKK	<u>2022</u>
	ASSETS	
	Non-current assets	
5	Intangible assets	
	Acquired intangible assets	1,735,733
		<u>1,735,733</u>
6	Property, plant and equipment	
	Fixtures and fittings, other plant and equipment	204,688
	Leasehold improvements	36,831
	Right to use assets	359,270
		<u>600,789</u>
	Total non-current assets	<u>2,336,522</u>
	Current assets	
	Inventories	
	Finished goods and goods for resale	9,432,954
		<u>9,432,954</u>
	Receivables	
	Trade receivables	1,050,990
	Receivables from group entities	2,314,787
	Other receivables	3,674,012
	Prepayments	44,478
		<u>7,084,267</u>
	Cash	<u>3,519,504</u>
	Total current assets	<u>20,036,725</u>
	TOTAL ASSETS	<u><u>22,373,247</u></u>

Financial statements for the period 31 July - 31 December 2022

Balance sheet

Note	DKK	<u>2022</u>
	EQUITY AND LIABILITIES	
	Equity	
7	Share capital	40,000
	Retained earnings	<u>2,155,301</u>
	Total equity	<u>2,195,301</u>
	Liabilities	
8	Non-current liabilities	
	Deferred tax	389,987
	Lease liabilities	<u>193,150</u>
	Total non-current liabilities	<u>583,137</u>
	Current liabilities	
	Lease liabilities	167,192
	Trade payables	3,269,175
	Payables to group entities	14,811,215
	Corporation tax payable	215,839
	Other payables	<u>1,131,388</u>
	Total current liabilities	<u>19,594,809</u>
	Total liabilities	<u>20,177,946</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>22,373,247</u></u>

- 1 Accounting policies
- 9 Collateral
- 10 Related parties

Financial statements for the period 31 July - 31 December 2022

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Cash payments concerning formation of enterprise	40,000	0	40,000
Transfer through appropriation of profit	0	2,155,301	2,155,301
Equity at 31 December 2022	<u>40,000</u>	<u>2,155,301</u>	<u>2,195,301</u>

The Company have received a letter of support from the owners, stating that they will support the Company in meeting its liabilities as they fall due, to the extend that sufficient funds are not otherwise available. The statement is valid for at least 12 months from the signing of the financial statements.

Financial statements for the period 31 July - 31 December 2022

Notes to the financial statements

1 Accounting policies

The annual report of DG Organic Basics ApS for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Reporting currency

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

Foreign currency translation

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

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

Income statement

Revenue

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

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

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

Gross profit

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

Cost of sales

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

Other external expenses

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

Staff costs

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

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Financial statements for the period 31 July - 31 December 2022

Notes to the financial statements

1 Accounting policies (continued)

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

Fixtures and fittings, other plant and equipment	4-14 years
Leasehold improvements	4-14 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

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

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

Leases

The Company has chosen IFRS16 as interpretation for classification and recognition of leases.

Impairment of non-current assets

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

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

Financial statements for the period 31 July - 31 December 2022

Notes to the financial statements

1 Accounting policies (continued)

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

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

Inventories

Inventories are measured at cost in accordance with the average method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

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

Receivables are measured at amortised cost.

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

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

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

Prepayments

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

Cash

Cash comprises bank balances.

Financial statements for the period 31 July - 31 December 2022

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Financial statements for the period 31 July - 31 December 2022

Notes to the financial statements

	DKK	2022
		5 months
2 Staff costs		
Wages/salaries		906,225
Other social security costs		7,488
Other staff costs		63,973
		<u>977,686</u>
		<u>5</u>
3 Financial expenses		
Interest expenses, group entities		160,098
Other financial expenses		8,433
		<u>168,531</u>
4 Tax for the year		
Estimated tax charge for the year		215,839
Deferred tax		389,987
		<u>605,826</u>
5 Intangible assets		
		Acquired
		intangible assets
DKK		
Cost at 31 July 2022		0
Additions		1,928,493
Cost at 31 December 2022		<u>1,928,493</u>
Impairment losses and amortisation at 31 July 2022		0
Amortisation for the year		192,760
Impairment losses and amortisation at 31 December 2022		<u>192,760</u>
Carrying amount at 31 December 2022		<u>1,735,733</u>

Financial statements for the period 31 July - 31 December 2022

Notes to the financial statements

6 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment	Leasehold improvements	Right to use assets	Total
Cost at 31 July 2022	0	0	0	0
Additions	228,489	40,179	413,002	681,670
Cost at 31 December 2022	228,489	40,179	413,002	681,670
Impairment losses and depreciation at 31 July 2022	0	0	0	0
Depreciation	23,801	3,348	53,732	80,881
Impairment losses and depreciation at 31 December 2022	23,801	3,348	53,732	80,881
Carrying amount at 31 December 2022	204,688	36,831	359,270	600,789

7 Share capital

The Company's share capital has remained DKK 40,000 since the establishment.

8 Non-current liabilities

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

9 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2022.

10 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Delta Galil Industries Ltd.	Tel Aviv, Israel	At the Company's adress