

DG Organic Basics ApS

Værnedamsvej 12A, 1., 1619 København V

CVR no. 43 42 06 23

Annual report 2023

Approved at the Company's annual general meeting on 28 June 2024

Chair of the meeting:

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Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	6
Income statement	6
Balance sheet	7
Statement of changes in equity	9
Notes to the financial statements	10

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 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

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, 28 June 2024
Executive Board:

.....
Mads Fibiger Rasmussen

.....
Hans Alexander Hovgaard
Christiansen

Board of Directors:

.....
Mark Lawrence Stocker
Chairman

.....
Inbar Schwartz

.....
Paul Michael Gelb

Independent auditor's report

To the shareholder 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 1 January - 31 December 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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, 28 June 2024
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	1 January - 31 December
Board of Directors	Mark Lawrence Stocker, 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 2023 shows a loss of DKK 16,599,716 against a profit of DKK 2,155,301 last year, and the balance sheet at 31 December 2023 shows a negative equity of DKK 14,404,415.

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 2023.

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 1 January - 31 December

Income statement

Note	DKK	2023 12 months	2022 5 months
	Gross profit/loss	-9,853,569	3,202,955
3	Staff costs	-10,329,923	-977,686
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-836,374	-273,641
	Profit/loss before net financials	-21,019,866	1,951,628
	Financial income	929,166	978,030
4	Financial expenses	-1,186,613	-168,531
	Profit/loss before tax	-21,277,313	2,761,127
5	Tax for the year	4,677,597	-605,826
	Profit/loss for the year	-16,599,716	2,155,301
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-16,599,716	2,155,301
		-16,599,716	2,155,301

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2023</u>	<u>2022</u>
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Acquired intangible assets	1,724,493	1,735,733
		<u>1,724,493</u>	<u>1,735,733</u>
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	147,566	204,688
	Leasehold improvements	26,786	36,831
	Right to use assets	193,423	359,270
		<u>367,775</u>	<u>600,789</u>
	Financial assets		
	Deferred tax assets	4,287,580	0
		<u>4,287,580</u>	<u>0</u>
	Total non-current assets	<u>6,379,848</u>	<u>2,336,522</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	16,057,141	9,432,954
		<u>16,057,141</u>	<u>9,432,954</u>
	Receivables		
	Trade receivables	793,691	1,050,990
	Receivables from group entities	0	2,314,787
	Other receivables	898,808	3,674,012
	Prepayments	173,500	44,478
		<u>1,865,999</u>	<u>7,084,267</u>
	Cash	<u>1,560,034</u>	<u>3,519,504</u>
	Total current assets	<u>19,483,174</u>	<u>20,036,725</u>
	TOTAL ASSETS	<u><u>25,863,022</u></u>	<u><u>22,373,247</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2023</u>	<u>2022</u>
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	40,000	40,000
	Retained earnings	-14,444,415	2,155,301
	Total equity	<u>-14,404,415</u>	<u>2,195,301</u>
	Liabilities		
9	Non-current liabilities		
	Deferred tax	0	389,987
	Lease liabilities	27,880	193,150
	Long term loan from parent company	19,220,457	11,335,870
	Total non-current liabilities	<u>19,248,337</u>	<u>11,919,007</u>
	Current liabilities		
9	Lease liabilities	166,919	167,192
	Trade payables	2,830,503	3,295,859
	Payables to group entities	13,185,602	3,475,345
	Corporation tax payable	0	215,839
	Other payables	4,836,076	1,104,704
	Total current liabilities	<u>21,019,100</u>	<u>8,258,939</u>
	Total liabilities	<u>40,267,437</u>	<u>20,177,946</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>25,863,022</u></u>	<u><u>22,373,247</u></u>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 10 Security and collateral
- 11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2023	40,000	2,155,301	2,195,301
Transfer through appropriation of loss	0	-16,599,716	-16,599,716
Equity at 31 December 2023	<u>40,000</u>	<u>-14,444,415</u>	<u>-14,404,415</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 extent 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 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of DG Organic Basics ApS for 2023 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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/loss

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

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of non-current assets.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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).

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 1 January - 31 December

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.

2 Recognition and measurement uncertainties

Deferred tax assets are recognised for all unutilized tax losses, to the extent that it is considered probable that taxable profits will be realized within a foreseeable number of years, in which the losses can be set off. Determining the amount that can be recognised for deferred tax assets is based on estimates of the probable timing and size of future taxable losses.

At 31 December 2023, DG Organic Basics estimated that tax losses with a tax value of MDKK 4.3 thousand could be realized in the foreseeable future. When assessing future profits historical profits has been taken into account. The tax losses have been fully capitalised as of 31 December 2023.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2023 12 months	2022 5 months
3 Staff costs		
Wages/salaries	9,957,882	906,225
Other social security costs	84,540	7,488
Other staff costs	287,501	63,973
	<u>10,329,923</u>	<u>977,686</u>
 Average number of full-time employees	 <u>14</u>	 <u>5</u>
 4 Financial expenses		
Interest expenses, group entities	842,409	160,098
Other financial expenses	344,204	8,433
	<u>1,186,613</u>	<u>168,531</u>
 5 Tax for the year		
Estimated tax charge for the year	0	215,839
Deferred tax adjustments in the year	-4,677,597	389,987
	<u>-4,677,597</u>	<u>605,826</u>
 6 Intangible assets		
DKK		<u>Acquired intangible assets</u>
Cost at 1 January 2023		1,928,493
Additions		585,424
Cost at 31 December 2023		<u>2,513,917</u>
Impairment losses and amortisation at 1 January 2023		192,760
Amortisation for the year		596,664
Impairment losses and amortisation at 31 December 2023		<u>789,424</u>
Carrying amount at 31 December 2023		<u>1,724,493</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment	Leasehold improvements	Right to use assets	Total
Cost at 1 January 2023	228,489	40,179	413,002	681,670
Cost at 31 December 2023	228,489	40,179	413,002	681,670
Impairment losses and depreciation at 1 January 2023	23,801	3,348	53,732	80,881
Depreciation	57,122	10,045	165,847	233,014
Impairment losses and depreciation at 31 December 2023	80,923	13,393	219,579	313,895
Carrying amount at 31 December 2023	147,566	26,786	193,423	367,775

8 Share capital

The Company's share capital has remained DKK 40,000 in the past year.

9 Non-current liabilities

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

10 Security and collateral

The Company has not provided any security or other collateral in assets at 31 December 2023.

11 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