Actona Company A/S

Smedegårdvej 6 A, Tvis, DK-7500 Holstebro

Annual Report for 1 September 2019 - 31 August 2020

CVR No 12 14 37 45

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/1 2021

Jesper Lund
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Actona Company A/S for the financial year 1 September 2019 - 31 August 2020.

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 31 August 2020 of the Company and of the results of the Company operations for 2019/20.

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

Holstebro, 17 November 2020

Executive Board

Torben Skov Villadsen
CEO

Board of Directors

Jesper Lund Chairman	Jacob Brunsborg	Ole Lund Andersen

Independent Auditor's Report

To the Shareholder of Actona Company A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2020 and of the results of the Company's operations for the financial year 1 September 2019 - 31 August 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Actona Company A/S for the financial year 1 September 2019 - 31 August 2020, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

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 misstate-

ment, 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.

- 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.

Holstebro, 17 November 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

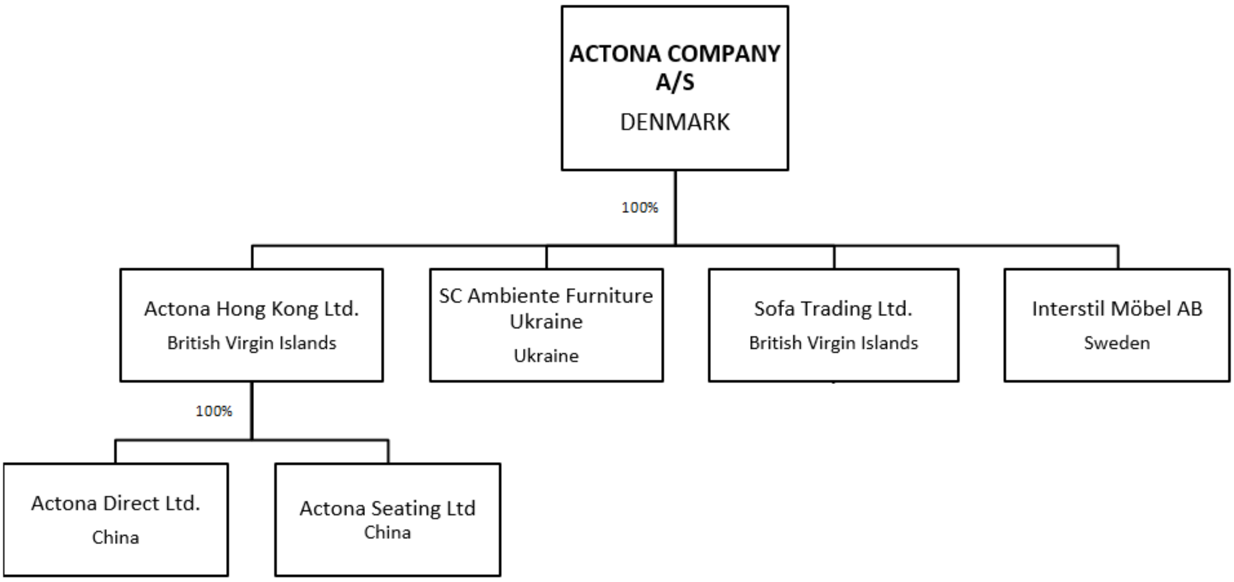
Henrik Kragh
State Authorised Public Accountant
mne26783

Carsten Jensen
State Authorised Public Accountant
mne10954

Company Information

The Company	Actona Company A/S Smedegårdvej 6 A Tvis DK-7500 Holstebro Telephone: + 45 96135111 E-mail: info@actonacompany.com Website: www.actonacompany.com CVR No: 12 14 37 45 Financial period: 1 September - 31 August Municipality of reg. office: Holstebro, Denmark
Board of Directors	Jesper Lund, Chairman Jacob Brunsborg Ole Lund Andersen
Executive Board	Torben Skov Villadsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltesvej 16 DK-7500 Holstebro
Lawyers	Kirk Larsen & Ascanius Bredgade 67 DK-6900 Skjern
Bankers	Sydbank A/S Dalgasgade 22 DK-7400 Herning

Group Chart



ACTONA COMPANY A/S
DENMARK
100%
Actona Hong Kong Ltd.
British Virgin Islands
SC Ambiente Furniture Ukraine
Ukraine
Sofa Trading Ltd.
British Virgin Islands
Interstil Möbel AB
Sweden
100%
Actona Direct Ltd.
China
Actona Seating Ltd
China

Financial Highlights

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

	2019/20	2018/19	2017/18	2016/17	(14 months) 2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1.835.782	1.886.777	1.733.109	1.227.298	1.396.795
Gross profit/loss	323.735	290.266	243.413	202.611	214.091
Profit/loss before financial income and expenses	165.166	133.749	81.552	87.525	83.671
Net financials	1.496	2.421	-19.903	13.104	14.774
Net profit/loss for the year	130.493	107.169	44.419	81.983	81.436
Balance sheet					
Balance sheet total	614.260	554.628	490.056	627.634	506.824
Equity	217.625	178.768	157.716	194.381	232.501
Number of employees	285	277	280	218	221
Ratios					
Gross margin	17,6%	15,4%	14,0%	16,5%	15,3%
Profit margin	9,0%	7,1%	4,7%	7,1%	6,0%
Return on assets *)	26,9%	24,1%	16,6%	13,9%	16,5%
Solvency ratio	35,4%	32,2%	32,2%	31,0%	45,9%
Return on equity *)	65,8%	63,7%	25,2%	38,4%	37,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

*) The ratios for 2015/16 have been annualized to 12 months.

Management's Review

Financial Statements of Actona Company A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

As previous years, the Company's main activity has consisted in design, production, trading and distribution of furniture for retailers in more than 90 countries.

Development in the year

Net profit for the year was DKK 130 million and the balance sheet at 31. August 2020 showed an equity of DKK 218 million.

The past year and follow-up on development expectations from last year

When starting the year 2019/20 the expectations were to achieve turnover and profit at the same level as in 2018/19.

Even though the Covid-19 pandemic reduced the activity for some months, Actona Company has almost reached the same turnover as in 2018/19, but more important the Company has been able to increase net profit with 22% compared to 2018/19.

Special risks

Market risks

Actona Company A/S has no specific market risks apart from normal risk from raw material price developments, freight rate adjustments and general market risks.

Foreign exchange risks

Due to activities in various countries, results, cash flows and equity are affected by changes in a number of currencies.

According to the Company's foreign exchange policy, efforts are made to hedge partly against commercial foreign exchange exposure.

Interest rate risks

The long-term loans from mortgage credit institutes, DKK 53 million, bear a fixed rate of interest. Based on the floating rate debt, moderate changes in the level of interest will not have any material, direct effect on earnings.

Management's Review

Credit risks

The Company endeavors to insure all its trade receivables in order to cover losses due to inability to pay. Despite this and efficient credit management, the granting of credit is, however, subject to ordinary commercial risk.

Strategy

Actona Company's vision is to achieve a position as one of the world's most attractive suppliers of furniture.

We wish to be the point of reference within the business for the segment for high-quality furniture with attractive prices and a wide consumer appeal. Through large-scale advantages, Actona Company offer a wide range of solutions designed to meet requirements throughout the value chain from design of the range of products over logistics solutions to price/quality level and services.

Targets and expectations for the year ahead

Actona Company A/S expects a higher level of turnover and continued profitable growth.

Intellectual capital resources

Readiness and adaptability are key strategic priorities of the Company. Therefore, the Company is constantly seeking to obtain new knowhow.

The Company obtains its unique knowhow primarily through the Company's permanent staff and its strategic business partners within product development

Statement of corporate social responsibility

Statement of Corporate Social Responsibility and statement of the underrepresented gender are covered by CSR statement for the Group and can be viewed in the Management Review in the Annual Report 2019/20 for LLG A/S, CVR no. 86001519, which can be obtained from www.cvr.dk.

Income Statement 1 September - 31 August

	Note	2019/20	2018/19
		TDKK	TDKK
Revenue		**1.835.782**	**1.886.777**
Other operating income		1.095	1.712
Expenses for raw materials and consumables		-1.444.036	-1.528.660
Other external expenses		-69.106	-69.563
Gross profit/loss		**323.735**	**290.266**
Staff expenses	1	-149.506	-147.764
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-9.063	-8.753
Profit/loss before financial income and expenses		**165.166**	**133.749**
Income from investments in subsidiaries	2	2.981	4.922
Financial income	3	1.502	686
Financial expenses		-2.987	-3.187
Profit/loss before tax		**166.662**	**136.170**
Tax on profit/loss for the year	4	-36.169	-29.001
Net profit/loss for the year		**130.493**	**107.169**

Balance Sheet 31 August

Assets

	Note	2020	2019
		TDKK	TDKK
Goodwill		1.206	1.645
Intangible assets	5	**1.206**	**1.645**
Land and buildings		95.966	88.841
Other fixtures and fittings, tools and equipment		4.847	4.082
Property, plant and equipment	6	**100.813**	**92.923**
Investments in subsidiaries	7	40.900	54.501
Other receivables	8	5.760	5.722
Fixed asset investments		**46.660**	**60.223**
Fixed assets		**148.679**	**154.791**
Inventories	9	**143.681**	**101.986**
Trade receivables		141.810	176.366
Receivables from group enterprises		82.087	34.855
Other receivables		1.448	951
Prepayments	10	4.434	5.310
Receivables		**229.779**	**217.482**
Current asset investments		**23**	**19**
Cash at bank and in hand		**92.098**	**80.350**
Currents assets		**465.581**	**399.837**
Assets		**614.260**	**554.628**

Balance Sheet 31 August

Liabilities and equity

	Note	2020	2019
		TDKK	TDKK
Share capital		967	967
Retained earnings		86.658	117.801
Proposed dividend for the year		130.000	60.000
Equity	11	**217.625**	**178.768**
Provision for deferred tax	12	3.768	2.998
Provisions		**3.768**	**2.998**
Mortgage loans		52.894	57.989
Long-term debt	13	**52.894**	**57.989**
Mortgage loans	13	5.162	5.340
Trade payables		175.711	144.909
Payables to group enterprises		48.045	55.557
Corporation tax		35.999	29.364
Other payables		75.056	79.703
Short-term debt		**339.973**	**314.873**
Debt		**392.867**	**372.862**
Liabilities and equity		**614.260**	**554.628**

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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 September	967	117.801	60.000	178.768
Ordinary dividend paid	0	0	-60.000	-60.000
Extraordinary dividend paid	0	-30.000	0	-30.000
Exchange adjustments relating to foreign entities	0	-3.773	0	-3.773
Fair value adjustment of hedging instruments, end of year	0	2.740	0	2.740
Tax on adjustment of hedging instruments for the year	0	-603	0	-603
Net profit/loss for the year	0	493	130.000	130.493
Equity at 31 August	**967**	**86.658**	**130.000**	**217.625**

Notes to the Financial Statements

		2019/20	2018/19
		TDKK	TDKK
1	**Staff expenses**		
	Wages and salaries	133.519	132.786
	Pensions	8.160	7.628
	Other social security expenses	3.985	3.630
	Other staff expenses	3.842	3.720
		149.506	**147.764**
	Including remuneration to the Executive Board and Board of Directors	**4.321**	**3.943**
	Average number of employees	**285**	**277**
2	**Income from investments in subsidiaries**		
	Share of profits of subsidiaries	6.208	8.368
	Share of losses of subsidiaries	-3.122	-3.710
	Change in intercompany profit om inventories purchased within the Group	-105	264
		2.981	**4.922**
3	**Financial income**		
	Interest received from group enterprises	57	60
	Other financial income	1.445	626
		1.502	**686**

Notes to the Financial Statements

		2019/20	2018/19
		TDKK	TDKK
4	**Tax on profit/loss for the year**		
	Current tax for the year	36.002	29.367
	Deferred tax for the year	770	-275
		36.772	**29.092**
	which breaks down as follows:		
	Tax on profit/loss for the year	36.169	29.001
	Tax on changes in equity	603	91
		36.772	**29.092**

5 Intangible assets

	Goodwill
	TDKK
Cost at 1 September	2.191
Cost at 31 August	2.191
Impairment losses and amortisation at 1 September	547
Amortisation for the year	438
Impairment losses and amortisation at 31 August	985
Carrying amount at 31 August	**1.206**
Amortised over	5 years

Notes to the Financial Statements

6 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Total
	TDKK	TDKK	TDKK
Cost at 1 September	176.913	17.938	194.851
Additions for the year	14.218	2.423	16.641
Disposals for the year	0	-1.905	-1.905
Cost at 31 August	191.131	18.456	209.587
Impairment losses and depreciation at 1 September	88.072	13.857	101.929
Depreciation for the year	7.093	1.532	8.625
Reversal of impairment and depreciation of sold assets	0	-1.780	-1.780
Impairment losses and depreciation at 31 August	95.165	13.609	108.774
Carrying amount at 31 August	**95.966**	**4.847**	**100.813**
Depreciated over	25 years years	3-6 years years	

Notes to the Financial Statements

7 Investments in subsidiaries

	2020	2019
	TDKK	TDKK
Cost at 1 September	62.071	62.071
Cost at 31 August	62.071	62.071
Value adjustments at 1 September	-7.570	-16.230
Disposals for the year	0	180
Exchange adjustment	-3.773	3.558
Net profit/loss for the year	3.086	4.658
Dividend to the Parent Company	-12.809	0
Change in intercompany profit on inventories	-105	264
Value adjustments at 31 August	-21.171	-7.570
Carrying amount at 31 August	**40.900**	**54.501**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Actona Hong Kong Ltd	British Virgin Islands	TUSD 50	100%
S.C. Ambiente Furniture Ukraine	Ukraine	TUAH 7.093	100%
Sofa Trading Ltd	British Virgin Islands	TUSD 50	100%
Interstil Möbel AB	Sweden	TSEK 1.000	100%

8 Other fixed asset investments

	Other receiv-ables
	TDKK
Cost at 1 September	5.722
Additions for the year	38
Cost at 31 August	5.760
Carrying amount at 31 August	**5.760**

Notes to the Financial Statements

		2020	2019
		TDKK	TDKK
9	**Inventories**		
	Finished goods and goods for resale	143.681	101.986
		143.681	**101.986**

10 Prepayments

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

11 Equity

The share capital consists of 966,500 shares of a nominal value of TDKK 1. No shares carry any special rights.

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

12 Provision for deferred tax

	2020	2019
Property, plant and equipment	5.028	3.791
Fixed asset investments	-91	-161
Trade receivables	-1.098	-264
Other adjustments	-71	-368
	3.768	**2.998**

Deferred tax has been provided at 22% corresponding to the expected current tax rate.

Notes to the Financial Statements

13 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:

	2020	2019
	TDKK	TDKK
Mortgage loans		
After 5 years	32.260	36.780
Between 1 and 5 years	20.634	21.209
Long-term part	52.894	57.989
Within 1 year	5.162	5.340
	58.056	**63.329**

14 Subsequent events

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

15 Distribution of profit

	2019/20	2018/19
	TDKK	TDKK
Extraordinary dividend paid	30.000	50.000
Proposed dividend for the year	130.000	60.000
Retained earnings	-29.507	-2.831
	130.493	**107.169**

16 Contingent assets, liabilities and other financial obligations

Charges and security

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

Land and buildings with a carrying amount of	95.966	88.841
Cash at bank and in hand	7.747	7.747

Notes to the Financial Statements

	2020	2019
	TDKK	TDKK

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

Contingent liabilities
The Danish entreprises of the group are jointly and severally liable for the tax on the Group's jointly taxed income etc. The total amount is stated in the Annual Report of LLG A/S, which is the management company in the joint taxation.

In order to hedge the payment of interest on mortgage loans of DKK 58.1 million, the Company has entered into interest rate swaps. At the balance sheet date, the contracts have a negative value of DKK 5.6 million that has been recognised in equity.

Rental contracts and Lease obligations

	2020 TDKK	2019 TDKK
Total future payments:		
Within 1 year	11.541	10.483
Between 1 and 5 years	23.672	24.134
	35.213	**34.617**
Commitment regarding lease of buildings with non-concellable periods up to 5 years	30.487	30.935

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
A.C. Holding A/S	Brabrand, parent company
Kapital JH ApS	Brabrand, owner
LLG A/S	Brabrand, owner
Goose I Invest ApS	Brabrand, ultimate owner

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.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

A.C. Holding A/S, Brabrand

Consolidated Financial Statements

The company is included in the Group Annual Report of:

Name	Place of registered office
LLG A/S, CVR-nr: 86001519	Sødalsparken 18, 8220 Brabrand, Denmark
Goose I Invest ApS, CVR-nr: 41077883	Sødalsparken 18, 8220 Brabrand, Denmark

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Actona Company A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019/20 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of LLG A/S, CVR-nr: 86001519 and Goose I Invest ApS CVR-nr: 41077883, 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 LLG A/S, CVR-nr: 86001519 and Goose I Invest ApS, CVR-nr: 41077883, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Notes to the Financial Statements

18 Accounting Policies (continued)

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

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 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)

Segments

The entity is recognized as a single business unit, trading one type of product and operating on a single geographical market. As a result of this, it is not relevant to segment the revenue into business units and geographical markets.

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.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as administration expenses, etc.

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 Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

18 Accounting Policies (continued)

Income from investments in subsidiaries

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

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 Danish related companies. The tax effect of the joint taxation is allocated to Danish 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 5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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:

Buildings	25 years
Other fixtures and fittings, tools and equipment	3-6 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of If so, an important test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment. are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Investments in subsidiaries

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

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 with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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.

Other fixed asset investments

Other fixed asset investments consist of other receivables.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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