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# ***Audo A/S***

Århusgade 130, 1, DK-2150 Nordhavn

## **Annual Report for 1 October 2021 - 31 December 2022**

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CVR No 15 21 42 36

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/6 2023

Kristoffer Mejborn  
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 Audo A/S for the financial year 1 October 2021 - 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 at 31 December 2022 of the Company and of the results of the Company operations for 2021/22.

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.

Nordhavn, 28 June 2023

## Executive Board

Søren Mygind Eskildsen  
CEO

## Board of Directors

Daniel Lalonde  
Chairman

Søren Mygind Eskildsen

Alberto Michele Maria Toni

# Independent Auditor's Report

To the Shareholders of Audo A/S

## Opinion

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 1 October 2021 - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Audo A/S for the financial year 1 October 2021 - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 28 June 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Søren Alexander  
statsautoriseret revisor  
mne42824

Frederik Tvedeskov Jantzen  
statsautoriseret revisor  
mne47815

## Company Information

### The Company

Audo A/S  
Århusgade 130, 1  
DK-2150 Nordhavn

Telephone: + 45 48406100  
Website: [www.audocph.com](http://www.audocph.com)

CVR No: 15 21 42 36  
Financial period: 1 October 2021 - 31 December 2022  
Incorporated: 1 July 1991  
Financial year: 31st financial year  
Municipality of reg. office: Copenhagen

### Board of Directors

Daniel Lalonde, Chairman  
Søren Mygind Eskildsen  
Alberto Michele Maria Toni

### Executive Board

Søren Mygind Eskildsen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

	2021/22 (15 months) TDKK	2020/21 (12 months) TDKK	2020 (9 months) TDKK	2019 (12 months) TDKK	2018 (12 months) TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	500,833	265,494	123,763	232,126	166,361
Gross profit/loss	143,115	97,593	29,056	76,482	42,310
Profit/loss before financial income and expenses	30,877	43,252	-8,448	15,258	-28,318
Net financials	5,162	-2,313	1,216	-8,849	1,236
Net profit/loss for the year	26,448	31,632	-5,087	3,033	-27,049
<b>Balance sheet</b>					
Balance sheet total	287,452	161,126	167,035	142,411	140,451
Equity	102,997	52,939	26,682	47,442	49,454
Investment in property, plant and equipment	-10,647	-5,852	-3,139	-2,272	-4,578
Number of employees	109	51	50	55	58
<b>Ratios</b>					
Gross margin	28.6%	36.8%	23.5%	32.9%	25.4%
Profit margin	6.2%	16.3%	-6.8%	6.6%	-17.0%
Return on assets	10.7%	26.8%	-5.1%	10.7%	-20.2%
Solvency ratio	35.8%	32.9%	16.0%	33.3%	35.2%
Return on equity	33.9%	79.5%	-13.7%	6.3%	-53.0%
Profit/loss before depreciation (EBITDA)	48,556	51,929	(621)	33,512	(20,488)



# Management's Review

## Key activities

Audo A/S' (formerly known as Menu A/S) is a Copenhagen-based company that was founded in 1978. The main activity is design, development and sale of high-quality designer furniture, lighting, and home accessories developed together with reputable designers around the world. Among others, the company holds all rights to a unique product portfolio created by Danish designers Mogens Lassen and Flemming Lassen, as well as Ib Kofod-Larsen.

With an iconic portfolio of historic designs, along with diversified contemporary products, the company serves a broad customer base, including the younger generation. The products are sold to the end user through retailers and wholesalers in more than 60 countries. Audø has a strong presence in the Northern European and the US design market.

## Development in the year

The company changed its fiscal year in 2022 from to 1/10 - 30/9 to 1/1 - 31/12 with a conversion period from 1/10 2021 - 31/12 2022, therefore, the reporting period covers 15 months while the comparative figures cover a 12 month period.

The income statement of the Company for 2021/2022 shows a profit of DKK 26,488,324, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 102,997,093.

2021-2022 was characterized by challenging macroeconomic conditions following the outbreak of war in Ukraine, interest rate hikes, and the continued impact of the Covid-19 public health emergency in some countries, particularly China. The result has been adversely impacted by continuous challenges in the global supply chain, an adverse economic development including a steep increase in inflation.

Audo A/S achieved an operating profit (EBIT) of DKK 30.9m for the accounting period compared to an operating profit (EBIT) of DKK 43.3m for 12 months in 2020/2021. Given the global situation, the management considers the result as satisfactory.

## Changes in the Group structure affecting Audø A/S

### ***Sale of Audø A/S' Parent company to Design Holding S.p.A.***

During May 2022, the private equity fund Polaris sold its majority stake in the Designers Company group, of which Audø A/S is a subsidiary, with the buyer being Design Holding S.p.A.

Design Holding is an international group active in the global market for high-end design, based on a European cultural heritage and global presence characterised by multi-faceted distribution and diversified product categories.

## Management's Review

Design Holding has built a portfolio of iconic products designed by legendary designers such as Achille and Pier Giacomo Castiglioni, Tobia Scarpa, Luigi Caccia Dominioni, Poul Henningsen, Arne Jacobsen, Antonio Citterio, Gaetano Pesce, Phillippe Starck, Piero Lissoni, Konstantin Grcic, Jasper Morrison, Patricia Urquiola, Michael Anastassiades and many more.

Driven by the purpose “We design for a beautiful life,” the Group designs for the planet, people and culture. The Group encompasses Flos, B&B Italia, Louis Poulsen, Maxalto, Arclinea, Azucena, FENDI Casa, Audo, by Lassen, and Lumens. The Group's global footprint gives it a unique platform and the Group is committed to using this to spread design consciousness, to inspire future talent and to share the belief that beauty can, and should always be, sustainable.

Design Holding was established in 2018 and is jointly owned by the two investment companies, Investindustrial and The Carlyle Group, with an ambition to create global growth, including through acquisitions.

In December 2021 the holding company Audo A/S has acquired the Danish company Brdr. Petersens Polstermøbelfabrik ApS (Brdr P.) in December 2021. Subsequently Brdr P. was merged with Audo A/S, with Audo A/S as the continuing company. The merger was effectuated with retroactive effect as per the beginning of the year.

### ***Acquisition, mergers and sale***

During the year several structural changes have been made that affected Audo A/S. The previously acquired sister company By Lassen ApS was merged into Audo A/S with Audo A/S as the continuing entity. Furthermore, sister company SpaceCo A/S was also emerged into Audo A/S; again, with Audo A/S being the continuing entity. These mergers were effectuated with retroactive effect as per 1/10/2021.

Finally, to further streamline the group structure ownership of Menu North America was transferred to the holding company; Designers Company A/S during the year.

### **Economic development and inflation**

As is the case for the entire market, supply and logistics continued to be a major challenge with increasing prices for mainly cost of goods and transportation. Furthermore, a general increase in the price level of goods and services increased operating costs for the company. The company has as a consequence increased prices where possible and overcome the aforementioned challenges.

### **Expanding the brand**

During the past year, Audo's portfolio of high-quality designer furniture, lighting and home accessories has continued to draw attention from the international press as Audo A/S has garnered international attention from editors across the world. Followers on our many different social media platforms as well as traffic to our own webshop has shown strong increase during the year. The Audo, as the hybrid international space it is, has continued to draw attention as a unique place to be seen and tried.

# Management's Review

## **Integration in Design Holding**

Immediately after the takeover of the group by Design Holding S.p.A. the integration of the group in Design Holding S.p.A. was started and the integration activities in Design Holding S.p.A. and its subsidiaries Louis Poulsen, FLOS (Italy), B&B Italia (Italy), Fendi Casa (Italy) and Ydesign (US) continue to be ongoing to secure growth for the group.

Cooperation in the Group is taking place in many areas such as digital transformation, go-to-market strategies, international opportunities, production and procurement just to mention some.

## **Operational platform**

Further digitalization has also been one of the top-priorities during the year. Everything from improving the layout of the website towards a new digital sales tool to the opening of own web shop in most of the European countries.

## **Outlook**

Despite uncertainties in the general economy and higher inflation levels that slow down the market for high end designer's furniture we expect satisfactorily growth in operating profit compared to the past year.

## **Market risk**

The company's products are primarily positioned in the high-end markets. The economic development in the professional and private consumer markets may affect the financial results.

## **Foreign exchange risks**

Due to sales activities in foreign markets, cash flow and equity might be influenced by changes in interest levels and exchange rates for several currencies. It is company policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions related to trading activities in foreign currencies, in the next twelve months based on the budget. The company does not use speculative hedging.

## **Credit risks**

The company's credit risks relate to trade receivables included in the balance sheet. The company has no vital risks related to a single customer or business partner. The company's credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

## **Capital structure and Ownership**

Audo A/S' share capital is not divided into classes and all shares are owned by Designers Company A/S, who's ultimate parent company is Designers Holding S.p.A.

## **Management's Review**

Management regularly assesses whether the company has an adequate capital structure, the Board of Directors continuously assesses that the company's capital structure is consistent with the company's and its stakeholders' interests. The overall objective is to ensure a capital structure that supports a profitable long-term growth.

Management believes that the current capital structure provides sufficient flexibility to address the future strategy of the Group.

### **Intellectual capital resources**

The employees are the Group's most important resource, with main emphasis on design and product development. The company has an experienced and highly competent staff working throughout the value chain. The company will continue to implement measures to attract and retain highly skilled staff with expertise within our areas of operations to ensure future growth. Great demand is placed on the employees' hard and soft skills and their ability to engage in a logistically demanding process. The Danish labor market has been highly competitive in 2021, and there is a general increase in demand for talent within most areas, which is expected to continue.

To ensure high product quality and competitiveness the company continuously to optimizes processes and procedures. This demands a high level of competence, and the company therefore continuously invests in competency development.

### **Research and development**

Audo A/S continuously invests in developing, updating, and improving its product portfolio. Costs related to development of products are expensed in the income statement or accounted for as an asset following the accounting policies.

### **The company's work with ESG, pursuant to the Danish Financial Statements Act section 99a**

For a description of key activities, please see section about Key activities above.

# Management's Review

## *Policies*

Audo A/S became both ISO 14001- and 9001 certified back in July 2021, defining our next major step towards our vision of becoming an even stronger sustainable interior supplier.

Our commitment is based on the internationally agreed core principles for sustainable development; human rights (including labor rights), environment (including climate), and anti-corruption. The principles are listed by the UN Global Compact and made operational through the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD). We comply with regulations wherever we operate. Distinct from this, our commitment means that the company continuously identifies, prevents, or mitigates our risks of adverse impacts in relation to the core principles. We will communicate how we manage such impacts. We will seek to make a difference for sustainability, where it makes most sense for us.

Our employees are key partners in helping us respect international principles for sustainable development. We expect all team members at Audo A/S to assist us in honoring our commitment in their daily work. We have embedded our CSR commitment in the daily work of both our employees and management through training, communication, and ongoing assessments. We always appreciate good ideas for how to prevent, mitigate or improve our impacts on sustainable development.

## *Risk assessment*

Audo A/S works with social responsibility for the four main areas, Environment/climate, Employee conditions, Human rights and Anti-corruption. For each of the main areas Audo has identified the company's risks.

- Environment/climate, issues related to production and transportation of furniture's and other products leads to risk for Co2 emission.
- Employee conditions include risks identified such as work accidents or stress related diseases.
- Human rights, where there is a risk of breach in the of code of conduct in the supply chain.
- Anti-Corruption, the risks associated with Anti-Corruption are evaluated to be less likely, however the impact of corruption can affect the business significantly.

# Management's Review

## ***Business Code of Conduct***

We expect all our business relationships to meet the globally agreed minimum standard for responsible business conduct as expressed in this commitment. Business relationships shall implement the UNGPs/OECD, i.e., manage risks of causing or contributing to adverse impacts in relation to human rights, the environment, and anticorruption, and address actual impacts, share their results – and ask the same from their relationships. Management of severe impacts shall be communicated promptly. As an important part of Audo's business conduct, all our major business relations have received our Code of Conduct for Responsible Business Conduct.

## ***Self-assessment***

Audo A/S continuously, and minimum once a year, conducts a self-assessment according to the Global ESG standards. We continue to ask major business relations to be transparent and guide on progress on the same topics, according to our Code of Conduct.

## ***Corporate governance***

The Board of Directors and the Executive Board constantly strive to ensure that appropriate and sufficient control systems are in place managed by a robust management team structure. The Board of Directors and the Executive Board have several duties being defined in, amongst others, the Companies Act, the Danish Financial Statements Act, the Articles of Association, and good practice for companies of the same size and with the same international scope as Designer Company. On this basis, an ongoing series of internal procedures are developed and maintained to ensure active, reliable, and profitable management of the company.

## **Employment**

Audo's policy for employment is based on Design Holdings code of ethics and comprises of "Discrimination and Harassment" and "Health & Safety". It is the policy to secure a workplace where all contribute actively to maintain a working environment where the employees can grow both personal and professional. As a part of the employment conditions, all employees have access to a company paid healthcare plan. In 2022 we have completed the annual employee climate survey with a score of 3.8 out of 5. Further we have conducted a safety course for all employees. For 2023 we will continue the work with the agreed actions from the climate survey and enforce a safe working environment.

## **Environment/climate, Human rights, Anti-Corruption**

Audo has previously not been included in the legal requirements related to §99a. In 2022 Audo has begun the work to formalize policies within the tree areas.

In 2023 we will continue the work to formalize policies within and implement them in the business.

# Management's Review

## *Statutory report on the underrepresented gender*

Audo A/S has 102 employees. Approximately 46% are female as per the end of the year.

The company is committed to our membership of Global Compact and reported on our Sustainable business conduct during Q2 2021. Among our chosen relevant KPIs we report on diversity within the company. From advertising to recruiting we are committed to provide a safe and healthy work environment that is free of unlawful discrimination including harassment that is based on any legally protected characteristics, including, but not limited to, race, color, gender, sexual orientation, national origin, citizen status, disability, veteran status, height, weight, and religion. Audo A/S conducted its first international employee satisfaction survey in august 2021. It showed a very positive result.

With approx. 46% (last year 52%) share of women employed, we have the best possibility to ensure a good balance in the leading positions in the future growth and development of the company.

At year end 2022 the Board of Directors consists of 3 persons, all males. The Board of Directors have set the objective to have at least one female member before 2024. In 2022 it has not been possible to attract a qualified candidate to the Board of Directors.

On a managerial level women make up 44% which is a 13% increase compared to last year.

## *Statement of policy for data ethics in accordance with Section 99 d of the Annual Accounts Act*

Audo has not issued a policy for data ethics. It has been assessed that we are in compliance with rules related to GDPR and further that we follow the policy for data ethics as described in the Code of Ethics issued by the parent company of Audo A/S. For 2023 management has decided to issue data ethic policy.

## **Events after the balance sheet date**

In January 2023 CEO Danny Espersen was replaced in the Board of Directors and Executive Management with Søren Eskildsen. No other material event has occurred after the balance sheet date to this date, which may materially affect the assessment of the Company's financial position.

## Income Statement 1 October - 31 December

	Note	2021/22 DKK (15 months)	2020/21 DKK (12 months)
<b>Revenue</b>	1	<b>500,833,061</b>	<b>265,493,633</b>
Other operating income		0	192,000
Cost of sales		-275,481,829	-138,039,155
Other external expenses		-82,236,366	-30,053,379
<b>Gross profit/loss</b>		<b>143,114,866</b>	<b>97,593,099</b>
Staff expenses	2	-94,559,335	-45,664,009
<b>Profit/loss before depreciations</b>		<b>48,555,531</b>	<b>51,929,090</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-17,678,799	-8,677,552
<b>Profit/loss before financial income and expenses</b>		<b>30,876,732</b>	<b>43,251,538</b>
Income from investments in subsidiaries		0	-1,552,332
Financial income	4	10,327,421	2,232,062
Financial expenses	5	-5,165,388	-2,992,677
<b>Profit/loss before tax</b>		<b>36,038,765</b>	<b>40,938,591</b>
Tax on profit/loss for the year	6	-9,590,441	-9,306,445
<b>Net profit/loss for the year</b>		<b>26,448,324</b>	<b>31,632,146</b>



# Balance Sheet 31 December

## Assets

	Note	31/12 2022 DKK	30/09 2021 DKK
Completed development projects		7,229,998	6,380,222
Acquired trademarks		939,385	687,055
Acquired other rights		19,126,275	21,829,750
Goodwill		<u>1,446,257</u>	<u>1,184,758</u>
<b>Intangible assets</b>	<b>7</b>	<b><u>28,741,915</u></b>	<b><u>30,081,785</u></b>
Other fixtures and fittings, tools and equipment		18,670,716	8,815,166
Leasehold improvements		6,609,403	0
Property, plant and equipment in progress		<u>243,954</u>	<u>0</u>
<b>Property, plant and equipment</b>	<b>8</b>	<b><u>25,524,073</u></b>	<b><u>8,815,166</u></b>
Investments in subsidiaries	9	0	0
Deposits	10	<u>2,619,293</u>	<u>1,165,812</u>
<b>Fixed asset investments</b>		<b><u>2,619,293</u></b>	<b><u>1,165,812</u></b>
<b>Fixed assets</b>		<b><u>56,885,281</u></b>	<b><u>40,062,763</u></b>
Raw materials and consumables		6,553,475	0
Work in progress		209,989	0
Finished goods and goods for resale		76,341,615	55,845,236
Prepayments for goods		<u>0</u>	<u>858,537</u>
<b>Inventories</b>		<b><u>83,105,079</u></b>	<b><u>56,703,773</u></b>
Trade receivables		41,063,397	26,975,425
Receivables from group enterprises		88,265,959	27,495,728
Other receivables	16	2,431,841	152,390
Prepayments	11	<u>4,446,457</u>	<u>2,163,382</u>
<b>Receivables</b>		<b><u>136,207,654</u></b>	<b><u>56,786,925</u></b>
<b>Cash at bank and in hand</b>		<b><u>11,254,007</u></b>	<b><u>7,572,172</u></b>
<b>Currents assets</b>		<b><u>230,566,740</u></b>	<b><u>121,062,870</u></b>
<b>Assets</b>		<b><u>287,452,021</u></b>	<b><u>161,125,633</u></b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	31/12 2022 DKK	30/09 2021 DKK
Share capital		2,504,000	2,501,000
Reserve for development costs		5,640,604	4,976,573
Retained earnings		94,852,489	9,461,455
Proposed dividend for the year		0	36,000,000
<b>Equity</b>		<b>102,997,093</b>	<b>52,939,028</b>
Provision for deferred tax	13	4,413,900	4,888,635
Other provisions	14	0	55,358
<b>Provisions</b>		<b>4,413,900</b>	<b>4,943,993</b>
Credit institutions		0	31,052,891
Lease obligations		1,881,243	0
Payables to group enterprises		87,570,105	0
Other payables		2,600,878	7,566,813
<b>Long-term debt</b>	15	<b>92,052,226</b>	<b>38,619,704</b>
Credit institutions	15	78,710	6,666,671
Lease obligations	15	470,334	0
Trade payables		43,750,816	36,114,624
Payables to group enterprises	15	18,581,278	0
Corporation tax		46,799	5,165,562
Payables to group enterprises relating to corporation tax		8,584,105	0
Other payables	15,16	8,344,976	11,742,697
Prepayments recieved from customers	17	8,131,784	4,933,354
<b>Short-term debt</b>		<b>87,988,802</b>	<b>64,622,908</b>
<b>Debt</b>		<b>180,041,028</b>	<b>103,242,612</b>
<b>Liabilities and equity</b>		<b>287,452,021</b>	<b>161,125,633</b>
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	18		
Related parties	19		
Fee to auditors appointed at the general meeting	20		
Accounting Policies	21		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 October	2,501,000	4,976,573	9,461,455	36,000,000	52,939,028
Capital increase in connection with mergers	3,000	58,037	3,593,497	6,000,000	9,654,534
Tax-free group contribution	0	0	5,000,000	0	5,000,000
Ordinary dividend paid	0	0	0	-42,000,000	-42,000,000
Fair value adjustment of hedging instruments, beginning of year	0	0	-87,296	0	-87,296
Fair value adjustment of hedging instruments, end of year	0	0	-70,878	0	-70,878
Tax on adjustment of hedging instruments for the year	0	0	34,798	0	34,798
Profit from sales of shares to the parent company	0	0	51,078,583	0	51,078,583
Additions to development costs during the year	0	3,181,209	-3,181,209	0	0
Depreciation, amortisation and impairment for the year	0	-2,575,215	2,575,215	0	0
Net profit/loss for the year	0	0	26,448,324	0	26,448,324
<b>Equity at 31 December</b>	<b>2,504,000</b>	<b>5,640,604</b>	<b>94,852,489</b>	<b>0</b>	<b>102,997,093</b>

# Notes to the Financial Statements

	2021/22 DKK (15 months)	2020/21 DKK (12 months)
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Americas	101,365,898	39,968,297
Asia Pacific	33,846,643	19,622,836
Europe, The Middle East and Africa	365,620,520	205,902,500
	<b>500,833,061</b>	<b>265,493,633</b>
<b>Business segments</b>		
Furniture	304,039,017	134,249,108
Home accessories	116,056,985	67,459,226
Lighting	76,262,728	61,496,148
Other	4,474,331	2,289,151
	<b>500,833,061</b>	<b>265,493,633</b>
<b>2 Staff expenses</b>		
Wages and salaries	85,988,793	42,462,192
Pensions	5,072,814	1,965,495
Other social security expenses	878,868	489,333
Other staff expenses	2,618,860	746,989
	<b>94,559,335</b>	<b>45,664,009</b>
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	4,793,755	3,636,140
Supervisory Board	486,263	637,500
	<b>5,280,018</b>	<b>4,273,640</b>
<b>Average number of employees</b>	<b>109</b>	<b>51</b>

## Notes to the Financial Statements

	2021/22 DKK (15 months)	2020/21 DKK (12 months)
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	7,698,982	5,470,508
Depreciation of property, plant and equipment	9,979,817	3,207,044
	<b>17,678,799</b>	<b>8,677,552</b>
<b>4 Financial income</b>		
Interest received from group enterprises	7,108,819	1,482,400
Other financial income	115,815	91,549
Exchange adjustments, income	3,102,787	658,113
	<b>10,327,421</b>	<b>2,232,062</b>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	3,535,360	98,842
Other financial expenses	1,134,041	1,999,742
Exchange adjustments, expenses	495,987	894,093
	<b>5,165,388</b>	<b>2,992,677</b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	8,724,202	5,165,562
Deferred tax for the year	831,441	4,046,971
	<b>9,555,643</b>	<b>9,212,533</b>
which breaks down as follows:		
Tax on profit/loss for the year	9,590,441	9,306,445
Tax on changes in equity	-34,798	-93,912
	<b>9,555,643</b>	<b>9,212,533</b>

## Notes to the Financial Statements

### 7 Intangible assets

	Completed development projects	Acquired trade- marks	Acquired other rights	Goodwill	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 October	12,625,366	852,247	42,264,209	3,022,489	58,764,311
Net effect from merger and acquisition	113,022	104,080	251,649	1,672,000	2,140,751
Additions for the year	4,076,927	427,292	917,410	0	5,421,629
Cost at 31 December	16,815,315	1,383,619	43,433,268	4,694,489	66,326,691
Impairment losses and amortisation at 1 October	6,245,144	165,192	20,434,458	1,837,731	28,682,525
Net effect from merger and acquisition	38,615	36,053	0	1,128,600	1,203,268
Amortisation for the year	3,301,558	242,989	3,872,535	281,901	7,698,983
Impairment losses and amortisation at 31 December	9,585,317	444,234	24,306,993	3,248,232	37,584,776
<b>Carrying amount at 31 December</b>	<b>7,229,998</b>	<b>939,385</b>	<b>19,126,275</b>	<b>1,446,257</b>	<b>28,741,915</b>

Audio development activities are mainly related to Design and development of new products as well as development of tools for the actual production. The value of the recognized development projects is compared with expected earnings from the products.

## Notes to the Financial Statements

### 8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK
Cost at 1 October	23,556,944	0	0	23,556,944
Net effect from merger and acquisition	18,586,562	9,163,609	952,312	28,702,483
Additions for the year	8,324,401	658,530	1,664,436	10,647,367
Disposals for the year	-397,214	0	-601,298	-998,512
Transfers for the year	1,506,303	265,193	-1,771,496	0
Cost at 31 December	<u>51,576,996</u>	<u>10,087,332</u>	<u>243,954</u>	<u>61,908,282</u>
Impairment losses and depreciation at 1 October	14,741,778	0	0	14,741,778
Net effect from merger and acquisition	9,953,686	2,088,321	0	12,042,007
Depreciation for the year	8,590,209	1,389,608	0	9,979,817
Impairment and depreciation of sold assets for the year	<u>-379,393</u>	<u>0</u>	<u>0</u>	<u>-379,393</u>
Impairment losses and depreciation at 31 December	<u>32,906,280</u>	<u>3,477,929</u>	<u>0</u>	<u>36,384,209</u>
<b>Carrying amount at 31 December</b>	<b><u>18,670,716</u></b>	<b><u>6,609,403</u></b>	<b><u>243,954</u></b>	<b><u>25,524,073</u></b>

## Notes to the Financial Statements

	31/12 2022	30/09 2021
	DKK	DKK
<b>9 Investments in subsidiaries</b>		
Cost at 1 October	1,096,380	1,096,380
Disposals for the year	<u>-1,096,380</u>	<u>0</u>
Cost at 31 December	<u>0</u>	<u>1,096,380</u>
Value adjustments at 1 October	6,874,963	-5,100,343
Disposals for the year	-6,874,963	0
Exchange adjustment	0	-42,288
Net profit/loss for the year	0	1,297,012
Change in intercompany profit on inventories	<u>0</u>	<u>-3,029,344</u>
Value adjustments at 31 December	<u>0</u>	<u>-6,874,963</u>
Equity investments with negative net asset value amortised over receivables	<u>0</u>	<u>5,778,583</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>0</u></b>

### 10 Other fixed asset investments

	Deposits
	DKK
Cost at 1 October	1,165,812
Net effect from merger and acquisition	282,190
Additions for the year	<u>1,171,291</u>
Cost at 31 December	<u>2,619,293</u>
<b>Carrying amount at 31 December</b>	<b><u>2,619,293</u></b>

### 11 Prepayments

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



## Notes to the Financial Statements

	2021/22 DKK (15 months)	2020/21 DKK (12 months)
<b>12 Distribution of profit</b>		
Extraordinary dividend paid	0	5,000,000
Proposed dividend for the year	0	36,000,000
Retained earnings	26,448,324	-9,367,854
	<b>26,448,324</b>	<b>31,632,146</b>
<b>13 Provision for deferred tax</b>		
Provision for deferred tax at 1 October	4,888,635	841,664
Amounts recognised in the income statement for the year	831,441	4,046,971
Amounts recognised in equity for the year	-1,306,176	0
<b>Provision for deferred tax at 31 December</b>	<b>4,413,900</b>	<b>4,888,635</b>
<b>14 Other provisions</b>		
Other provisions	0	55,358
	<b>0</b>	<b>55,358</b>

# Notes to the Financial Statements

## 15 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:

	<u>31/12 2022</u>	<u>30/09 2021</u>
	DKK	DKK
<b>Credit institutions</b>		
Between 1 and 5 years	0	31,052,891
Long-term part	<u>0</u>	<u>31,052,891</u>
Within 1 year	0	6,666,667
Other short-term debt to credit institutions	78,710	4
Short-term part	<u>78,710</u>	<u>6,666,671</u>
	<b><u>78,710</u></b>	<b><u>37,719,562</u></b>
<b>Lease obligations</b>		
Between 1 and 5 years	1,881,243	0
Long-term part	<u>1,881,243</u>	<u>0</u>
Within 1 year	470,334	0
	<b><u>2,351,577</u></b>	<b><u>0</u></b>
<b>Payables to group enterprises</b>		
Between 1 and 5 years	87,570,105	0
Long-term part	<u>87,570,105</u>	<u>0</u>
Other short-term debt to group enterprises	18,581,278	0
	<b><u>106,151,383</u></b>	<b><u>0</u></b>
<b>Other payables</b>		
Between 1 and 5 years	2,600,878	7,566,813
Long-term part	<u>2,600,878</u>	<u>7,566,813</u>
Other short-term payables	8,344,976	11,742,697
	<b><u>10,945,854</u></b>	<b><u>19,309,510</u></b>

# Notes to the Financial Statements

## 16 Derivative financial instruments

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

	<u>31/12 2022</u> DKK	<u>30/09 2021</u> DKK
Assets	0	87,296
Liabilities	70,878	0

## 17 Prepayments recieved from customers

Prepayments received from customers comprises payments received in respect of income in subsequent years.

## 18 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	450,363	957,102
Between 1 and 5 years	<u>12,971</u>	<u>984,327</u>
	<b><u>463,334</u></b>	<b><u>1,941,429</u></b>
Lease obligations, period of non-terminability for all lease obligations	33,860,774	2,900,438

### Other contingent liabilities

The Group's enterprises are jointly and severally liable for the Group's jointly taxed income etc. The total corporation tax payable for the period 1 October 2021 - 23 May 2022 is stated in the Annual Report of Designers Company A/S, which acts as management company in the jointly taxed Group for the respective period. The total corporation tax payable for the period 24 May 2022 - 31 December 2022 is stated in the Annual Report of Luminous Designs Investments ApS, which acts as management company in the jointly taxed Group for the respective period. Moreover, the respective Groups' Danish enterprises are jointly and severally liable for Danish withholding tax such as tax on dividend, royalty and interest. Any subsequent adjustments to the corporation tax or withholding tax may result in changes to the Company's liability.

# Notes to the Financial Statements

## 19 Related parties

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Design Holding SpA, Via Manzoni 38 – 20121 Milan (MI), Italy

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
International Design Group S.p.A, Via Manzoni 38 – 20121 Milan (MI), Italy Annual Reports can be requested by contacting the company)

## 20 Fee to auditors appointed at the general meeting

### PricewaterhouseCoopers

	2021/22 DKK (15 months)	2020/21 DKK (12 months)
Audit fee	581,100	148,000
Other assurance engagements	606,034	53,139
Tax advisory services	402,122	136,181
Other services	179,515	0
	<u>1,768,771</u>	<u>337,320</u>

# Notes to the Financial Statements

## 21 Accounting Policies

The Annual Report of Audo A/S for 2021/22 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 company has changed its fiscal year from 1/10 - 30/9 to 1/1 - 31/12 with a conversion period from 1/10 2021 - 31/12 2022. The Income statement thus comprises a 9 month period and the comparative figures a 12 month period.

The Financial Statements for 2021/2022 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of International Design Group S.p.A og Design Holding S.p.A, 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 International Design Group S.p.A og Design Holding S.p.A, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### **Business combinations**

#### ***Book value method***

Intragroup business combinations are accounted for under the book value method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The book value method is applied at the beginning of the financial year, and comparative figures have not been restated.

### **Leases**

Leases in terms of which the Company 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 Company.

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.

### **Derivative financial instruments**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

### Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

### Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## 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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

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

### Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

### 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.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among others factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period runs for 10 years.

Intangible assets are amortised on a straight-line basis over the expected useful life of the individual assets.

Property, plant and equipment are depreciated on a straight-line basis to the residual value, based on the cost.

Gains or losses on the sale of fixed assets are recognised in the income statement under 'Amortisation/depreciation'.

### 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

## 21 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 parent and all Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Intangible assets**

#### ***Development projects, trademarks and other rights***

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company’s development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 10 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	3-15	years
Leasehold improvements	5 - 20	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 15-20 years, determined on the basis of Management's experience with the individual business areas.

Goodwill can be referred to withdrawal of agency agreements in several countries where the company handles the sale and management of the customers.

Goodwill is amortized over a period of 15-20 years, due to customer databases and relationships which has been adopted by the Company from the agent.

# Notes to the Financial Statements

## 21 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 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.

### **Common control transactions**

Common control transactions are accounted for under the book value method. Under this method, an enterprise is transferred at carrying amount, and no differences are identified. Any consideration which exceeds the carrying amount of the transferred enterprise is recognised directly in equity. The book value method is applied at the date of the acquisition, and comparative figures have not been restated.

### **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.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

The cost of goods for resale, raw materials and consumables 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 rent, insurance premiums, subscriptions and interest.

### Equity

#### *Dividend*

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

### Provisions

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

Other provisions include expected warranty obligations. Provisions are measured and recognised based on experience with repairs and returns.

### 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 legisla-

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

tion 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 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 and other payables are measured at amortised cost, substantially corresponding to nominal value.

### **Prepayments received from customers**

Prepayments received from customers comprises payments received in respect of income in subsequent years.

# Notes to the Financial Statements

## 21 Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

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