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Kystvejen 29
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CVR no. 20 22 26 70

WENDELBO INTERIORS A/S
MOSEVEJ 20A, 8240 RISSKOV
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 27 June 2023**

Kristoffer Møller Pedersen

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 15 93 21 98

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COMPANY DETAILS

Company	Wendelbo Interiors A/S Mosevej 20A 8240 Risskov CVR No.: 15 93 21 98 Established: 30 January 1992 Municipality: Aarhus Financial Year: 1 January - 31 December
Board of Directors	Per Dollerup Mikkelsen, chairman Thomas Riis Kristoffer Møller Pedersen
Executive Board	Christian Ernemann Lars Wendelbo
Auditor	BDO Statsautoriseret revisionsaktieselskab Kystvejen 29 8000 Aarhus C
Bank	Jyske Bank A/S

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Wendelbo Interiors A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Århus C, 12 May 2023

Executive Board

Christian Ernemann

Lars Wendelbo

Board of Directors

Per Dollerup Mikkelsen
Chairman

Thomas Riis

Kristoffer Møller Pedersen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Wendelbo Interiors A/S

Opinion

We have audited the Financial Statements of Wendelbo Interiors A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 judgment and maintain professional skepticism 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.*

INDEPENDENT AUDITOR'S REPORT

- *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.

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 of Management Commentary.

Aarhus, 12 May 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Morten Trap Olesen
State Authorised Public Accountant
MNE no. mne35625

Jonas Lund Jacobsen
State Authorised Public Accountant
MNE no. mne46611

FINANCIAL HIGHLIGHTS

	2022 DKK '000	2021 DKK '000	2020 DKK '000	2019 DKK '000	2018 DKK '000
Income statement					
Gross profit/loss.....	19,896	20,494	17,041	19,795	16,286
Operating profit before depreciation and amortisation (EBITDA).....	-1,440	2,252	5,489	11,734	9,278
Operating profit of main activities.....	-1,814	1,893	5,296	11,545	9,088
Financial income and expenses, net.....	-2,459	762	-1,956	41	-287
Profit for the year before tax.....	-4,273	2,655	3,339	11,586	8,801
Profit for the year.....	-3,382	2,037	2,445	9,010	6,852
Balance sheet					
Total assets.....	61,420	60,931	51,355	31,771	29,327
Equity.....	21,591	11,974	14,937	17,492	8,482
Investment in property, plant and equipment.....	-100	-237	-624	-154	-42
Average number of full-time employees.....	24	22	20	15	14
Key ratios					
Return on invested capital.....	-4.0	4.3	20.8	79.6	94.5
Equity ratio.....	35.2	19.7	29.1	55.1	28.9
Return on equity.....	-20.2	15.1	15.1	69.4	123.3

The ratios stated in the list of key figures and ratios have been calculated as follows:

Invested capital:

Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities

Return on invested capital:

$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$

Equity ratio:

$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$

Return on equity:

$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Principal activities

The company's activities are to purchase and sell furniture.

Development in activities and financial and economic position

The company experienced an increase in activities in 2022 compared to 2021. Since the summer of 2022, the company experienced a drop in activities due to geopolitical events and the following high inflation rates. The company realised in the financial year 2022 a loss of DKK ('000) -4.273 before tax.

Profit/loss for the year compared to the expected development

The company increased turnover in 2022 compared to 2021 across all geographic segments, however the slow activities in the second half of 2022 effected the revenue, and the revenue did not meet the expectations of the management for the whole year. The profit/loss for 2022 did not turn out as expected due to the lower activities in the second half of 2022.

Significant events after the end of the financial year

The company is not aware of any significant events after closing.

Financial risk

The nature of the company's operations, investments, and financial arrangements, expose the company to financial risks from fluctuations in foreign exchange rates and interest rate levels.

Currency risk

The international activities imply that the company's financial results, cash flows and equity are exposed to fluctuations in various foreign currencies. The main exchange rate exposure relates to the purchase of goods in foreign currency, mainly USD. The exposure is mitigated by sales conducted in USD.

Interest rate risk

The company is exposed to interest risk because the company borrows funds at variable interest rates.

Credit Risk

The company has limited credit risk exposure to trade receivables as the company uses a credit insurance company to mitigate the credit risk.

Tax

As the company is part of a Group conducting business at multiple sites, the Group is exposed to potential tax and transfer pricing disputes with local tax authorities. The Group is committed to ensuring compliance with local tax laws and international transfer pricing regulations in the markets in which the Group operates.

Knowledge resources

The company aims consciously to employ highly qualified people, especially with high technical knowledge within the company's main activities.

Research and development activities

Currently, the company works on raising the competence level by training and educating employees and recruiting people with expert knowledge and competencies to complete the complex customer projects, that the company finalises, and in general to pursue the company's strategy.

Future expectations

The management expectations for 2023 are that activities will remain at the same level as in 2022. The expectations for earnings for 2023 are in the range of 8 - 11 million DKK before tax. There are no major investments planned for 2023, other than investments following normal operations.

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report

At Wendelbo, we take our corporate commitments concerning the impact of actions and decisions very seriously and it is essential for us to continuously act and improve our efforts. In 2022, our main objective was to concretise our ESG policy and strategies, resulting in five ESG commitments with subpoints consisting of specific actions and aims aligned with the UN Sustainable Development Goals (SDGs). Though the total list of SDGs spans an extensive range of global issues and concerns, Wendelbo has identified a line of priority areas that correspond to those goals related to the design business, namely Responsible Consumption and Production (No. 12), Decent Work and Economic Growth (No. 8), and Gender Equality (No. 5).

Below, the five ESG commitments are listed and in the following sections, the actions and aims are unfolded in detail.

- Conscious designs
- Considered materials
- Climate and CO2 transparency
- Caring community
- Codes of conduct

Environmental efforts

Conscious Designs

Wendelbo works with subsidiary policies and goals concerning SDG No. 12: Responsible Consumption and Production. Accordingly, we aim to bring enduring designs to the market - in terms of aesthetics, functionality, and quality.

All our products are tested and certified by independent institutes (BIFMA and EN) to ensure the highest levels of strength and stability. Today, all products are EN-certified, while all products to the contract market are BIFMA-certified. From January 1, 2023, we offer a 5-year warranty on all furniture in our collection and a 2-year warranty on all rugs to further accentuate the durability and high quality of our designs. By 2024, we are launching a programme to extend the lifecycle of our designs as much as possible. We aim to do this by offering spare parts and sofas with changeable covers, whilst educating responsible end-users.

Considered Materials

Aiming to challenge ourselves to make more sustainable choices in the design process and production, we carefully consider each component that goes into a design and the packaging surrounding it.

Our archived initiatives and future ambitions include:

Packaging

- In 2022, we converted from plastic to FSC-certified envelopes for fittings.
- By 2023, we aim to switch to 100% FSC-certified carton boxes.
- From 2024, we will eliminate all use of Styrofoam and virgin plastic in packaging.

Wood

- By 2023, all pine wood will be FSC-certified.
- In 2025, we will be FSC-COC-certified, applicable to all types of wood.

Leather

- By 2024, we will launch one chrome-free leather in the Wendelbo collection.

Virgin Plastic

- By 2022, no new products will be launched with virgin plastic as the main material.

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

Climate and CO2 Transparency

We are continuously working on our policies towards reducing our waste, our energy consumption and lowering our carbon footprint.

In 2022, we have initiated a process with a screening tool, tracking our products' components and their origins, thereby calculating the total CO2 emission of each product to reduce the emissions and avoid toxic substances. Our aim is that in 2023, 50% of approx. 50 product families will be screened, and in 2024: 100% of all product families. Furthermore, we are in the process of mapping all our direct and indirect CO2 emissions to identify where and how to reduce our carbon footprint. In Q2 2023, status reports concerning scopes 1 and 2 will be released.

Today, all Danish offices and showrooms are running on 100% renewable energy and by 2025, all offices, showrooms and production facilities will be running on 100% renewable energy.

In terms of waste reduction, we aim to sort waste into as many categories as possible at all Wendelbo facilities throughout 2023 to be able to optimise the company's waste reduction and disposal scheme policies.

As a result of our environmental efforts, the company has not identified any significant environmental risks.

Social efforts

Caring Community

At Wendelbo, we continuously seek to improve our social and staff policies to protect labour rights, human rights, and to create a safe and secure working environment for all employees in alignment with SDG No. 8, concerning Decent Work and Economic Growth.

In the production facilities in Vietnam, the noise level, microclimate, air humidity and chemical levels are regularly assessed to ensure an acceptable level and work wear, ergonomic chairs and workstations are offered to employees. At our production site, we celebrate women's day, give birthday gifts, and offer catered lunch meals. Employees must attend safety courses as well as first aid and fire courses. Our facilities are regularly undergoing 3rd party safety inspections.

Gender Equality

Additionally, Wendelbo works with policies regarding specific subsidiary goals under SDG No. 5, concerning Gender Equality. At the other managerial levels in the company, which includes executives and a small number of department and team managers, there is at present time an equal gender distribution. The company aims to maintain an equal gender distribution of managers, and the company policy in this respect is that the focus should, as far as possible, be on an equal gender distribution at the managerial level.

The company has not identified any significant social risks in correlation to our social efforts.

Governance efforts

Codes of Conduct

We are dedicated to ensuring that Wendelbo's policies reflect our ethical and responsible business conduct that fully complies with all applicable rules, regulations, and laws. In addition to adhering to Danish laws and high standards, we follow regulations in the markets where we operate. We advocate for diversity, encourage transparency, and are strongly opposed to corruption in any form, including bribery and extortion.

MANAGEMENT COMMENTARY

Corporate social responsibility (CSR) report (continued)

Supplier Code of Conduct

Throughout our supply chain, we nurture long-lasting relationships based on mutual value creation, respectful behaviour, and transparent communication. As we aim to take responsibility for our operations, our policy is that our suppliers should do the same. Therefore, we have formed a Code of Conduct for all partners in our supply chain. The Code of Conduct includes principles that respect labour laws, human rights, ethical conduct as well as the environment. Key issues include anti-corruption policies and prohibiting child labour. We continuously encourage our suppliers to sign and comply with our supplier code of conduct. To date, 46% have signed, among them the 10 biggest suppliers.

Whistle-blower Policy

Ultimo 2022, we established a task group whose purpose is to formulate the company's whistle-blower policy. During 2023, the work will result in a policy providing guidance on receiving and dealing with complaints and concerns within the company.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK '000	2021 DKK '000
GROSS PROFIT		19,896	20,494
Staff costs.....	1	-21,336	-18,242
Depreciation, amortisation and impairment losses.....		-374	-359
OPERATING LOSS		-1,814	1,893
Other financial income.....	2	3	1,804
Other financial expenses.....	3	-2,462	-1,042
LOSS BEFORE TAX		-4,273	2,655
Tax on profit for the year.....	4	891	-618
LOSS FOR THE YEAR	5	-3,382	2,037

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK '000	2021 DKK '000
Intangible fixed assets acquired.....		79	173
Intangible assets.....	6	79	173
Other plant, machinery tools and equipment.....		539	697
Property, plant and equipment.....	7	539	697
Rent deposit and other receivables.....		484	417
Financial non-current assets.....	8	484	417
NON-CURRENT ASSETS.....		1,102	1,287
Finished goods and goods for resale.....		15,480	14,436
Prepayments.....		23,838	31,255
Inventories.....		39,318	45,691
Trade receivables.....		7,091	5,062
Receivables from group enterprises.....		11,499	6,386
Deferred tax assets.....	9	836	0
Other receivables.....		295	547
Corporation tax receivable.....		91	0
Prepayments.....	10	1,113	1,817
Receivables.....		20,925	13,812
Cash and cash equivalents.....		75	141
CURRENT ASSETS.....		60,318	59,644
ASSETS.....		61,420	60,931

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK '000	2021 DKK '000
Share capital.....	11	500	500
Retained earnings.....		21,091	4,474
Proposed dividend.....		0	7,000
EQUITY.....		21,591	11,974
Provision for deferred tax.....		0	55
PROVISIONS.....		0	55
Bank loan.....		9,980	13,307
Frozen holiday pay.....		618	606
Non-current liabilities.....	12	10,598	13,913
Bank debt.....		11,031	3,790
Prepayments from customers.....		3,584	10,144
Trade payables.....		6,817	4,952
Debt to Group companies.....		6,055	13,970
Corporation tax payable.....		0	650
Other liabilities.....		1,744	1,483
Current liabilities.....		29,231	34,989
LIABILITIES.....		39,829	48,902
EQUITY AND LIABILITIES.....		61,420	60,931
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EQUITY

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2022.....	500	4,473	7,000	11,973
Proposed profit allocation, according to note5.....		-3,382		-3,382
Transactions with owners				
Dividend paid.....			-7,000	-7,000
Group contribution.....		20,000		20,000
Equity at 31 December 2022.....	500	21,091	0	21,591

NOTES

	2022 DKK '000	2021 DKK '000	Note
Staff costs			1
Average number of employees	24	22	
Wages and salaries.....	18,246	15,577	
Pensions.....	1,840	1,819	
Social security costs.....	997	651	
Other staff costs.....	253	195	
	21,336	18,242	
Information regarding the management salaries has been withheld according to the exemption in The Danish Financial Statements Act § 98 b, act. 3 no. 2.			
Other financial income			2
Other interest income.....	3	1,804	
	3	1,804	
Other financial expenses			3
Group enterprises.....	1,452	175	
Other interest expenses.....	1,010	867	
	2,462	1,042	
Tax on profit for the year			4
Calculated tax on taxable income of the year.....	0	650	
Adjustment of deferred tax.....	-891	-32	
	-891	618	
Proposed distribution of profit			5
Proposed dividend for the year.....	0	7,000	
Retained earnings.....	-3,382	-4,963	
	-3,382	2,037	

NOTES

		Note
Intangible assets		6
	Intangible fixed assets acquired	
Cost at 1 January 2022.....	758	
Additions.....	21	
Cost at 31 December 2022.....	779	
Amortisation at 1 January 2022.....	584	
Amortisation for the year.....	116	
Amortisation at 31 December 2022.....	700	
Carrying amount at 31 December 2022.....	79	
 Property, plant and equipment		 7
	Other plant, machinery tools and equipment	
Cost at 1 January 2022.....	1,260	
Additions.....	100	
Disposals.....	-15	
Cost at 31 December 2022.....	1,345	
Depreciation and impairment losses at 1 January 2022.....	563	
Reversal of depreciation of assets disposed of.....	-3	
Depreciation for the year.....	246	
Depreciation and impairment losses at 31 December 2022.....	806	
Carrying amount at 31 December 2022.....	539	
 Financial non-current assets		 8
	Rent deposit and other receivables	
Cost at 1 January 2022.....	410	
Additions.....	74	
Cost at 31 December 2022.....	484	
Carrying amount at 31 December 2022.....	484	

NOTES

			Note
Deferred tax assets			9
Provision for deferred tax comprises deferred tax on inventory and intangible and tangible fixed assets.			
	2022	2021	
	DKK '000	DKK '000	
Deferred tax			
Intangible fixed assets acquired.....	17	38	
Tangible fixed assets.....	24	96	
Equipment.....	0	-79	
Remaining unused losses, during joint taxation.....	-877	0	
	-836	55	
Deferred tax, beginning of year.....	-55	-87	
Deferred tax of the year, income statement.....	891	32	
Provision for deferred tax 31 December 2022.....	836	-55	
<p>The company expects to use the remaining unused losses, during joint taxation, within the coming 3 to 5 years. The company has made a budget which supports the recognised amount.</p>			
	2022	2021	
	DKK '000	DKK '000	
Prepayments			10
Insurances and prepaid cost.....	1,113	1,817	
	1,113	1,817	
Share capital			11
Allocation of share capital:			
A-shares, 500,000 unit in the denomination of 1 DKK.....	500	500	
	500	500	
Long-term liabilities			12
	31/12 2022	Repayment	Debt
	total liabilities	next year	outstanding
			after 5 years
Bank loan.....	13,313	3,333	0
Frozen holiday pay.....	618	0	618
	13,931	3,333	618
			17,246

NOTES**Note****Contingencies etc.****13**

The Company has made lease agreements with a total remaining payments of DKK ('000) 968, and an remaining lease period of 16-45 months.

The Company has made tenancy agreements with a notice period of 6 months, and a liability of DKK ('000) 792 in the notice period.

Joint liabilities

The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of MIE5 Holding 8 ApS, which serves as management company for the joint taxation.

Charges and securities**14**

As security for account with credit institution of DKK ('000) 21,011 a company charge has been given of DKK ('000) 2,500, pledged on intangible property rights, operating equipment, ordinary claims, inventory and receivables of a total carrying amount of DKK ('000) 62,317.

Related parties**15**

The Company's related parties include:

Controlling interest

Wendelbo Møbel Design A/S, Mosevej 20A, 8240 Risskov.

Transactions with related parties

The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Consolidated Financial Statements**16**

The Company is also included in the Consolidated Financial Statements of MIE5 Datterholding 8 ApS, Gammeltovej 18, 1457 Copenhagen K, CVR no. 40 21 63 24, which is the Company's Parent Company and in the Consolidated Financial Statements of MIE5 Holding 8 ApS, Gammeltovej 18, 1457 Copenhagen K, CVR no. 40 21 58 08, which is the Company's ultimate Parent Company.

ACCOUNTING POLICIES

The Annual Report of Wendelbo Interiors A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including recharging of payroll costs to Group companies.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Software are measured at the lower of cost less accumulated amortisation and the recoverable amount. Software are amortised over 3 years.

Tangible fixed assets

Other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	3-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Financial non-current assets

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

CASH FLOW STATEMENT

With reference to section 86 of the Danish Financial Statements Act. 4, the company has chosen not to prepare a cash flow statement. A cash flow statement has been prepared for the group.