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# ***BOLIA A/S***

Værkmestergade 11, 1., DK-8000 Aarhus C

## **Annual Report for 1 September 2022 - 31 August 2023**

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CVR No. 25 45 19 96

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 18/1 2024

Jan Bøgh  
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 Financial Statements of BOLIA A/S for the financial year 1 September 2022 - 31 August 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 August 2023 of the Company and of the results of the Company operations for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Aarhus C, 26 October 2023

## Executive Board

Lars Lyse Hansen  
CEO

## Board of Directors

Jan Bøgh  
Chairman

Henrik Naundrup

Peter Dornonville de la Cour  
Andsager

Niels Veien

# Independent Auditor's report

To the shareholder of BOLIA A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2023 and of the results of the Company's operations for the financial year 1 September 2022 - 31 August 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BOLIA A/S for the financial year 1 September 2022 - 31 August 2023, 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 Financial Statements Act.

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

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's report

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus C, 26 October 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Kragh

State Authorised Public Accountant

mne26783

## Company information

<b>The Company</b>	BOLIA A/S Værkmestergade 11, 1. DK-8000 Aarhus C  CVR No: 25 45 19 96 Financial period: 1 September 2022 - 31 August 2023 Municipality of reg. office: Aarhus
<b>Board of Directors</b>	Jan Bøgh, chairman Henrik Naundrup Peter Dornonville de la Cour Andsager Niels Veien
<b>Executive Board</b>	Lars Lyse Hansen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

# Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	1,275,267	1,315,078	1,176,422	1,039,331	902,527
Gross profit/loss	300,806	328,826	334,719	292,480	219,410
Profit/loss before financial income and expenses	-5,653	50,031	96,696	80,174	19,109
Profit/loss of financial income and expenses	-16,258	-6,363	-8,206	-4,232	-899
Net profit/loss	-19,397	35,805	65,738	60,012	15,703
<b>Balance sheet</b>					
Balance sheet total	504,047	537,964	494,169	389,510	321,522
Investment in property, plant and equipment	62,652	65,787	57,732	19,366	21,785
Investment in intangible assets	37,188	39,771	41,713	40,622	40,330
Equity	140,298	159,695	188,890	162,152	132,141
Number of employees	443	415	347	308	292
<b>Ratios</b>					
Gross margin	23.6%	25.0%	28.5%	28.1%	24.3%
Profit margin	-0.4%	3.8%	8.2%	7.7%	2.1%
Return on assets	-1.1%	9.3%	19.6%	20.6%	5.9%
Solvency ratio	27.8%	29.7%	38.2%	41.6%	41.1%
Return on equity	-12.9%	20.5%	37.5%	40.8%	12.6%

# Management's review

## Key activities

The Company's key activity is the development of a design collection of furniture and lifestyle products for the private and professional markets. The collection is sold through the Company's own international concept stores and European e-commerce platforms, as well as through a global dealer and B2B network. The Bolia stores are run as branches in Denmark, Norway, Germany, Sweden, Austria, Switzerland, France, Belgium, Luxembourg, Spain, and the Netherlands.

## Development in the year

During the financial year, sales have been affected negatively by the inflation and low consumer confidence across Europe. Despite the challenging market situation, the activity level in the company has remained high. Store expansions continued during the year, paving the way for future growth and new stores were opened across Europe and on new markets Spain and Singapore. Major investments were also upheld in design and concept development, sustainable initiatives, and digitalization.

Revenue for the financial year 2022/23 amounted to 1,275,267 tDKK, which is a decrease in sales of 3% compared to the previous financial year. Profit for the year before tax was -21,911 tDKK.

This is a result of three main factors; the decline in sales due to the market situation, high currency exchange losses due to weak Norwegian and Swedish currencies and relatively higher costs due to the long-term investments made in new concept- and collection development, international expansion, digitalization, and sustainable initiatives. Considering the high level of long-term investments made during a year with a challenging market situation, the year result is considered satisfactory.

## Capital resources

On 31 August 2023, equity was 140,298 tDKK.

## Targets and expectations for the year ahead

Bolia International A/S plans to continue its development of the Bolia design collection and business concept, as well as investing further in expansion, sustainable initiatives, and digitalization. The expectations for the financial year 2023/24 is an improved result with an expected profit before tax between 5 and 25 mDKK.

## Research and development

In line with the Company's growth- and innovation strategy, major investments were made in design- and product development and sustainable initiatives throughout the value chain. Together with investments in digitalization and development of the global IT platform.

## Statement of corporate social responsibility

The Company's corporate social responsibility report is included in the CSR reporting of the Group. Reference is made to Management's Review in the Annual Report 2022/23 of LLG A/S, CVR No. 86 00 15 19, which may be obtained from [www.cvr.dk](http://www.cvr.dk).



# Management's review

## Statement on gender composition

Bolia A/S aims to be an attractive workplace with equal opportunities for all employees. We will continue our work to further support our policy on gender equality at all management levels and throughout the organization. To achieve this ambition, we will continue to work actively with our equal opportunities policy, our company values, and our human resources, while at the same time basing recruitment on qualifications and competencies.

The gender representation at the various management levels (except for the Board of Directors) is shown in the table below.

Bolia A/S	Total	Women in per cent	Men in per cent
Total number of employees at Bolia A/S (All employees, incl. full and part time contracts)	695	74%	26%
Number of management positions in Bolia A/S (Employees with staff responsibilities)	203	75%	25%

The Board of Directors currently consists of four male board members. The Board of directors is composed with the aim of ensuring the right professional competencies.

The 2022/23 goal for gender representation at the Board of Directors has not been achieved as the General Assembly chose not to replace any of the current board members.

The Board of Directors ambition is to have at least one female board member by 2027.

## Statement on data ethics

The statement required under section 99(d) of the Danish Financial Statements Act are contained in the Consolidated financial statements of LLG A/S, CVR No. 86 00 15 19, which may be obtained from [www.cvr.dk](http://www.cvr.dk).

## Subsequent events

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

## Income statement 1 September 2022 - 31 August 2023

	Note	2022/23 TDKK	2021/22 TDKK
Revenue	1	1,275,267	1,315,078
Expenses for raw materials and consumables		-638,212	-664,140
Other external expenses		-336,249	-322,112
<b>Gross profit</b>		<b>300,806</b>	<b>328,826</b>
Staff expenses	2	-212,284	-190,445
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-93,486	-87,951
Other operating expenses		-689	-399
<b>Profit/loss before financial income and expenses</b>		<b>-5,653</b>	<b>50,031</b>
Financial income	3	4,137	5,406
Financial expenses	4	-20,395	-11,769
<b>Profit/loss before tax</b>		<b>-21,911</b>	<b>43,668</b>
Tax on profit/loss for the year	5	2,514	-7,863
<b>Net profit/loss for the year</b>	6	<b>-19,397</b>	<b>35,805</b>

# Balance sheet 31 August 2023

## Assets

	Note	2022/23 TDKK	2021/22 TDKK
Completed development projects		79,918	88,461
Acquired other similar rights		2,735	862
<b>Intangible assets</b>	7	<b>82,653</b>	<b>89,323</b>
Other fixtures and fittings, tools and equipment		37,445	36,436
Leasehold improvements		109,509	98,183
<b>Property, plant and equipment</b>	8	<b>146,954</b>	<b>134,619</b>
Investments in subsidiaries	9	0	0
Deposits	10	6,821	6,208
<b>Fixed asset investments</b>		<b>6,821</b>	<b>6,208</b>
<b>Fixed assets</b>		<b>236,428</b>	<b>230,150</b>
Finished goods and goods for resale		130,740	115,897
<b>Inventories</b>		<b>130,740</b>	<b>115,897</b>
Trade receivables		49,414	71,512
Receivables from group enterprises		0	17,146
Other receivables		8,763	13,675
Deferred tax asset	12	0	3,179
Corporation tax		7,252	0
Prepayments	11	49,526	54,763
<b>Receivables</b>		<b>114,955</b>	<b>160,275</b>
<b>Cash at bank and in hand</b>		<b>21,924</b>	<b>31,642</b>
<b>Current assets</b>		<b>267,619</b>	<b>307,814</b>
<b>Assets</b>		<b>504,047</b>	<b>537,964</b>

## Balance sheet 31 August 2023

### Liabilities and equity

	Note	2022/23 TDKK	2021/22 TDKK
Share capital		1,800	1,800
Reserve for development costs		62,336	69,000
Retained earnings		76,162	88,895
<b>Equity</b>		<b>140,298</b>	<b>159,695</b>
Provision for deferred tax	12	17,286	0
<b>Provisions</b>		<b>17,286</b>	<b>0</b>
Trade payables		64,516	85,097
Payables to group enterprises		108,288	69,209
Corporation tax		3,813	10,048
Other payables		26,077	27,189
Deferred income	13	143,769	186,726
<b>Short-term debt</b>		<b>346,463</b>	<b>378,269</b>
<b>Debt</b>		<b>346,463</b>	<b>378,269</b>
<b>Liabilities and equity</b>		<b>504,047</b>	<b>537,964</b>
Contingent assets, liabilities and other financial obligations	14		
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## Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 September	1,800	69,000	88,895	159,695
Development costs for the year	0	-6,664	6,664	0
Net profit/loss for the year	0	0	-19,397	-19,397
<b>Equity at 31 August</b>	<b>1,800</b>	<b>62,336</b>	<b>76,162</b>	<b>140,298</b>

# Notes to the Financial Statements

## 1. Revenue

With reference to section 96(1) of the Danish Financial Statements Act, no disclosure is made of the breakdown of revenue into business segments and geographical markets as Company Management, including the Board of Directors, finds that such disclosure would be very detrimental to the Company.

	<u>2022/23</u>	<u>2021/22</u>
	TDKK	TDKK

## 2. Staff Expenses

Wages and salaries	191,639	174,681
Pensions	15,179	14,015
Other social security expenses	5,466	1,749
	<u>212,284</u>	<u>190,445</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>443</u>	<u>415</u>
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	<u>2022/23</u>	<u>2021/22</u>
	TDKK	TDKK

## 3. Financial income

Interest received from group enterprises	2,013	0
Other financial income	2,087	2,890
Exchange gains	37	2,516
	<u>4,137</u>	<u>5,406</u>

	<u>2022/23</u>	<u>2021/22</u>
	TDKK	TDKK

## 4. Financial expenses

Interest paid to group enterprises	8,808	999
Other financial expenses	11,301	10,770
Exchange loss	286	0
	<u>20,395</u>	<u>11,769</u>

## Notes to the Financial Statements

	2022/23	2021/22
	TDKK	TDKK
<b>5. Income tax expense</b>		
Current tax for the year	-3,405	10,676
Deferred tax for the year	-1,070	-1,053
Adjustment of tax concerning previous years	-19,574	23,213
Adjustment of deferred tax concerning previous years	21,535	-24,973
	<u>-2,514</u>	<u>7,863</u>

	2022/23	2021/22
	TDKK	TDKK
<b>6. Profit allocation</b>		
Transfer for the year to other reserves	6,664	0
Other statutory reserves	-6,664	-1,278
Retained earnings	-19,397	37,083
	<u>-19,397</u>	<u>35,805</u>

## 7. Intangible fixed assets

	Completed development projects	Acquired other similar rights
	TDKK	TDKK
Cost at 1 September	220,177	5,193
Additions for the year	34,959	2,229
Cost at 31 August	<u>255,136</u>	<u>7,422</u>
Impairment losses and amortisation at 1 September	131,716	4,331
Amortisation for the year	43,502	356
Impairment losses and amortisation at 31 August	<u>175,218</u>	<u>4,687</u>
<b>Carrying amount at 31 August</b>	<u>79,918</u>	<u>2,735</u>

Development projects relate to the development of the company's digital platform, which is fully implemented by the business. Sub-projects of the IT project are completed on an ongoing basis.

# Notes to the Financial Statements

## 8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 September	113,416	242,264
Additions for the year	16,455	46,197
Disposals for the year	-1,857	-4,206
Cost at 31 August	<u>128,014</u>	<u>284,255</u>
Impairment losses and depreciation at 1 September	76,980	144,081
Depreciation for the year	15,137	34,491
Reversal of impairment and depreciation of sold assets	-1,548	-3,826
Impairment losses and depreciation at 31 August	<u>90,569</u>	<u>174,746</u>
<b>Carrying amount at 31 August</b>	<b><u>37,445</u></b>	<b><u>109,509</u></b>
	2022/23	2021/22
	TDKK	TDKK

## 9. Investments in subsidiaries

Cost at 1 September	<u>0</u>	<u>0</u>
Cost at 31 August	<u>0</u>	<u>0</u>
Value adjustments at 1 September	<u>0</u>	<u>0</u>
Value adjustments at 31 August	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 August</b>	<b><u>0</u></b>	<b><u>0</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership	Equity	Net profit/loss for the year
Bolia Inc.	Delaware, USA	0	100%	0	0
				<u>0</u>	<u>0</u>



# Notes to the Financial Statements

## 10. Other fixed asset investments

	<u>Deposits</u> TDKK
Cost at 1 September	6,208
Additions for the year	1,972
Disposals for the year	<u>-1,359</u>
Cost at 31 August	<u>6,821</u>
Carrying amount at 31 August	<u>6,821</u>

## 11. Prepayments

Prepayments and accrued income consist mainly of prepaid expenses relating to rent and marketing.

## Notes to the Financial Statements

	2022/23	2021/22
	TDKK	TDKK
<b>12. Provision for deferred tax</b>		
Deferred tax liabilities at 1 September	-3,179	22,847
Amounts recognised in the income statement for the year	20,465	-26,026
<b>Deferred tax liabilities at 31 August</b>	<b>17,286</b>	<b>-3,179</b>
Fixed asset investments	-970	-1,493
Trade receivables	-557	-186
Leasehold improvements	3,566	3,613
Rights	7	-36
Prepayments	1,614	426
Development projects	13,626	-5,511
Tax loss carry-forward	0	8
Transferred to deferred tax assets	0	3,179
	<b>17,286</b>	<b>0</b>

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

### Deferred tax asset

Calculated tax assets	0	3,179
<b>Carrying amount</b>	<b>0</b>	<b>3,179</b>

The recognized tax asset in 2021/22 consists primarily of the value of tax assets, due to the difference in the accounting and tax depreciation horizons. The tax asset was thus expected to be offset over the assets' tax lifetime.

### 13. Deferred income

Prepayments are mainly made up of prepayments received regarding income in the following years as well as issued gift cards.

# Notes to the Financial Statements

2022/23	2021/22
TDKK	TDKK

## 14. Contingent assets, liabilities and other financial obligations

### Contingent liabilities

At 31 August, the Company has assumed rental obligations, which are nonterminable for 1-7 years, and which total:	313,641	364,032
At 31 August, the Company has assumed lease commitments, which are non-terminable for 1-3 years, and which total:	530	450
Guarantees have been provided to external parties, which at 31 August amounted to:	32,281	30,560

The company's enterprises are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of LLG A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

LLG A/S has entered into an agreement concerning a group arrangement for Lars Larsen Group. As of 31 August 2023 0 kDKK had been withdrawn from the total group facility. As a participant in the group account arrangement, Bolia International A/S has provided surety towards credit institutions as security for LLG A/S' obligations under the group agreement.

## 15. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
<b>Controlling interest</b>	
LLG A/S, CVR-nr. 86 00 15 19	Parent entity

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
LLG A/S, CVR-nr. 86 00 15 19	Aarhus

The Group Annual Report of LLG A/S, CVR-nr. 86 00 15 19 may be obtained at the following address:

LLG A/S  
Sødalsparken 18  
8220 Brabrand  
Danmark

# Notes to the Financial Statements

## 16. Accounting policies

The Annual Report of BOLIA A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in TDKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022/23 of LLG A/S, CVR-nr. 86 00 15 19, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of LLG A/S, CVR-nr. 86 00 15 19 the Company has not prepared a cash flow statement.

### Social responsibility

With reference to section 99(7) of the Danish Financial Statements Act and to the social responsibility included in the consolidated financial statements of LLG A/S, CVR-nr. 86 00 15 19, the Company has not prepared social responsibility statement in the Management's Review.

### 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.

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

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

# Notes to the Financial Statements

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Segment information on revenue

With reference to section 96(1) of the Danish Financial Statements Act, no disclosure is made of the breakdown of revenue into business segments as Company Management, including the Board of Directors, finds that such disclosure would be very detrimental to the Company.

## Income statement

### Net sales

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before the end of the financial year;
- a binding sales agreement has been made;
- the selling price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

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

### Expenses for raw materials and consumables

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

### Other external expenses

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

With reference to section 96(3) of the Danish Financial Statements Act, no disclosure is made of the fee to the auditors appointed at the general meeting. We refer to the statement in LLG A/S' Consolidated Financial Statements.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

# Notes to the Financial Statements

## Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

## 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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with LLG A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## Balance sheet

### Intangible fixed assets

#### *Development projects*

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.

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 year.

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

Rights are amortised over the period of the agreement, which is 6 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

# Notes to the Financial Statements

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	3-6 years
Plant and machinery	6 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

## **Impairment of fixed assets**

The carrying amounts of intangible assets and property, plant and equipment and investments 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 measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

## **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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

## **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

## **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.

# Notes to the Financial Statements

## 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 legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

## Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## Financial debts

Payables are recognised at cost at the time of incurring the debt. Subsequently, they are determined at amortised cost, which in terms of short-term and non-interest-bearing liabilities as well as variable-rate liabilities usually corresponds to nominal value.

## Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Financial Highlights

### Explanation of financial ratios

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