

HAY ApS

Havnen 1

8700 Horsens

CVR No. 26799945

Annual Report 2018/19

17. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 12 November 2019

Rasmus Rønne Christensen
Chairman

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Management's Statement

Today, the Supervisory Board and the Executive Board have considered and adopted the Annual Report of HAY ApS for the financial year 1 August 2018 - 31 July 2019.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company at 31 July 2019 and of the results of the Group's and Parent Company's operations and the Group's and the Parent Company's cash flows for the financial year 1 August 2018 - 31 July 2019.

In our opinion, the 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.

Horsens, 12 November 2019

Executive Board

Henrik Ellebæk Steensgaard
CEO

Supervisory Board

Troels Holch Povlsen
Chairman

Rolf Foged Hvidegaard Hay
Member

John McPhee
Member

Independent Auditors' Report

To the shareholders of HAY ApS

Opinion

We have audited the consolidated annual accounts and the annual accounts of HAY ApS for the financial year 1 August 2018 to 31 July 2019, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity, cash flow statement and notes, consolidated and for the company respectively. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 July 2019 and of the results of the company's operations and cash flows, consolidated and for the company respectively for the financial year 1 August 2018 to 31 July 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect material misstatements when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

Independent Auditors' Report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluation and maintain professional scepticism throughout the audit. We also:

- * Identify and assess the risk of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of the 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 group's and the company's internal control.
- * Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- * Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and 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 consolidated annual accounts and the annual accounts 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 group and the company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- * Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Independent Auditors' Report

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Brande, 12 November 2019

Partner Revision

Statsautoriseret revisionsaktieselskab

CVR-no. 15807776

Claus Lykke Jensen

State Authorised Public Accountant

mne10776

Company information

Company	HAY ApS Havnen 1 8700 Horsens
CVR No.	26799945
Date of formation	20 September 2002
Registered office	Horsens
Financial year	1 August 2018 - 31 July 2019
Board of Directors	Troels Holch Povlsen, Chairman Rolf Foged Hvidegaard Hay John McPhee
Executive Board	Henrik Ellebæk Steensgaard, CEO
Auditors	Partner Revision Statsautoriseret revisionsaktieselskab Torvegade 22 7330 Brande CVR No.: 15807776

Management's Review

The Group's principal activities

The Group's principal activities are the design and sale of furniture, lighting and interior products within Denmark and abroad.

Development in activities and financial matters

The Group's Income Statement of the financial year shows a result of t.DKK 73.456. The development is satisfactory and follows the expectations stated last year.

The decline in profit compared to last year is due to last year's result being positively impacted by the extraordinary sale of licenses for a total amount of t.DKK 44.959.

This year's revenue contains t.DKK 54.615 from licensing markets, where the group's profit only consists of a licensing fee.

Particular risks

Beyond ordinary occurring risks, no particular risks are considered to affect the Group.

Currency risks

Activities abroad cause revenue, cash flows and equity to be affected by the exchange and interest rate fluctuations for a number of currencies. It is the Group's policy to hedge commercial currency risks. The hedging takes place primarily through currency transactions to hedge expected purchases and sales within the next 12 months. There are no speculative currency transactions.

Environmental issues

The Group recognises that its actions have an environmental impact and take its responsibility seriously for contributing towards a better environment.

Research and development activities

Besides the ordinary development of furniture and accessories and development of the Group's IT-platform, there are no research and development activities in the Group.

Expectations for the future

In 2019/20 Group revenue will be affected by the licensing of Revenue in North America. Adjusting for this the comparable growth in Group Revenue is expected to be between 1 % and 10 % for the coming year. EBITDA margin is expected to be between 8 % and 11 %

Post financial year events

Subsequent to the financial year end no events have occurred which would substantially change the financial position of the Group.

Statutory report on the underrepresented gender

The Group is governed by the rules on targets and policies for the gender composition of management, cf. §99b of the Danish Financial Statement Act.

The Group aims to be a tolerant workplace without discrimination of any kind. Employees are hired only based on their skills and experience. Gender, religious belief, age, nationality or other such factors are not considered to be relevant for recruitment.

The target for the underrepresented gender in the Board of Directors is a minimum of 40 % by the year 2023. That target is currently not achieved, and specific attention will be given to candidates belonging to the underrepresented gender, when changes to the Board are made. The Board will follow up on the implementation of its target on a yearly basis.

On the other management levels, the Group has an equal gender distribution.

Management's Review

Statutory report on corporate social responsibility

The Group is actively working to contribute to a sustainable and environmentally conscious community. The Group aims towards it and its employees having a positive influence not only on the local and national community, but also on an international level.

Locally the Group is involved in first-aid courses for its employees and donations of surplus products to charity organisations for people without a home.

The Group encourages suppliers to meet the same high standards that the Group itself represent, in order to ensure that all production is carried out by people under decent working conditions. To safeguard these principles, the Group aim to work with ISO-certified companies. The majority of the Groups furniture production is located in Europe.

The company also continuously supports non-profit organisations, for example through contributions to the NineUnited-Fond and its charitable works including help to vulnerable children, human development programs, fighting decease and cultural and nature preservation. This work is done locally as well as internationally.

Statutory report on human rights

The Group supports and respects human rights. It is the Group's policy to strive to ensure that human rights are always respected both in relation to employees and business partners.

A part of this is making an effort in creating a sound and safe working environment for all employees in all countries, which the company does. It goes for both the physical and psychological environment. This is demonstrated not only by the natural compliance to legislation on the area but is also reflected in the company's handbook for employees.

In relation to suppliers and business partners we expect that they all consider human rights to be important and that they all do business with a general high moral standard. A natural consequence of the Group's policy is to stop all collaboration with entities about which the Group has become aware, that human rights are not being treated respectfully.

Statutory report on climate

The Group aims continuously for contributing towards a greener future environment. The Group is trying to minimise the impact on the World's climate on several levels. Both by increasing the use of materials coming from sustainable sources, by working with suppliers that live up to the Code of Conduct, by minimising the numbers of chemicals used in production and by developing durable and long-lasting products of a high quality.

As an example, the group was FSC certified in May 2019. FSC guarantees that the wood does not come from illegal forestry but from sustainable forestry. No more trees are being cut down than the forest can naturally replace while at the same time protecting the animals, the inhabitants of the forest and the forest workers. The Group is currently working on increasing the number of FSC certified products and are aiming for 100% FSC certified wood furniture. Also, the Group is aiming towards only using Chrome 3 when electroplating furniture and the Group does not use PVC in any production of furniture.

Anti-corruption

The Group strongly believes that corruption in all parts of the World is unacceptable. Thus the Group will not take part in partnerships or projects about which the Group has become aware of any corruption, or where the Group assesses that a high risk of corruption is present. The Group has not identified any past situations in which the Group has been involved in corruption.

Key Figures and Financial Ratios

	2018/19	2017/18	2016/17	2015/16	2014/15
Group					
Income Statement:					
Revenue	1.149.974	1.048.910	925.907		
Gross profit	195.424	211.318	159.954		
Profit from ordinary operation activities	98.980	132.631	91.308		
Financial items	2.618	1.028	1.601		
Profit	73.456	103.428	71.509		
Balance Sheet:					
Balance Sheet total	339.666	282.976	330.500		
Total equity	181.441	106.821	192.845		
Investment in tangible assets	3.519	3.167	789		
Financial Ratios:					
EBITDA margin (%)	9	13	10		
Solvency margin (%)	53	38	58		
Return on equity (%)	51	69	46		
Gross margin (%)	17	20	17		
Liquidity ratio (%)	2	1	2		
Parent					
Income Statement:					
Revenue	1.139.893	1.047.866	925.907	859.670	753.184
Gross profit	189.097	210.660	159.954	118.804	109.223
Profit from ordinary operation activities	99.513	132.898	91.308	55.931	48.407
Income from investments in group enterprises	-643	-298	0	0	1.846
Financial items	2.401	1.063	1.601	-2.809	-2.557
Profit	73.502	103.430	71.509	40.932	36.327
Balance Sheet:					
Balance Sheet total	336.551	281.572	330.500	228.957	207.892
Total equity	180.815	106.132	192.845	120.777	109.512
Investments in tangible assets	3.291	3.167	789	1.700	1.130
Financial Ratios:					
EBITDA margin (%)	9	13	10	7	6
Solvency ratio (%)	54	38	58	53	53
Return on equity (%)	51	69	46	36	38
Gross margin (%)	17	20	17	14	15
Liquidity ratio (%)	2	1	2	2	2

Accounting Policies

The Annual Report of HAY ApS for 2018/19 has been presented in accordance with the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner, thousands (t.DKK).

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company HAY ApS and subsidiaries in which HAY ApS directly or indirectly holds more than 50% of the voting rights or in other ways has control.

For the consolidation, intercompany income and costs, shareholdings, intercompany balances and dividends as well as realised and unrealised profit and loss are eliminated in connection with transactions between the consolidated enterprises.

Equity investments in subsidiaries are eliminated by the proportionate share of the subsidiaries' market value of net assets and liabilities at the time of acquisition.

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Enterprises sold or liquidated are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not corrected for enterprises newly acquired, sold or liquidated.

The acquisition method is used to purchase new enterprises whereby the newly acquired enterprises' identified assets and liabilities are measured at fair value at the date of acquisition. In connection with the purchase, provisions are made to cover the costs of decided and published restructuring activities in the enterprise acquired. The tax effect of the revaluations made is taken into consideration.

Positive balances (goodwill) between cost and fair value of acquired, identified assets and liabilities, incl. provisions for restructuring activities, are recognised in intangible assets and systematically amortised over the Income Statement based on an individual assessment of the useful economic life, however max. 20 years.

Profit or loss in connection with disposal of subsidiaries and associates is determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, incl. unamortised goodwill and expected costs for sale or liquidation.

Minority Interests

Items of the subsidiaries are recognised in the Consolidated Financial Statements by 100%. The minority interests' proportionate share of the subsidiaries result and equity is adjusted annually and are recognised as separate items under Income Statement and Balance Sheet.

Derivative financial instruments

Forward exchange contracts entered into to hedge future revenues and expenses, classified as and fulfilling the criteria for hedging, are measured at fair value at the balance sheet date, and value adjustments are recognised directly in equity. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively. Fair values of derivative financial instruments are calculated on the basis of current market data and generally accepted valuation methods.

Once the hedged transaction is realised, gains or losses incidental to such hedging transactions are transferred from the equity and recognised with the hedged item.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment

Accounting Policies

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 accrue to the Group, 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 attributable to the liability will flow out of the Group, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Finance income and expenses.

Receivables, debts and other monetary items in foreign currencies are converted at the exchange rate prevailing at the balance sheet date. The difference between the rate prevailing at the balance sheet date and the rate prevailing at the time when the receivable or payable item arose is included in the Income Statement under Finance income and expenses.

Assets bought in foreign currencies are converted at the exchange rate on the transaction date.

Income Statement

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Other external expenses

Other external expenses comprise expenses regarding distribution, sale, advertisement, administration, premises and loss on receivables.

Staff expenses

Staff expenses comprise wages and salaries, as well as social security contributions, pension contributions etc. for entity staff. Allowances received from public authorities are deducted from staff costs.

Amortisation and impairment of intangible and tangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Group. Fixed assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life:

	Useful life
Completed development projects	3-4 years
Patents, licenses, trademarks and similar rights	7 years
Goodwill	5-20 years
Fixtures, fittings, tools and equipment	3-5 years

A profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income

Accounting Policies

Statement under depreciation.

Result of equity investments in subsidiaries

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's Income Statement after full elimination of intercompany profit/loss.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that relates to the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding debt and foreign currency transactions, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises the current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The parent enterprise and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent enterprise acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

Balance Sheet

Intangible assets

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project internal or external. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Capitalised development costs are measured at the lower of recoverable amount and carrying amount.

After completion of the development project the capitalised development costs are amortised over the estimated useful life of the product. The amortisation period is 3-4 years.

Patent, licenses, trademarks and similar rights are measured at cost less accumulated amortisation and impairment losses. The amortisation period is 7 years.

Goodwill is measured at cost less accumulated amortisation and impairment losses. The amortisation period is 5-20 years. The period of amortisation for goodwill is determined based on Management's experience in the Company's business areas, and the Management considers it to reflect the best estimate of the useful life of goodwill.

A profit or loss resulting from the sale of intangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under depreciation.

Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

Accounting Policies

Amortisation and impairment of intangible and tangible assets

The carrying amount of intangible and tangible assets is assessed annually for indicators of impairment in addition to that expressed on depreciation.

An impairment test of tangible assets is performed in the event of indicators of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Recoverable amount is calculated as the higher of net selling price and capital value.

Equity investments in group enterprises

Equity investments in subsidiaries are measured by the equity method.

Equity investments in subsidiaries are measured at the proportionate share of the enterprises' equity value determined according to the group's accounting policies with deduction or addition of unrealised intercompany profit or loss and with the addition or deduction of the residual value of positive or negative goodwill determined according to the acquisition method.

Equity investments in subsidiaries with a negative equity value are measured at DKK 0, and any receivable from these enterprises are written down in so far as the receivable is uncollectible. In so far as the parent company has a legal or actual obligation to cover a negative balance that exceeds the receivable, the residual amount is recognised in provisions.

Net revaluation of equity investments in subsidiaries is classified under a separate reserve for net revaluation by the equity method in equity, in so far as the carrying amount exceeds the cost. Dividends from subsidiaries that are expected to be adopted before the annual report for HAY ApS is approved are not tied up in the revaluation reserve.

Profit or loss in connection with disposal of subsidiaries is determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, incl. unamortised goodwill and expected costs for sale or liquidation.

The acquisition method is used to purchase new enterprises whereby the newly acquired enterprises' identified assets and liabilities are measured at fair value at the date of acquisition. In connection with the purchase, provisions are made to cover the costs of decided and published restructuring activities in the enterprise acquired. The tax effect of the revaluations made is taken into consideration.

Positive balances (goodwill) between cost and fair value of acquired, identified assets and liabilities, incl. provisions for restructuring activities, are recognised in intangible assets and systematically amortised over the Income Statement based on an individual assessment of the useful economic life, however max. 20 years. Goodwill from acquired enterprises can be adjusted until the end of the year after the acquisition.

Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

The cost of goods for resale, raw materials and consumables are measured at cost comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the expected sales sum less completion costs and expenses necessary to execute the sale and is determined allowing for marketability and obsolescence. In order to give a more true and fair view of the assets, financial position and of the results, the calculating method has been changed during the financial year.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-offs for expected bad debts.

Accounting Policies

Deferred expenses, assets

Deferred expenses recognised in assets comprises prepaid costs regarding subsequent financial years and other accruals.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Equity

Proposed dividend for the year are recognised as a liability at the time of adoption at the Annual General Meeting. Dividends expected to be distributed for the year are disclosed as a separate equity item.

Reserve for development costs includes recognised development costs. The reserve cannot be used for dividends or coverage of dividend. The reserve is reduced or dissolved if the recognised costs are depreciated or deducted from the Group's operations. This is done by transfer directly to equity reserves.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Current tax liabilities and deferred tax

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or on the planned settlement of each liability.

HAY ApS is jointly taxed with Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, HAY ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies. Payable and receivable joint taxation contributions are recognized in the balance sheet as "Tax receivables" or "Tax payables".

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Accounting Policies

Accounting policies Cash Flow Statement

The Cash Flow Statement shows the cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items such as amortisation and impairment losses and provisions. The working capital comprises current assets less short-term liabilities, exclusive of the items that are included in cash and cash equivalents.

Cash flow from the investing activity

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Cash flow from the financing activity

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Explanation of Financial Ratios

Key Figures and Financial Ratios are determined based on "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts.

EBITDA-margin (%)	=	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Solvency ratio (%)	=	$\frac{\text{Equity} \times 100}{\text{Total liabilities and equity}}$
Return on equity (%)	=	$\frac{\text{Profit/loss for the year}}{\text{Avg. equity}}$
Gross Margin (%)	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Liquidity ratio (%)	=	$\frac{\text{Total current assets}}{\text{Short-term liabilities other than provisions}}$

Income Statement

	Note	Group 2018/19 t.DKK	2017/18 t.DKK	Parent 2018/19 t.DKK	2017/18 t.DKK
Revenue	1	1.149.974	1.048.910	1.139.892	1.047.866
Cost of sales		-835.671	-722.242	-836.328	-721.960
Other external expenses		-118.879	-115.350	-114.467	-115.246
Gross profit		195.424	211.318	189.097	210.660
Staff costs	2	-89.220	-74.546	-83.690	-73.856
Depreciation		-7.224	-4.141	-5.894	-3.906
Profit from ordinary operating activities		98.980	132.631	99.513	132.898
Income from investments in group subsidiaries		0	0	-643	-298
Finance income	3	3.200	1.072	2.685	1.102
Finance expenses	4	-582	-44	-284	-39
Profit from ordinary activities before tax		101.598	133.659	101.271	133.663
Tax expense on ordinary activities	5	-28.142	-30.231	-27.769	-30.233
Profit		73.456	103.428	73.502	103.430
Group profit broken down as follows:					
Parent's share		73.502	103.430		
Minority's share		-46	-2		
		73.456	103.428		

Balance Sheet as of 31 July

	Note	Group 2019 t.DKK	2018 t.DKK	Parent 2019 t.DKK	2018 t.DKK
Assets					
Completed development projects	7	5.746	4.381	5.721	4.280
Acquired intangible assets	8	8.288	8.600	8.288	8.600
Goodwill	9	6.105	5.997	0	0
Development projects in progress	10	2.166	2.463	2.166	2.463
Intangible assets		22.305	21.441	16.175	15.343
Fixtures, fittings, tools and equipment	11	6.386	4.477	5.946	4.175
Tangible assets		6.386	4.477	5.946	4.175
Long-term investments in group enterprises	12, 13	0	0	11.120	7.056
Investments		0	0	11.120	7.056
Fixed assets		28.691	25.918	33.241	26.574

Balance Sheet as of 31 July

	Note	Group 2019 t.DKK	2018 t.DKK	Parent 2019 t.DKK	2018 t.DKK
Manufactured goods and goods for resale		<u>99.115</u>	<u>72.154</u>	<u>97.777</u>	<u>70.683</u>
Inventories		<u>99.115</u>	<u>72.154</u>	<u>97.777</u>	<u>70.683</u>
Short-term trade receivables		126.627	123.080	126.931	123.062
Short-term receivables from group enterprises		0	0	3.266	2.182
Current deferred tax	14	1.091	3.517	1.060	3.219
Other short-term receivables		11.833	9.633	9.187	9.605
Deferred expenses	15	<u>1.212</u>	<u>644</u>	<u>479</u>	<u>644</u>
Receivables		<u>140.763</u>	<u>136.874</u>	<u>140.923</u>	<u>138.712</u>
Cash in bank and in hand		<u>71.097</u>	<u>48.030</u>	<u>64.610</u>	<u>45.603</u>
Current assets		<u>310.975</u>	<u>257.058</u>	<u>303.310</u>	<u>254.998</u>
Assets		<u>339.666</u>	<u>282.976</u>	<u>336.551</u>	<u>281.572</u>

Balance Sheet as of 31 July

	Note	Group 2019 t.DKK	2018 t.DKK	Parent 2019 t.DKK	2018 t.DKK
Liabilities and equity					
Contributed capital		4.500	4.500	4.500	4.500
Reserve for development costs		7.887	6.743	7.887	6.743
Retained earnings		168.428	94.889	168.428	94.889
Minority interests		626	689	0	0
Equity		181.441	106.821	180.815	106.132
Prepayments received from customers		11.052	7.273	11.052	7.273
Trade payables		104.118	104.809	81.848	104.031
Payables to group enterprises		0	0	289	670
Tax payables		23.362	25.501	23.375	25.623
Other payables		19.693	38.572	39.172	37.843
Short-term liabilities other than provisions		158.225	176.155	155.736	175.440
Liabilities other than provisions		158.225	176.155	155.736	175.440
Liabilities and equity		339.666	282.976	336.551	281.572
Contingent Liabilities	16				
Related parties	17				
Fees for auditors elected at the Annual General Meeting	18				

Statement of changes in Equity**Parent**

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 August 2018	4.500	6.743	94.889	106.132
Change of investments through net exchange differences	0	0	62	62
Equity transfers to reserves	0	1.144	0	1.144
Profit for the year	0	0	72.358	72.358
Hedging instruments to fair value 1 August 2018	0	0	175	175
Hedging instruments to fair value 31 July 2019	0	0	1.260	1.260
Tax of hedging instruments to fair value 1 August 2018	0	0	-39	-39
Tax of hedging instruments to fair value 31 July 2019	0	0	-277	-277
Equity 31 July 2019	4.500	7.887	168.428	180.815

Parent

The share capital has remained unchanged for the last 5 years.

The share capital contains of 4.500 shares of a nominal value of 1.000 kr. and multiples hereof.

The share capital is not divided in classes.

Statement of changes in Equity

Group

	Contributed capital	Reserve for development earnings	Retained earnings	Minority interests	Total
Equity 1 August 2018	4.500	6.743	94.889	689	106.821
Change of equity through split	0	0	0	-17	-17
Change of investments through net exchange differences	0	0	62	0	62
Equity transfers to reserves	0	1.144	0	0	1.144
Profit for the year	0	0	72.358	-46	72.312
Hedging instruments to fair value 1 August 2018	0	0	175	0	175
Hedging instruments to fair value 31 July 2019	0	0	1.260	0	1.260
Tax of hedging instruments to fair value 1 August 2018	0	0	-39	0	-39
Tax of hedging instruments to fair value 31 July 2019	0	0	-277	0	-277
Equity 31 July 2019	4.500	7.887	168.428	626	181.441

Cash Flow Statement

	Note	Group 2018/19 t.DKK	2017/18 t.DKK	Parent 2018/19 t.DKK	2017/18 t.DKK
Profit from ordinary operating activities		98.980	132.631	99.513	132.898
Depreciation		7.224	4.141	5.894	3.906
Adjustments of profit from group enterprises		0	0	92	544
		106.204	136.772	105.499	137.348
Change in inventories		-26.417	-15.183	-27.094	-13.712
Change in receivables		-2.666	67.170	-4.370	65.034
Change in trade payables		-14.693	30.058	-17.456	29.221
Other adjustment		1.435	-277	1.435	-277
Cash flow from operating activities before financial items		63.864	218.540	58.014	217.614
Interest received		3.200	1.072	2.685	1.102
Interest paid		-582	-44	-284	-39
Cash flow from ordinary operating activities		66.482	219.568	60.415	218.677
Income tax paid		-28.331	-21.335	-28.176	-21.191
Cash flow from operating activities		38.151	198.233	32.239	197.486
Purchase of investments		-5.310	-6.143	-4.730	-7.823
Purchase of intangible assets		-6.827	-13.378	-5.783	-13.378
Purchase of tangible assets		-3.519	-3.167	-3.291	-3.167
Sales of intangible assets		474	89	474	89
Sales of tangible assets		98	170	98	170
Cash flow from investing activities		-15.084	-22.429	-13.232	-24.109
Dividend paid		0	-190.000	0	-190.000
Cash flow from financing activities		0	-190.000	0	-190.000
Net change in cash		23.067	-14.196	19.007	-16.623
Cash, beginning balance		48.030	62.226	45.603	62.226
Cash, ending balance		71.097	48.030	64.610	45.603
Cash specified:					
Cash in bank and in hand		71.097	48.030	64.610	45.603
Cash in bank and in hand total		71.097	48.030	64.610	45.603

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
1. Revenue				
Revenue EU	931.548	835.919	918.728	836.009
Revenue outside EU	218.426	212.991	221.164	211.857
	1.149.974	1.048.910	1.139.892	1.047.866
2. Staff costs				
Wages and salaries	75.886	63.962	71.173	63.373
Post-employment benefit expense	7.770	6.718	7.770	6.718
Social security contributions	2.055	1.215	1.328	1.132
Other employee expenses	3.509	2.651	3.419	2.633
	89.220	74.546	83.690	73.856
Average number of employees	184	157	174	155
According to S. 98b (3) of the Danish Financial Statements Act, Management's and the Board of Directors' remuneration is not shown.				
3. Finance income				
Interests from Group	0	0	200	30
Other financial income	3.200	1.072	2.485	1.072
	3.200	1.072	2.685	1.102
4. Finance expenses				
Other finance expenses	582	44	284	39
	582	44	284	39
5. Tax expense				
Corporation tax	21.064	29.814	20.864	29.814
Tax related to previous years	4.745	0	4.745	0
Deferred tax adjustments	2.333	417	2.160	419
	28.142	30.231	27.769	30.233

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
6. Distribution of profit				
Dividend paid during the year	0	190.000	0	190.000
Reserve for development costs	1.144	3.199	1.144	3.199
Minority interests	-46	-2	0	0
Retained earnings	72.358	-89.769	72.358	-89.769
	73.456	103.428	73.502	103.430

7. Completed development projects

Cost at the beginning of the year	25.996	18.426	22.182	18.426
Change due to foreign currency translation adjustment	-91	0	0	0
Transfers	2.985	1.083	2.985	1.083
Addition through investments	0	3.814	0	0
Addition during the year, incl. improvements	1.414	2.673	1.414	2.673
Cost at the end of the year	30.304	25.996	26.581	22.182
Depreciation and amortisation at the beginning of the year	-21.615	-15.988	-17.902	-15.988
Change due to investments	0	-3.697	0	0
Change due to foreign currency translation adjustment	15	0	0	0
Amortisation for the year	-2.958	-1.930	-2.958	-1.914
Impairment losses and amortisation at the end of the year	-24.558	-21.615	-20.860	-17.902
Carrying amount at the end of the year	5.746	4.381	5.721	4.280

Completed development projects comprise direct costs such as prototypes, test of products, development equipment and other external costs related to the development of products and software that have been launched.

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
8. Acquired intangible assets				
Cost at the beginning of the year	10.367	2.191	10.366	2.191
Addition during the year, incl. improvements	1.207	8.176	1.207	8.176
Cost at the end of the year	11.574	10.367	11.573	10.367
Depreciation and amortisation at the beginning of the year	-1.767	-1.096	-1.767	-1.096
Amortisation for the year	-1.519	-671	-1.518	-671
Impairment losses and amortisation at the end of the year	-3.286	-1.767	-3.285	-1.767
Carrying amount at the end of the year	8.288	8.600	8.288	8.600
9. Goodwill				
Cost at the beginning of the year	6.143	0	0	0
Addition during the year	1.045	6.143	0	0
Cost at the end of the year	7.188	6.143	0	0
Depreciation and amortisation at the beginning of the year	-146	0	0	0
Amortisation for the year	-937	-146	0	0
Impairment losses and amortisation at the end of the year	-1.083	-146	0	0
Carrying amount at the end of the year	6.105	5.997	0	0

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
10. Development projects in progress				
Cost at the beginning of the year	2.463	1.106	2.463	1.106
Addition during the year, incl. improvements	3.162	2.529	3.162	2.529
Disposal during the year	-474	-89	-474	-89
Transfers	-2.985	-1.083	-2.985	-1.083
Cost at the end of the year	2.166	2.463	2.166	2.463
Carrying amount at the end of the year	2.166	2.463	2.166	2.463

Development projects in progress comprise direct costs such as prototypes, test of products, development equipment and other external costs related to the development of products and software that have not yet been launched.

11. Fixtures, fittings, tools and equipment

Cost at the beginning of the year	9.438	5.737	7.104	5.737
Change due to a foreign currency translation adjustment	-16	0	0	0
Addition through investments	0	2.334	0	0
Addition during the year, incl. improvements	3.519	3.167	3.291	3.167
Disposal during the year	-333	-1.800	-333	-1.800
Cost at the end of the year	12.608	9.438	10.062	7.104
Depreciation and amortisation at the beginning of the year	-4.961	-3.238	-2.929	-3.238
Change due to investments	0	-1.959	0	0
Change due to foreign currency translation adjustment	-35	0	0	0
Amortisation for the year	-1.498	-1.421	-1.459	-1.348
Reversal of impairment losses and amortisation of disposed assets	272	1.657	272	1.657
Impairment losses and amortisation at the end of the year	-6.222	-4.961	-4.116	-2.929
Carrying amount at the end of the year	6.386	4.477	5.946	4.175

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
12. Long-term investments in group enterprises				
Cost at the beginning of the year			2.770	0
Addition during the year, incl. improvements			5.310	2.770
Cost at the end of the year			8.080	2.770
Revaluations at the beginning of the year			-621	0
Profit of the year before Goodwill depreciation			257	-152
Change due to a foreign currency translation adjustment			69	75
Elimination of intercompany profits			-92	-544
Revaluations at the end of the year			-387	-621
Depreciation and amortisation at the beginning of the year			-146	0
Amortisation for the year			-900	-146
Amortisation at the end of the year			-1.046	-146
Fair value adjustments at the beginning of the year			5.053	0
Deducted in Receivables			-580	5.053
Deducted in Receivables and Accruals			4.473	5.053
Carrying amount at the end of the year			11.120	7.056
Amount of Goodwill purchased as part of the acquisitions during the year			310	6.143

13. Disclosure of long-term investments in group enterprises

Group enterprises

Name	Registered office	Share held in %
HAY Norway AS	Oslo, Norway	70,00
HAY Studio UK Ltd.	London, UK	100,00
Anpartsselskabet af 5.12 2018	Horsens, Denmark	100,00
- HAR AS	Oslo, Norway	100,00

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18
14. Deferred tax assets				
Fixed assets	423	686	423	596
Inventories	603	2.678	603	2.678
Accruals	-105	-175	-105	-175
Elimination of intercompany profit/loss	139	120	139	120
Tax loss carry forwards	31	208	0	0
	1.091	3.517	1.060	3.219
Deferred tax asset included in the Balance:				
Deferred tax asset, beginning of the year	3.517	3.638	3.219	3.638
Addition through investments	0	296	0	0
Adjustment of the year	-2.426	-417	-2.159	-419
	1.091	3.517	1.060	3.219

Deferred tax includes temporary differences that will be settled within a relatively limited number of years.

15. Deferred income

Prepaid expenses	1.212	644	479	644
Other accruals	0	0	0	0
	1.212	644	479	644

Notes

	Group		Parent	
	2018/19	2017/18	2018/19	2017/18

16. Contingent Liabilities

Contingent Liabilities

Rental and lease commitments:

The Group has assumed rental and lease commitments of t.DKK 7.503 on 31 July 2019 (Parent t.DKK 5.006).

Collaterals and securities

As collateral for the lease of premises by the Parent, bank guarantees of t.DKK 860 have been issued. For the Group the amount is t.DKK 1.555.

Derivative financial instruments

To hedge the risk of future fluctuations in foreign exchange rates the Parent has on 31 July 2019 engaged in forward exchange contracts and swaps, not exceeding the sale of t.GBP 1.950, t.NOK 8.490 and t.SEK 10.500 and not exceeding the purchase of t.NOK 29.000 and t.CNY 44.000. Compared to the exchange rates on 31 July 2019 the forwards have a net positive value of 1.260 t.DKK, which is recognised under equity and in the balance under Other short-term receivables if positive and Other payables if negative.

Danish joint-taxation scheme

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

17. Related parties

Transactions with related parties

All transactions with related parties during the year have been made on markets terms.

18. Fees for auditors elected at the Annual General Meeting

Statutory audit	261	97	180	85
Other assurance reports	52	41	18	41
	313	138	198	126