



Contour Design Nordic A/S

Borupvang 5, st.
2750 Ballerup
CVR No. 27651240

Annual report 2021

The Annual General Meeting adopted the
annual report on 24.06.2022

Kenneth Schach

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021	13
Balance sheet at 31.12.2021	14
Statement of changes in equity for 2021	16
Notes	17
Accounting policies	21

Entity details

Entity

Contour Design Nordic A/S

Borupvang 5, st.

2750 Ballerup

Business Registration No.: 27651240

Registered office: Ballerup

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Niels-Christian Worning

Erik Stannow

Jesper Mailind

Kenneth Schach

Executive Board

Kenneth Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Contour Design Nordic A/S for the financial year 01.01.2021 - 31.12.2021.

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 Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ballerup, 24.06.2022

Executive Board

Kenneth Nielsen

Board of Directors

Niels-Christian Worning

Erik Stannow

Jesper Mailind

Kenneth Schach

Independent auditor's report

To the shareholders of Contour Design Nordic A/S

Opinion

We have audited the financial statements of Contour Design Nordic A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the management commentary.

Aarhus, 24.06.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jacob Nørmark

State Authorised Public Accountant
Identification No (MNE) mne30176

Jacob Tækker Nørgaard

State Authorised Public Accountant
Identification No (MNE) mne40049

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Gross profit/loss	58,603	24,546	18,972	15,718	8,955
Operating profit/loss	35,247	14,156	971	(2,122)	1,306
Net financials	(547)	(372)	-46	(123)	1276
Profit/loss for the year	25,753	11,137	624	(2,153)	2,293
Total assets	72,840	70,480	67,719	73,623	48,725
Investments in property, plant and equipment	0	335	7	49	271
Equity	37,172	18,837	10,110	9,520	11,082
Ratios					
Return on equity (%)	91.96	76.95	6.36	(20.90)	23.08
Equity ratio (%)	51.03	26.73	14.93	12.93	22.74

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The Company's primary activities are the design and sale of high-quality products challenging the norms of computer interaction and improving human performance. It is the company's goal to achieve the highest level of ergonomics and usability through innovation and design. The Company offers a range of premium mice and keyboards, which are among the world's most ergonomic and comfortable.

Development in activities and finances

Acquisition by Polaris

During the year, the Company was acquired by the Danish private equity fund, Polaris, being the majority shareholder of the Company since June 1st, 2021.

The global supply chain situation

As is the case for the entire market, the global supply chain disruptions have been a challenge with increasing prices for cost of goods and transportation as well as challenges in ensuring sufficient flow of goods to meet demand. The Company has overcome the challenges and have seen growth in most markets despite the situation.

Development in activities and finance

The year has been characterized by the acquisition by Polaris and the subsequent change in strategy as well as coping with the challenges from Covid-19 and the global supply chain disruptions. Despite this, the Company has succeeded with achieving growth, which is also a result of significant further investments in the Company's various markets. This is both in terms of adding additional resources in sales and marketing as well as investing in the Company's infrastructure to ready the Company for further growth.

Contour Design Group achieved an operating profit (EBIT) of DKK 35.2m for the accounting period. During 2021, the company has had transaction costs related to the transaction.

After management has become aware of the accounting principles related to expected future discounts on revenue, they have been reassessed hence current and comparative figures have been adjusted.

Given above, and the global situation, the management considers the result as satisfactory.

Profit/loss for the year in relation to expected developments

The expectations outlined in the 2020 financial statements have been met.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Outlook

Despite continued impact from Covid-19 and continued global supply chain disruptions, the Group expects growth in operating profit compared to the past year in the range of 5-15%. This is attributable to the large investments in sales and marketing in 2021 as well as establishing local presence in a range of new European and North American markets.

Use of financial instruments

Market risks

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

Foreign exchange risks

Due to sales activities in foreign markets, cash flow and equity might be influenced by changes in interest levels and exchange rates for certain currencies. It is not the company policy to hedge commercial exchange risks. Hedging is not used to hedge open foreign exchange positions related to trading activities in foreign currencies, the company does not use speculative hedging, however, expect to establish a foreign currency policy to reduce risk in the area during 2021 given the increase in turnover.

Credit risks

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

Capital structure and Ownership

Contour Design Group share capital is not divided into classes.

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

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

Knowledge resources

The employees are the Group's most important resource, with main emphasis on design and product development.

Environmental performance

During 2021 the group management has implemented the adjustments, defined by the 2020 assessment according to the UN Defined global minimum standard for responsible business conduct. In the assessment of Environmental, Social and Governance sustainability (ESG) no significant impact on external factors were found.

Research and development activities

Contour Design continuously invests in development, updates, and improvements of its product portfolio. Costs related to development of products are expensed in the income statement or accounted for as an asset following the accounting policies.

Group relations

The Consolidated Annual Report of the Contour Design Group is prepared by the parent company, Polaris MidCo2 ApS and Polaris HoldCo ApS.

The private equity fund Polaris owns majority of the shares of Contour Design Group through Polaris MidCo2. Polaris is a member of the Active Owners Denmark (Previously DVCA) and hence compliant with the associated guidelines; please see <https://aktiveejere.dk/>. These guidelines, published in June 2015, recommend a thorough review regarding corporate governance, financial risks, employee relations and strategy.

The company also sell through distributors and wholesalers in the markets.

Contour Design in Denmark has 31 employees, of whom 19 are employed in Denmark, and 12. Approx. 42% are female.

The Group's work with ESG

The Group is dedicated to work with ESG and dedicated more than one full time employee in the area since autumn 2021. Consequently, the results in this area are at a relatively immature level.

Consequently, the content of this section does not intent to meet the requirements formally stated in Danish Annual Accounts Act §§ 99, 99a and 99b.

A more detailed description of the results made in this area are to be found on the company home page: <https://contourdesign.dk/>

Below policies and actions are made for Contour Design Nordic A/S.

Policies

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

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

Business Code of Conduct

We will expect all our business relationships to meet the globally agreed minimum standard for responsible business conduct as expressed in this commitment. Business relationships shall implement the UNGPs/OECD, i.e., manage risks of causing or contributing to adverse impacts in relation to human rights, the environment, and anticorruption, and address actual impacts, share their results – and ask the same from their relationships. Management of severe impacts shall be communicated promptly.

Self-assessment

Contour Design Group will continuously conduct self-assessment according the Global ESG standards. Results and actions will be published during 2022 as a part of the Global Compact membership as a report on progress (COP). We continue to ask major business relations to be transparent and guide on progress on the same topics, according to our Code of Conduct.

With the help from the new main shareholder, Danish capital fond Polaris, the work on the sustainability agenda has started to include this organization and its operation. Since the company only became a part of Polaris a few months before the end of the business year, this work has just started. A full reporting in this area is to be made in the annual report in the future.

Corporate governance

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

Underrepresented gender / diversity

Contour Design Group is committed to our membership of Global Compact and reported on our Sustainable business conduct during Q2 2021. Among our chosen relevant KPIs we report on diversity within Contour Design Group. From advertising to recruiting we are committed to provide a safe and healthy work environment that is free of unlawful discrimination including harassment that is based on any legally protected characteristics, including, but not limited to, race, colour, gender, sexual orientation, national origin, citizen status, disability, veteran status, height, weight, and religion.

With app 45% share of women employed, we have the best possibility to ensure a good balance in the leading positions in the future growth and development of the company.

Audit Committee

No audit committee is established due to the modest size and complexity of the company.

Remuneration to management

To attract and retain Contour Design Group's management competencies, the remuneration of management and senior employees is based on tasks, value creation and conditions in comparable companies. An incentive program is implemented in the form of bonus schemes and share and warrant-based incentive programs.

Board of directors

The Board of Directors ensures that the Executive Board complies with the approved objectives, strategies, and business procedures. The information to the Executive Board is provided systematically before and during meetings as well as through written and oral reports. These reports include market development, the company's development, and profitability. The Board of Directors and Executive Management have overall responsibility for risk management and internal controls related to financial reporting.

The Board of Directors of the company meet at least four times a year. Furthermore, information about the company and the Group's results and financial position is shared with the Board of Directors on a regular basis (monthly). If relevant, extraordinary meetings are held.

Board of directors in Contour Design Group.

Name:	Occupation:	Executive Board Role in	
		Contour Design A/S:	Other board roles:
Erik Stannow	CEO	Chairman	Elearningforce International ApS, Wired Relations, various companies related to Polaris
Jesper Mailind	CEO	Board member	Leo Pharma, RTX A/S, various companies related to Polaris
Kenneth Schnach	CEO	Board member	Various companies related to Polaris
Niels-Christian Worning	Partner, Polaris	Board member	Triax A/S, P-Sinful 2021 A/S, various companies related to Polaris

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		58,603,301	24,546,371
Staff costs	2	(15,478,932)	(10,361,546)
Depreciation, amortisation and impairment losses	3	(325,347)	(28,630)
Other operating expenses		(7,551,697)	0
Operating profit/loss		35,247,325	14,156,195
Income from investments in group enterprises		393,080	441,126
Other financial income		86	351
Other financial expenses	4	(546,996)	(372,614)
Profit/loss before tax		35,093,495	14,225,058
Tax on profit/loss for the year	5	(9,340,855)	(3,087,709)
Profit/loss for the year	6	25,752,640	11,137,349

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Development projects in progress	8	137,200	0
Intangible assets	7	137,200	0
Other fixtures and fittings, tools and equipment		23,831	372,653
Property, plant and equipment	9	23,831	372,653
Investments in group enterprises		1,982,599	1,591,086
Deposits		219,269	184,493
Financial assets	10	2,201,868	1,775,579
Fixed assets		2,362,899	2,148,232
Manufactured goods and goods for resale		14,018,649	20,013,874
Prepayments for goods		11,852,393	23,389,557
Inventories		25,871,042	43,403,431
Trade receivables		11,860,532	7,634,876
Receivables from group enterprises		12,214,766	968,178
Prepayments	11	232,996	6,181,199
Receivables		24,308,294	14,784,253
Cash		20,297,505	10,143,716
Current assets		70,476,841	68,331,400
Assets		72,839,740	70,479,632

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital	12	500,000	500,000
Translation reserve		13,982	0
Reserve for development expenditure		107,016	0
Retained earnings		551,415	18,336,890
Proposed dividend		36,000,000	0
Equity		37,172,413	18,836,890
Deferred tax	13	32,627	2,752
Other provisions	14	5,318,578	5,048,933
Provisions for investments in group enterprises	15	0	120,916
Provisions		5,351,205	5,172,601
Bank loans		184,126	131
Prepayments received from customers		6,857,572	4,962,497
Trade payables		3,358,768	25,279,163
Payables to group enterprises		8,658,946	10,043,969
Tax payable		25,455	2,120,655
Joint taxation contribution payable		8,174,758	0
Other payables		3,056,497	4,063,726
Current liabilities other than provisions		30,316,122	46,470,141
Liabilities other than provisions		30,316,122	46,470,141
Equity and liabilities		72,839,740	70,479,632
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Group relations	19		

Statement of changes in equity for 2021

	Contributed capital DKK	Translation reserve DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500,000	0	0	22,275,058	0
Corrections of material errors	0	0	0	(3,938,168)	0
Adjusted equity, beginning of year	500,000	0	0	18,336,890	0
Extraordinary dividend paid	0	0	0	0	(7,436,200)
Exchange rate adjustments	0	19,083	0	0	0
Other entries on equity	0	(5,101)	0	5,101	0
Transfer to reserves	0	0	107,016	(107,016)	0
Profit/loss for the year	0	0	0	(17,683,560)	7,436,200
Equity end of year	500,000	13,982	107,016	551,415	0

	Proposed dividend DKK	Total DKK
Equity beginning of year	0	22,775,058
Corrections of material errors	0	(3,938,168)
Adjusted equity, beginning of year	0	18,836,890
Extraordinary dividend paid	0	(7,436,200)
Exchange rate adjustments	0	19,083
Other entries on equity	0	0
Transfer to reserves	0	0
Profit/loss for the year	36,000,000	25,752,640
Equity end of year	36,000,000	37,172,413

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	13,361,350	8,727,138
Pension costs	1,528,895	1,228,827
Other social security costs	119,583	114,744
Other staff costs	469,104	290,837
	15,478,932	10,361,546
Average number of full-time employees	16	13

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

3 Depreciation, amortisation and impairment losses

	2021	2020
	DKK	DKK
Depreciation of property, plant and equipment	14,062	28,630
Profit/loss from sale of intangible assets and property, plant and equipment	311,285	0
	325,347	28,630

4 Other financial expenses

	2021	2020
	DKK	DKK
Exchange rate adjustments	340,664	323,918
Other financial expenses	206,332	48,696
	546,996	372,614

5 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	9,310,980	2,911,130
Change in deferred tax	29,875	172,870
Adjustment concerning previous years	0	3,709
	9,340,855	3,087,709

6 Proposed distribution of profit and loss

	2021 DKK	2020 DKK
Ordinary dividend for the financial year	36,000,000	0
Extraordinary dividend distributed in the financial year	7,436,200	0
Retained earnings	(17,683,560)	11,137,349
	25,752,640	11,137,349

7 Intangible assets

	Development projects in progress DKK
Additions	137,200
Cost end of year	137,200
Carrying amount end of year	137,200

8 Development projects

The company has launched a project regarding a new webshop. The project was started in 2021 and is expected to be completed and implemented during 2022. It is the management's assessment that the repayment period when the project is completed is approximately 3 years.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	699,636
Disposals	(334,760)
Cost end of year	364,876
Depreciation and impairment losses beginning of year	(326,983)
Depreciation for the year	(14,062)
Depreciation and impairment losses end of year	(341,045)
Carrying amount end of year	23,831

10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	2,720,478	184,493
Additions	0	34,776
Cost end of year	2,720,478	219,269
Impairment losses beginning of year	(1,129,392)	0
Exchange rate adjustments	19,083	0
Amortisation of goodwill	(15,148)	0
Share of profit/loss for the year	408,228	0
Investments with negative equity value depreciated over receivables	100,266	0
Investments with negative equity value transferred to provisions	(120,916)	0
Impairment losses end of year	(737,879)	0
Carrying amount end of year	1,982,599	219,269

Investments in subsidiaries	Registered in	Equity interest %	Equity DKK	Profit/loss DKK
Contour Design Norge A/S	Norway, Oslo	100%	688,092	148,159
Contour Design Sverige AB	Sweden, Helsingborg	100%	887,846	214,850
Contour Design (Europe) Limited	England	100%	(120,916)	93,266

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

12 Share capital

The share capital consists of 50 shares of a nominal value of DKK 10,000. No shares carry any special rights. There have been no changes in the share capital during the last 5 years

13 Deferred tax

	2021 DKK	2020 DKK
Changes during the year		
Beginning of year	2,752	(169,531)
Recognised in the income statement	29,875	172,283
End of year	32,627	2,752

14 Other provisions

Other provisions consist of the company's expected obligation to pay discounts for goods sold to distributors in the financial year, of which the discounts are only paid to the distributors when the distributors have resold the goods to the end customer.

15 Provisions for investments in group enterprises

Provisions for investments in group enterprises consist of the company's expected obligation to support the company on the balance sheet date.

16 Unrecognised rental and lease commitments

	2021	2020
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	1,678,783	1,089,979

17 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Polaris HoldCo ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 Assets charged and collateral

As guarantee for debt to credit institutions the company has deposited DKK 1.015k of its cash. Consequently this cash is not at the company's disposal. The company's debt to the credit institutions concerned amounts to DKK 0 at the balance sheet date.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Polaris HoldCo ApS, Denmark

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Polaris Midco 2 ApS, Denmark

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Material errors in previous years

A large part of the company's turnover consists of sales of goods to distributors. At the time of sale, the company has historically recognized the full turnover and subsequently paid a discount at the time of the company's distributors' resale to end customers.

Pursuant to the Danish Financial Statements Act, revenue must include the sales price less any expected discounts as of the date of recognition of revenue.

After the company's management has become aware of the above accounting policies, the internal accounting principles for the company's net revenue have been reassessed, so that revenue now includes gross revenue less expected future discounts. The expected future discounts to the distributors are presented as Other provisions.

The figures for the year have been adapted to the above practice, just as the comparative figures shown have been restated accordingly.

As a result of the change in recognition of Revenue and Other provisions, the profit for 2020 has decreased by DKK 1,532k, the balance sheet total at 31.12.2020 is unchanged and equity at 31.12.2020 has decreased by DKK 3,938k compared to the accounting policies applied so far.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income, cost of raw materials and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

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.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, no cash flow statements have been prepared.