



Kvadrat Really ApS

Lundbergsvej 10
8400 Ebeltoft
CVR No. 35252142

Annual report 2023

The Annual General Meeting adopted the annual report on 10.04.2024

Peter Vinkler Simonsen
Chairman of the General Meeting

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Entity details

Entity

Kvadrat Really ApS
Lundbergsvej 10
8400 Ebeltoft

Business Registration No.: 35252142
Registered office: Copenhagen
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Anders Byriel, chairman
Wickie Meier Engström, vice-chairman
Helle Vingolf
Martin Barfoed

Executive Board

Peter Vinkler Simonsen

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 Kvadrat Really ApS for the financial year 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

Ebeltoft, 10.04.2024

Executive Board

Peter Vinkler Simonsen

Board of Directors

Anders Byriel
chairman

Wickie Meier Engström
vice-chairman

Helle Vingolf

Martin Barfoed

Independent auditor's report

To the shareholders of Kvadrat Really ApS

Opinion

We have audited the financial statements of Kvadrat Really ApS for the financial year 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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, 10.04.2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Bach

State Authorised Public Accountant
Identification No (MNE) mne19691

Jens Lauridsen

State Authorised Public Accountant
Identification No (MNE) mne34323

Management commentary

Primary activities

The company's main activity is the development of new functional and innovative materials to the interior design industry, in which upcycled End-of-Life fabrics from industrial laundries, fashion and production are used.

Description of material changes in activities and finances

Loss for the year amounts to DKK 8.825k, which the Executive Board and Board of Directors considers to be unsatisfactory.

Kvadrat Really forecasts a 70% growth in 2024 based on existing agreements with key clients and partners. The project pipeline 2024 is very strong and we have already in the first couple of months of 2024 secured some large orders to large international end-users. Therefore an improved result is expected for 2024.

Management is aware that more than 50% of the contributed capital has been lost, hence the Company is subject to the provisions of §119 of the Companies Act regarding capital losses. Equity is expected to be reestablished through earnings in the coming financial years.

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 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss	1	1,035,147	(969,204)
Staff costs	2	(7,609,883)	(5,086,438)
Depreciation, amortisation and impairment losses		(2,092,673)	(1,271,987)
Operating profit/loss		(8,667,409)	(7,327,629)
Other financial income	3	348,129	43,962
Other financial expenses		(914,927)	(611,883)
Profit/loss before tax		(9,234,207)	(7,895,550)
Tax on profit/loss for the year	4	409,000	(787,000)
Profit/loss for the year		(8,825,207)	(8,682,550)
Proposed distribution of profit and loss			
Retained earnings		(8,825,207)	(8,682,550)
Proposed distribution of profit and loss		(8,825,207)	(8,682,550)

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	6	5,825,157	7,382,756
Acquired intangible assets		231,355	766,432
Development projects in progress	6	0	0
Intangible assets	5	6,056,512	8,149,188
Fixed assets		6,056,512	8,149,188
Raw materials and consumables		461,644	595,428
Work in progress		0	643,979
Manufactured goods and goods for resale		3,458,700	1,333,253
Inventories		3,920,344	2,572,660
Trade receivables		0	24,832
Receivables from group enterprises		814,210	790,720
Other receivables		643,075	433,757
Prepayments		0	50,000
Receivables		1,457,285	1,299,309
Current assets		5,377,629	3,871,969
Assets		11,434,141	12,021,157

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		1,777,776	1,777,776
Reserve for development expenditure		4,543,623	5,758,550
Retained earnings		(10,510,445)	(2,900,165)
Equity		(4,189,046)	4,636,161
Bank loans		12,759,132	4,181,611
Trade payables		727,182	385,113
Payables to group enterprises		11,250	550,993
Other payables		664,941	425,549
Deferred income	7	1,460,682	1,841,730
Current liabilities other than provisions		15,623,187	7,384,996
Liabilities other than provisions		15,623,187	7,384,996
Equity and liabilities		11,434,141	12,021,157
Unrecognised rental and lease commitments	8		
Contingent assets	9		
Contingent liabilities	10		
Group relations	11		

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,777,776	5,758,550	(2,900,165)	4,636,161
Transfer to reserves	0	(1,214,927)	1,214,927	0
Profit/loss for the year	0	0	(8,825,207)	(8,825,207)
Equity end of year	1,777,776	4,543,623	(10,510,445)	(4,189,046)

Notes

1 Gross profit/loss

Herein are included other operating income relating to public grants, which is recognized with DKK 381k for 2023 and DKK 232k for 2022. See also note 7. Also included income from invoicing of wages to other group companies with DKK 2,301k for 2023 and DKK 817k for 2022.

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	7,032,632	4,727,358
Pension costs	516,333	320,731
Other social security costs	60,918	38,349
	7,609,883	5,086,438
Average number of full-time employees	5	4

3 Other financial income

	2023	2022
	DKK	DKK
Financial income from group enterprises	290,417	0
Other financial income	57,712	43,962
	348,129	43,962

4 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Change in deferred tax	0	787,000
Refund in joint taxation arrangement	(409,000)	0
	(409,000)	787,000

5 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Development projects in progress DKK
Cost beginning of year	14,329,607	2,623,542	105,298
Transfers	105,298	0	(105,298)
Disposals	(6,543,653)	(280,788)	0
Cost end of year	7,891,252	2,342,754	0
Amortisation and impairment losses beginning of year	(6,946,851)	(1,857,110)	(105,298)
Transfers	(105,298)	0	105,298
Amortisation for the year	(1,557,599)	(535,077)	0
Reversal regarding disposals	6,543,653	280,788	0
Amortisation and impairment losses end of year	(2,066,095)	(2,111,399)	0
Carrying amount end of year	5,825,157	231,355	0

6 Development projects

Development projects consist of capitalized costs for developing new products that are expected to generate revenue going forward.

The activated development projects consist of internal costs for employees, purchased materials and purchased assistance from subcontractors.

Based on an assessment of the individual development projects, management has concluded that the recoverable or useful value exceeds the carrying amount.

7 Deferred income

Deferred income includes grants for DKK 5,285k related to development project, of which DKK 3,824k has been recognized in line with the depreciation of the associated development project. As of 31.12.2023 grant remains, with a balance of DKK 1,461k. Expected income to be recognized in 2024 amounts to DKK 381k.

8 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Liabilities under rental or lease agreements until maturity in total	513,114	828,749

9 Contingent assets

The Company has an unrecognized deferred tax asset of DKK 4,234k.

10 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Kvadrat Holding A/S 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.

11 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Kvadrat A/S, Lundbergsvej 10, 8400 Ebeltøft, CVR-nr. 45 99 85 17

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

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

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.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

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 consumables 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.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities. Grants are recognised as other operating income.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal 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 intangible assets comprise depreciation, amortisation and impairment losses and gains and losses from the sale of intangible assets.

Other financial income

Other financial income comprises interest income including exchange gains on securities, payables and transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, 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 completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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 under 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.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc. 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.

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.

Other financial liabilities

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Income include grants received for development projects according to the Danish Financial Statements Act's requirement for gross presentation cannot be offset in the development costs in the balance sheet, but must presented separately under liabilities. Prepayments are measured at cost less a straight line income recognition in line with the linear depreciation of the associated activated project.