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Reform Holding ApS

Otto Busses Vej 5 A
2450 Copenhagen
CVR No. 36908351

Annual report 2022

The Annual General Meeting adopted the annual report on 07.07.2023

Michael Andersen
Chairman of the General Meeting

Contents

Entity details

Entity

Reform Holding ApS

Otto Busses Vej 5 A

2450 Copenhagen

Business Registration No.: 36908351

Registered office: Copenhagen

Financial year: 01.01.2022 - 31.12.2022

Executive Board

Michael Andersen, director

Jeppe Christensen, director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Reform Holding ApS for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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.

Copenhagen, 07.07.2023

Executive Board

Michael Andersen
director

Jeppe Christensen
director

Independent auditor's report

To the shareholders of Reform Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Reform Holding ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor’s report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Copenhagen, 07.07.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Claus Jorch Andersen
State Authorised Public Accountant
Identification No (MNE) mne33712

Anders Theilgaard Iversen
State Authorised Public Accountant
Identification No (MNE) mne47797

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000
Key figures			
Gross profit/loss	85,705	23,102	21,296
Operating profit/loss	63,689	(50,981)	(13,529)
Net financials	(378)	(2,641)	(1,275)
Profit/loss for the year	34,430	(54,181)	(13,501)
Profit for the year excl. minority interests	20,315	(38,455)	(9,499)
Balance sheet total	29,577	110,100	58,208
Investments in property, plant and equipment	0	9,816	1,374
Equity	28,524	(47,288)	7,489
Equity excl. minority interests	28,524	(33,173)	5,706
Cash flows from operating activities	(646)	(32,546)	5,594
Cash flows from investing activities	15,690	(17,822)	(5,303)
Cash flows from financing activities	(38,674)	44,151	23,264
Ratios			
Equity ratio (%)	96.44	(30.13)	9.80

During the financial year, the Group has lost control in major subsidiaries and for the current financial statements only 3 months of operations have been recognized.

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

Equity ratio (%):

$$\frac{\text{Equity excl. minority interests} * 100}{\text{Balance sheet total}}$$

Primary activities

Reform's primary activities consist of import and sale of kitchens as well as developing new designs and support activities to ensure commercial and operational scaling of the Reform brand.

During the financial year, the Group has lost control in major subsidiaries and for the current financial statements only 3 months of operations have been recognized.

The remaining acitivy in the Group consist of investment in associated companies and renting business leases.

Development in activities and finances

The current financial year has been impacted by a significant focus on investments, growth and scalability at associates.

Profit/loss for the year in relation to expected developments

The net result for the year for the Group amounts to a loss of DKK 45,105 thousand, which is in line with management's expectations.

Outlook

In 2023 the Group expects to continue its operations related to investment in associtates. A negative result of 20-40 million DKK is expected, which mainly comprise of expected result from investments in associated companies.

Events after the balance sheet date

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

Consolidated income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		**85,705,438**	**23,101,771**
Staff costs	1	(20,429,750)	(69,912,973)
Depreciation, amortisation and impairment losses		(1,586,366)	(4,169,514)
Operating profit/loss		**63,689,322**	**(50,980,716)**
Income from investments in associates		(28,830,186)	0
Other financial income	2	13,689	535,158
Impairment losses on financial assets		0	(151,525)
Other financial expenses	3	(391,910)	(3,024,321)
Profit/loss before tax		**34,480,915**	**(53,621,404)**
Tax on profit/loss for the year	4	(50,847)	(559,949)
Profit/loss for the year	5	**34,430,068**	**(54,181,353)**

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	6	0	9,176,127
Development projects in progress	6	0	1,590,686
Intangible assets		**0**	**10,766,813**
Other fixtures and fittings, tools and equipment		0	833,521
Leasehold improvements		0	11,084,287
Property, plant and equipment		**0**	**11,917,808**
Investments in associates		27,052,363	0
Deposits		475,501	3,545,191
Other receivables		114,082	939,569
Financial assets	7	**27,641,946**	**4,484,760**
Fixed assets		**27,641,946**	**27,169,381**
Raw materials and consumables		0	33,477,090
Work in progress		0	6,627,634
Manufactured goods and goods for resale		0	1,327,203
Prepayments for goods		0	262,561
Inventories		**0**	**41,694,488**
Trade receivables		63,096	8,431,288
Contract work in progress		0	1,410,603
Other receivables		123,580	3,945,017
Tax receivable		0	563,734
Receivables from owners and management	8	11,354	10,317
Prepayments	9	8,133	1,516,188
Receivables		**206,163**	**15,877,147**
Cash		**1,728,948**	**25,359,237**
Current assets		**1,935,111**	**82,930,872**

Assets	**29,577,057**	**110,100,253**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	10	50,000	50,000
Retained earnings		28,474,249	(33,222,865)
Equity belonging to Parent's shareholders		**28,524,249**	**(33,172,865)**
Equity belonging to minority interests		**0**	**(14,115,503)**
Equity		**28,524,249**	**(47,288,368)**
Deferred tax	11	0	8,000
Provisions		**0**	**8,000**
Debt to other credit institutions		0	22,186,388
Other payables		0	1,137,585
Non-current liabilities other than provisions		**0**	**23,323,973**
Current portion of non-current liabilities other than provisions		0	944,961
Bank loans		0	309,186
Convertible and profit-sharing debt instruments	12	0	25,000,000
Deposits		459,480	60,000
Prepayments received from customers		0	67,397,661
Trade payables		70,213	15,129,086
Tax payable		0	94,879
Other payables		523,115	25,120,875
Current liabilities other than provisions		**1,052,808**	**134,056,648**
Liabilities other than provisions		**1,052,808**	**157,380,621**
Equity and liabilities		**29,577,057**	**110,100,253**
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK
Equity beginning of year	50,000	(33,222,865)	0	(33,172,865)	(14,115,503)
Extraordinary dividend paid	0	0	(14,500,000)	(14,500,000)	0
Other entries on equity	0	55,882,549	0	55,882,549	0
Profit/loss for the year	0	5,814,565	14,500,000	20,314,565	14,115,503
Equity end of year	**50,000**	**28,474,249**	**0**	**28,524,249**	**0**

	Total DKK
Equity beginning of year	(47,288,368)
Extraordinary dividend paid	(14,500,000)
Other entries on equity	55,882,549
Profit/loss for the year	34,430,068
Equity end of year	**28,524,249**

Consolidated cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		63,689,322	(50,980,716)
Operating profit/loss from discontinued operations		(50,622,074)	0
Amortisation, depreciation and impairment losses		1,586,366	4,169,514
Working capital changes	13	(49,863,076)	17,271,086
Other adjustments	14	34,274,448	0
Cash flow from ordinary operating activities		**(935,014)**	**(29,540,116)**
Financial income received		22,335	535,158
Financial expenses paid		(34,671)	(3,024,321)
Taxes refunded/(paid)		301,286	(516,234)
Cash flows from operating activities		**(646,064)**	**(32,545,513)**
Acquisition etc. of intangible assets		0	(6,072,989)
Acquisition etc. of property, plant and equipment		0	(9,816,242)
Acquisition of fixed asset investments		(38,164)	(2,084,719)
Sale of fixed asset investments		14,902,330	152,352
Repayments received		825,487	0
Cash flows from investing activities		**15,689,653**	**(17,821,598)**
Free cash flows generated from operations and investments before financing		**15,043,589**	**(50,367,111)**
Loans raised		0	45,000,000
Repayments of loans etc.		0	(848,690)
Dividend paid		(14,500,000)	0
Other cash flows from financing activities		(24,173,878)	0
Cash flows from financing activities		**(38,673,878)**	**44,151,310**
Increase/decrease in cash and cash equivalents		**(23,630,289)**	**(6,215,801)**
Cash and cash equivalents beginning of year		25,359,237	31,705,552
Currency translation adjustments of cash and cash equivalents		0	(130,514)

Cash and cash equivalents end of year	**1,728,948**	**25,359,237**

Cash and cash equivalents at year-end are composed of:		
Cash	1,728,948	25,359,237
Cash and cash equivalents end of year	**1,728,948**	**25,359,237**

Notes to consolidated financial statements

1 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	20,288,562	61,275,215
Pension costs	64,917	451,580
Other social security costs	0	345,077
Other staff costs	76,271	7,841,101
	20,429,750	**69,912,973**

Average number of full-time employees	**52**	**186**

	Remuneration of management 2022 DKK	Remuneration of management 2021 DKK
Total amount for management categories	544,964	2,073,000
	544,964	**2,073,000**

2 Other financial income

	2022 DKK	2021 DKK
Financial income from associates	1,037	942
Other interest income	10,513	31,154
Exchange rate adjustments	3	503,062
Other financial income	2,136	0
	13,689	**535,158**

3 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	23,841	1,840,908
Exchange rate adjustments	49	954,599
Other financial expenses	368,020	228,814
	391,910	**3,024,321**

4 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	61,855	432,930
Change in deferred tax	(3,000)	106,252
Adjustment concerning previous years	(8,008)	20,767
	50,847	**559,949**

5 Proposed distribution of profit/loss

	2022 DKK	2021 DKK
Extraordinary dividend distributed in the financial year	14,500,000	0
Retained earnings	5,814,565	(38,455,077)
Minority interests' share of profit/loss	14,115,503	(15,726,276)
	34,430,068	**(54,181,353)**

6 Development projects

The carrying amount of development projects equals to 0 due to loss of control in subsidiaries in the fiscal year.

7 Financial assets

	Investments in associates DKK	Deposits DKK	Other receivables DKK
Cost beginning of year	0	3,545,191	939,569
Additions	86,819,899	38,164	10,513
Disposals	0	(3,107,854)	(836,000)
Cost end of year	**86,819,899**	**475,501**	**114,082**
Adjustments on equity	(30,937,350)	0	0
Share of profit/loss for the year	(28,830,186)	0	0
Impairment losses end of year	**(59,767,536)**	**0**	**0**
Carrying amount end of year	**27,052,363**	**475,501**	**114,082**

Associates	Registered in	Ownership %
Reform Group Holding ApS	Denmark	46.55
Reform Furniture ApS	Denmark	46.55
Reform Projects ApS	Denmark	46.55
Reform Furniture US inc.	United States	46.55
Reform Furniture Santa Monica, Inc.	United States	46.55
Reform Furniture DUMBO, LLC	United States	46.55
Reform Furniture NJ, LLC	United States	46.55
Reform Furniture Germany GmbH	Germany	46.55
Reform Supply & Logistics UAB	Lithuania	46.55

8 Receivables from owners and management

The company has granted loan to a shareholder. The loan is remunerated at 10,05% in accordance with current legislation. The loan has been repaid before the signature date of the annual report.

9 Prepayments

Prepayments under assets comprise costs related to subsequent financial years such as subscriptions, service agreements and insurances.

10 Contributed capital

	Number	Nominal value DKK
A-shares	25,000	25,000
B-shares	12,500	12,500
C-shares	12,500	12,500
	50,000	**50,000**

11 Deferred tax

Changes during the year	**2022 DKK**
Beginning of year	8,000
Recognised in the income statement	(8,000)
End of year	**0**

12 Convertible and profit-sharing debt instruments

	Conversion price
Convertible loan agreement	4,080

Convertible loan agreement is converted into equity investment in the fiscal year.

13 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in inventories	41,694,488	(35,246,376)
Increase/decrease in receivables	15,107,250	(10,534,803)
Increase/decrease in trade payables etc.	(106,664,814)	63,052,265
	(49,863,076)	**17,271,086**

14 Other adjustments

Other adjustments in the cash flow statement are composed of cash flows related to subsidiaries for which the Group lost control in the fiscal year.

15 Assets charged and collateral

There are no assets charged and collateral at the balance sheet date.

16 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

17 Subsidiaries

	Registered in	Ownership %
JMPC Ejendomme ApS	Denmark	100.00

Parent income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		**(66,516)**	**(53,382)**
Income from investments in group enterprises		14,902,330	0
Other financial income from group enterprises		10,782	7,057
Other financial expenses	1	(18,059)	0
Profit/loss before tax		**14,828,537**	**(46,325)**
Tax on profit/loss for the year	2	8,008	(10,252)
Profit/loss for the year	3	**14,836,545**	**(56,577)**

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Investments in group enterprises		100	200
Investments in associates		66	0
Financial assets	4	**166**	**200**
Fixed assets		**166**	**200**
Receivables from group enterprises		549,889	539,107
Other receivables		0	1,045,770
Joint taxation contribution receivable		0	641,586
Receivables		**549,889**	**2,226,463**
Cash		**344,395**	**7,973**
Current assets		**894,284**	**2,234,436**
Assets		**894,450**	**2,234,636**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		50,000	50,000
Retained earnings		412,770	76,225
Equity		**462,770**	**126,225**
Joint taxation contribution payable		0	641,586
Other payables	5	431,680	1,466,825
Current liabilities other than provisions		**431,680**	**2,108,411**
Liabilities other than provisions		**431,680**	**2,108,411**
Equity and liabilities		**894,450**	**2,234,636**
Employees	6		
Contingent liabilities	7		
Assets charged and collateral	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	50,000	76,225	0	126,225
Extraordinary dividend paid	0	0	(14,500,000)	(14,500,000)
Profit/loss for the year	0	336,545	14,500,000	14,836,545
Equity end of year	**50,000**	**412,770**	**0**	**462,770**

Notes to parent financial statements

1 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	18,059	0
	18,059	**0**

2 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Change in deferred tax	0	10,252
Adjustment concerning previous years	(8,008)	0
	(8,008)	**10,252**

3 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Extraordinary dividend distributed in the financial year	14,500,000	0
Retained earnings	336,545	(56,577)
	14,836,545	**(56,577)**

4 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK
Cost beginning of year	200	0
Transfers	(66)	66
Disposals	(34)	0
Cost end of year	**100**	**66**
Carrying amount end of year	**100**	**66**

A specification of investments in subsidiaries and associtesare evident from the notes to the consolidated financial statements.

5 Other payables

	2022 DKK	2021 DKK
Other costs payable	431,680	1,466,825
	431,680	**1,466,825**

6 Employees
The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration

7 Contingent liabilities
The Entity participates in a Danish joint taxation arrangement where Reform Holding 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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends 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.

8 Assets charged and collateral
There are no assets charged and collateral at the balance sheet date.

9 Non-arm’s length related party transactions
Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

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 consolidated financial statements and parent financial statements are consistent with those applied last year.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, costs 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. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

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.

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.

Property costs
Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

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

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

Income from investments in group enterprises
Income from investments in group enterprises comprises dividends etc. received from the individual group enterprises in the financial year.

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

Other financial income from group enterprises
Other financial income from group enterprises comprises interest income etc. on receivables from group enterprises.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on payables and transactions in foreign currencies, and tax relief under the Danish Tax Prepayment Scheme etc.

Impairment losses on financial assets
Impairment losses on financial assets comprises impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses
Other financial expenses comprise interest expenses, 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.

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 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 on 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 10 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 10 years.

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

Property, plant and equipment
Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

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 measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Associates with negative equity value are measured at DKK 0. Any receivables from these associates 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 associate, 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 associates is transferred to the reserve for net revaluation according to the equity method in equity.

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

For parent balance sheet, investments in associates are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

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

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 and consumables.

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress.

If the selling price of a contract in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

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

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
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.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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 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.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with fixed asset investments, development and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.