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HRO Corporate ApS

Slotsmarken 1
2970 Hørsholm
CVR No. 37995762

Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

Henrik Rosendahl
Chairman of the General Meeting

Contents

Entity details

Entity
HRO Corporate ApS
Slotsmarken 1
2970 Hørsholm

Business Registration No.: 37995762
Registered office: Hørsholm
Financial year: 01.01.2023 - 31.12.2023

Board of Directors
Magnus Aagaard Rosendahl
Sophie Cecilie Rosendahl
Henrik Rosendahl
Mille Mandrup Rosendahl
Mikkel Aagaard Rosendahl
Frederik Philip Rosendahl
Henriette Rosendahl

Executive Board
Henrik Rosendahl, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of HRO Corporate 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 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 31.12.2023 and of the results of their operations and the consolidated cash flows 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.

Hørsholm, 28.06.2024

Executive Board

Henrik Rosendahl
CEO

Board of Directors

Magnus Aagaard Rosendahl

Sophie Cecilie Rosendahl

Henrik Rosendahl

Mille Mandrup Rosendahl

Mikkel Aagaard Rosendahl

Frederik Philip Rosendahl

Henriette Rosendahl

Independent auditor's report

To the shareholders of HRO Corporate ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of HRO Corporate 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, 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 31.12.2023 and of the results of their operations and the consolidated cash flows 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 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 28.06.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Jens Serup
State Authorised Public Accountant
Identification No (MNE) mne45825

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	465,285	544,302	658,694	575,709	561,586
Gross profit/loss	113,510	136,351	203,299	150,146	133,417
Operating profit/loss	387	14,945	88,051	26,918	13,233
Net financials	(27,791)	(15,020)	(276)	(10,745)	(7,618)
Profit/loss for the year	(23,267)	298	67,946	13,300	3,573
Profit for the year excl. minority interests	(21,179)	1,162	67,946	13,300	3,573
Balance sheet total	685,490	834,298	786,792	779,750	825,374
Investments in property, plant and equipment	2,158	2,076	11,195	6,083	60,486
Equity	284,105	311,603	317,072	251,769	239,002
Equity excl. minority interests	286,639	312,049	317,072	251,769	239,002
Cash flows from investing activities	(7,001)	(14,871)	(18,796)	(8,783)	(164,787)
Cash flows from financing activities	(109,662)	127,911	(100,422)	(42,994)	118,502
Ratios					
Gross margin (%)	24.40	25.05	30.86	26.08	23.76
Net margin (%)	(5.00)	0.05	10.32	2.31	0.64
Return on equity (%)	(7.08)	0.37	23.89	5.42	1.43
Equity ratio (%)	41.82	37.40	40.30	32.29	28.96

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

Gross margin (%):

$$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$$

Net margin (%):

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

Return on equity (%):
Profit/loss for the year excl. minority interests * 100
Average equity excl. minority interests

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

The majority of the group's activities involve the activities of Rosendahl Design Group.

The Group is among Denmark’s leading design houses with eight well-known brands, activities in many countries, and a turnover of approximately DKK 500 M. Our mission is to ensure the continuity of Danish design classics and to develop new designs and distribute them throughout our selected markets.

Our products are sold through wholesale and retail trade partners, and increasingly through our own online platform to thousands of end consumers each year. We have an outlet store in Ringsted, Denmark, dedicated to the sale of discontinued products. We export Danish design primarily to Scandinavia and Northern Europe as well as to Japan and the United States. The majority of our revenue is generated in Denmark (54% in 2023), while Norway as our largest export market accounts for 20% of our revenue in 2023. Sweden, Germany and the US remain our additional focus markets.

The Group has sales companies in Norway, Sweden, Germany, the US and China. Rosendahl Design Group’s sister company, RDG Property ApS, primarily manages the company’s facilities in Hørsholm, Denmark.

In addition to above mentioned activitites the group owns properties in the form of Rosendahl Design Group's headquarters as well as investment properties.

Development in activities and finances

2023 proved to be a year that, in essence, followed the downwards tendencies of the second half of 2022. The entire year of 2023 was heavily influenced by the effects on the global economy following first the continuance of the Russian aggression in Ukraine and later the intensified conflict between Israel and Hamas in the Middle East. Conflicts with enormous impact on the International trade and supply chains, and which have both directly influenced important financial factors such as inflation, rising interest rates, currency stability, and consumer behavior. For The Group, heavily increased interest rates have had a significant effect on this years finacial result. The same applies to currency fluctuations – not least the rising dollar against the fall in Norwegian and Swedish currencies, creating a perfect storm between our purchase currency and our billing currency. At the end of the year, increased freight rates and delay on goods have incurred as a result of the Huthi attacks in the Red Sea.

Closer to home, consolidations, store closures, and bankruptcy among retail customers in core markets continue to influence turnover in the Scandinavian markets. Consumers remain cautious, and consumption seems focused around fast moving consumer goods and the experience industry.

While performing according to budget for most of the year, Christmas sales dropped unexpectedly, most likely due to the escalation of war in the Middle East in late October and the following drop in consumer confidence. Combined with a cautious purchase strategy that resulted in stock shortage on certain goods at the end of the year, the last two months of 2023 contributed significantly to the disappointing result.

The Group finished the year with a result significantly lower than expected, however – on a positive note – also with a heavily reduced stock level while we enter 2024 with a more robust capital structure, a new bank agreement and a positive outlook to the future.

RISK

The Group is exposed to a wide range of generic financial and non-financial risks and opportunities. The application of a holistic risk management approach is therefore an important management tool for The Group.

PRODUCT FAILURE

An extensive and widespread supply chain distributed over large parts of the world increases the risk of product failure. Therefore, The Group works systematically to ensure that all our products can be used without any risk to end users. Risk assessments are conducted on all new products, initiating tests where relevant and necessary e.g. testing for harmful chemical residues. Our products are systematically tested for health hazardous substances, we regularly carry out unannounced checks in production facilities and submit declarations of conformity under Danish and international legislation for products that come in contact with food. Furthermore, in-line and final inspections are conducted to make sure that no technical product failures arise. There have been no product recalls during 2023.

ENVIRONMENT AND CLIMATE

At The Group we work long-term and systematically on reducing our environmental impact and ensuring environmental responsibility and accountability in our supply chain. The production of goods can affect the environment in several different ways, including CO2e emissions from energy-intensive production or in connection with improper handling, mismanagement or inappropriate disposal of production waste, chemicals, and other harmful substances.

We strive to always work in accordance with existing and internationally recognized environmental standards and principles that fully or partially apply to liability for the environment and climate. These are among other the UN Global Compact principles, Greenhouse Gas Protocol for climate reporting and the regulations within REACH and WEEE. These guidelines contribute to our systematic work, ensuring that both our activities are carried out responsibly in relation to the environment and climate.

SOCIALLY RESPONSIBLE SUPPLY CHAIN

With production in many different parts of the world, we as a company have a responsibility to ensure the respect of human rights and fair working conditions throughout our supply chain. We have a code of conduct, shared with, and signed by, all our product suppliers, covering, among other areas, human rights, and labour rights. Furthermore, all suppliers in risk-classified countries are subject to yearly audits by a third-party audit company. The audit report provides an insight in the working conditions in the factories and enables us to initiate improvements, where necessary, based on audit results.

AGREEMENTS RESTRICTING COMPETITION

A competitive market with strong, consolidated retailers increases the risk of anti-competitive practices such as price agreements. The Group takes an active approach against such risks by conducting compliance programs, reviewing contracts, upholding Chinese walls between sales channels, and implementing value based business practices.

INCREASED COMPLIANCE REQUIREMENTS

Increased requirements in the fields of GDPR, marketing law and equivalent regulated areas increase the risk of violations. The Group has implemented designated software to manage procedures, documentation and agreements as well as adopted compliance policies and guidelines within all relevant topics.

REPUTATION

It is of significant importance to The Group that we act ethically and socially responsible and that our practices and agreements are respectful of environmental and social considerations. Being a C Corp certified company goes hand in hand with this ambition and is further supported by the adoption of a social and environmental obligation in our Articles of Association. We strive to continuously improve the company’s reputation so that we remain a trusted business partner, an attractive supplier to the consumer, and a preferred place to work.

FINANCIAL RISK
The Group's financial risks include interest and exchange rate risks.

Manufacturing and distribution of consumer products through wholesale and retail trade is a liquidity-intensive industry, as most of the raw material and manufactured goods purchases are to be ordered well in advance and paid with short payment terms, while the customer side is characterised by normal and often long payment terms. The Group forecast to have sufficient credit facilities that can accommodate the fluctuations that occur in day-to-day operations and the seasonal peaks, and that within these facilities The Group has sufficient reserves to account for unforeseen liquidity needs.

Production and procurement takes place primarily outside of Denmark, and a significant part of the company group's turnover is export generated and settled in foreign currencies. Thus, the company is exposed to ongoing fluctuations in exchange rates, which impact both profit and cash flows. The currently unstable situation in large parts of the world, causing shipping routes to change and delays in deliveries, may influence the stability of our supply chain. It calls for an agile and robust supply chain suited to counter the fluctuations in logistics.

The unstable financial situation in our home markets increase the risk of losses on debtors. The company pursues a strict policy and has appropriate processes in place to mitigate that risk to the best of our abilities.

Ongoing hedging is carried out to limit risks on currency fluctuations. Macroeconomic trends in 2024 are still expected to cause significant fluctuations in currencies to which the company is exposed, as has been the case the previous years. The company's risks and uncertainties are expected to remain on the same level as in 2023 despite ongoing hedging, influencing both profit and cash flow.

Profit/loss for the year in relation to expected developments
Based on the tendencies in the second half of 2022, projections by The Group were that both revenue and EBITDA decrease slightly compared to 2022. Total turnover was expected in the region of DKK 500 M and an EBITDA around 6%. Rosendahl finished the year with a revenue of DKK 464 M, while EBITDA ended at DKK 21 M.

The factors influencing the 2023 result adversely were many; failing Christmas sales, significant increases in the company's interest rates, increases in freight rates, and increased commodity prices. Combined with an unusual pressure on prices due to large stocks in the market in general as well as increased cost prices due to last year's challenged supply chains, our margins suffered. Despite hedging, it has not been possible to cover the full risk on the increase in the dollar.

Solvency and working capital are both improved during 2023 as a consequence of the reduction of our stock with approximately DKK 100 M.

Our focus for the coming year is continued improvement of working capital and cash flow through tight planning of procurement and a strong focus on turnover rate and trading conditions.

Overall the capital structure is sufficiently robust and our focus remain on profitable growth, improved efficiency and better cash conversion.

Outlook

The macroeconomic situation remains challenged due to war in several regions, inflation, and high interest rates. Consumer confidence and consumption in The Group's sector remains equally low, and we expect the entire 2024 to be challenging as well.

That said, The Group succeeded in accomplishing its priority target of reducing its stock level with approximately DKK 100 M over the year, thus laying the ground for its new strategic projects within procurement, planning and brand strategy. We detect a highly positive performance on our own online platform indicating that consumer trust may be on the rise, and we are cautiously optimistic about the increase in priority markets such as Sweden and the US. In the US, we have had a successful startup, overcoming initial difficulties and are now in place with a fully functional team as well as having landed important and attractive key accounts. All in all, positive groundwork is laid for a possible upscale of operations in 2024.

Although adopting a conservative and cautious approach, we expect 2024 to be a year where we develop the groundwork for future growth, and not least where we turn the negative results of the previous two years into a positive result corresponding with the company's long history of solidity and profit.

We have planned a slightly increase in turnover and expect the year to end around DKK 480-490 M, however, as the result of significant cost reductions as well as strategic projects in terms of procurement and planning, we expect an EBITDA around 6-8% and a positive result of DKK 6-8 M.

Knowledge resources

Employee retention is important, and we can see that our retention rate has lowered over the last couple of years. We will therefore focus on how to retain employeesand knowledge within the company, exploring reasons for this development and act on it.

Environmental performance

We run a value-based, international design company with a focus on responsibility and sustainability. This means, for example, that we are working to ensure that our raw material extraction and production processes do not harm or damage the environment in the areas sourced from. The many products in The Group's product range are produced from a variety of materials and our supply chain spans large parts of the world. We strive to continuously improve transparency in our supply chain, as well as in our own operations.

Our corporate responsibility for environmental impact has become more important for The Group, as climate related challenges become more present. This includes our local impact at our own locations in Scandinavia, as well as the rest of the activities in our value chain. It is very clear that our Scope 3 emissions represent the largest environmental impact, with the majority stemming from the upstream activities in our value chain.

Statutory report on corporate social responsibility

HRO Corporate ApS is the parent company for Rosendahl Design Group A/S. A detailed description of the business model of Rosendahl Design Group A/S please refer to the Annual Report 2023 for Rosendahl Design Group A/S.

HRO Corporate has not developed separate Group CSR policies for its subsidiaries or a separate formized CSR policy for the financial investments at this point since this has not been considered necessary considering the extent of the investment activities.

However, as part of the regular monitoring of the financial investments within HRO Corporate ApS, Management set expectations of the subsidiaries acting and being in compiance with the law.

The principal CSR risks in the group in terms of human rigts, enviroment and climate protection, social and employee matters and anti corruption are mainly related to activitites in Roendahl Design Group A/S. HRO Corporate ApS follows the progress through its active ownership and board participation in Rosendahl Design Group A/S. The risk evaluation and mitigation procedures are described in the management commentary of Rosendahl Design Group's Annual Report of 2023, please refer hereto.

Statutory report on the underrepresented gender

Gender Diversity
Board members 57/43
Management 100%

No separate policy has been established for gender diversity among board members and management. For further information on the Group's diversity policy refer to the Annual report of Rosendahl Design Group A/S, which can be found at https://www.rosendahl.com/en/intl/rosendahldesigngroup/about/facts-figures

Statutory report on data ethics policy

The Group has a Data Ethical Policy that sets the overall framework for the company's processing of data. It is supplemented by an External Personal Data Policy regulating personal data originating from consumers, customers, and business partners as well as an Internal Personal Data Policy regulating personal data belonging to or used by the company's employees. Together, the policies form the data ethical foundation on which the company operates.

The policies address the processing and use of personal data that is in the possession or care of The Group. The company mainly processes ordinary personal data such as names, e-mail addresses, and comparable contact information.

The Group processes personal data only to the extent that is necessary in order to fulfil a contractual, legislative, governance, or management commitment, or in order to provide relevant marketing, the latter only with the informed consent of the data owner.

COMPLIANCE AND REPORTING
The Group oversees its compliance with GDPR on a regular and organized basis. Through a designated software, The Group keeps track of Article 30 records and monitors the processing of data, the IT systems used for this purpose, deletion procedures, and security measures.

Management continuously reports to the Board of Directors on GDPR compliance.

PERSONAL DATA
The currently most extensive processing of personal data pertains to the employees of the company. Ordinary personal data may here be supplemented by data concerning position, salary, pension, age etc. This data is processed with the sole purpose of fulfilling the company's contractual obligations towards the employees.

On rare occasions, sensitive personal data such as the employee's health or family matters may be processed but only to the extent that it is necessary in relation to the employee's professional performance, well-being or the professional relation between employee and management.

In relation to external parties, The Group processes personal data to the extent that it is necessary for the receiving or delivery of the company's products or for similar operational purposes.

In addition thereto, The Group processes personal data originating from consumers with the purpose of marketing the company or its products, however only with the registrant's informed, active and voluntary consent to the processing of the data. In relation to marketing, the personal data processed is mainly ordinary contact data such as name, e-mail address and phone number.

Automatic personal data such as cookies is gathered and processed only in accordance with an informed cookie consent, which is submitted actively and voluntarily by the registrant.

For the past few years, The Group has increas ingly implemented profiled marketing, thereby using personal data to provide targeted marketing to individual consumers. The purpose of the profiling is to appear more relevant to and to improve the purchase experience of the individual consumer. Relevant personal data is for example the consum er's age, geographical location, fields of interest, favorite brands etc.

Profiled marketing is only exercised based on an informed, active, and voluntary consent from the consumer. The consent can be withdrawn by the consumer at any time, and efficient deletion procedures have been implemented to ensure compliance with GDPR as well as the immediate cease of marketing activities towards the consumer.

The Group does not buy from nor does it sell personal data to other legal entities but it does, from time to time, collaborate with other (non-competing) businesses on the gathering of marketing consents. In connection with such collaborations, the consumer consents actively and voluntarily to the data processing by both companies on an informed basis. A compliant data processing agreement will always be established between the two companies.

INTERNAL CONTROL AND TRAINING

Supplementary to the tracking of compliance through a designated software, The Group's Legal & Compliance department hosts internal GDPR courses and workshops for the purpose of ensuring awareness and compliance throughout the organization. Legal & Compliance also offers advice, tips, and reminders relating to GDPR on the company's intranet on a regular basis.

Finally, a designated software has been implemented since 2022 for the purpose of deleting GDPR sensitive material from the mailboxes of the company's employees. All employees receive monthly reports, and sensitive material is automatically deleted unless actively excluded by the employee.

ANCHORING IN THE ORGANIZATION

Policies on data ethics as well as decisions relating to the implementation and use of new data and/or technology are anchored in Management.

Whistleblower Scheme at Rosendahl design Group

Since 2022, a Whisteblower Scheme, accessible to both employees and external parties, has been fully implemented at The Group. The objective of the Whistleblower Scheme is to discover, as early as possible, matters that may be serious or damaging to the company or to others, and which might otherwise not have come forward. Whistleblowers may report confidentially or anonymously according to their choice.

Matters relevant to the Whistleblower Scheme could be illegal, unethical, or irregular conduct, including (but not exhaustive of) matters concerning bribery and corruption, abuse of funds, theft, fraud and the like, as well as violation of environmental regulations, competition law regulations, data security breaches, and sexual or other personal harassment.

Whistleblower reports filed with The Group's Whistleblower Scheme are reviewed by a designated Whistleblower Committee consisting of members representing the Board of Directors, Governance and HR. A Whistleblower is free to exclude any member of the Whistleblower Committee from the report, should the informing of a Committee member potentially compromise the notification.

Since the implementation of the Whistleblower Scheme, The Group has received only 6 reports, all of which pertained to matters not relevant under the Whistleblower Scheme; namely being consumers reporting on third party counterfeits of the company's products. However, the reports, even if not relevant under the Whistleblower scope, are a valid indication that the company's Whistleblower Scheme is easily located and accessed by the common stakeholder.

Events after the balance sheet date

No subsequent events have occurred that affect the annual report for 2023.

Consolidated income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	465,285	544,302
Own work capitalised		965	0
Costs of raw materials and consumables		(277,729)	(317,620)
Other external expenses	2	(75,011)	(90,331)
Gross profit/loss		**113,510**	**136,351**
Staff costs	3	(90,141)	(99,130)
Depreciation, amortisation and impairment losses	4	(22,982)	(22,276)
Operating profit/loss		**387**	**14,945**
Income from investments in associates		(1,480)	(38)
Other financial income	5	4,585	7,053
Other financial expenses	6	(32,376)	(22,073)
Profit/loss before tax		**(28,884)**	**(113)**
Tax on profit/loss for the year	7	5,617	411
Profit/loss for the year	8	**(23,267)**	**298**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	10	14,717	16,929
Acquired rights		78,947	87,584
Goodwill		47,791	51,082
Development projects in progress	10	3,069	134
Intangible assets	9	**144,524**	**155,729**
Land and buildings		162,954	165,033
Investment property		27,190	27,998
Other fixtures and fittings, tools and equipment		8,739	9,864
Leasehold improvements		2,014	2,584
Property, plant and equipment in progress		417	611
Property, plant and equipment	11	**201,314**	**206,090**
Investments in associates		0	0
Other receivables		15,282	17,946
Deferred tax	13	2,998	2,441
Financial assets	12	**18,280**	**20,387**
Fixed assets		**364,118**	**382,206**
Raw materials and consumables		32,558	41,416
Manufactured goods and goods for resale		174,723	259,948
Prepayments for goods		600	308
Inventories		**207,881**	**301,672**
Trade receivables		98,227	124,878
Receivables from associates		62	1,284
Other receivables		1,640	7,926
Tax receivable		1,671	1,671
Prepayments	14	2,379	2,095
Receivables		**103,979**	**137,854**

Cash	**9,512**	**12,566**
Current assets	**321,372**	**452,092**
Assets	**685,490**	**834,298**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		50	50
Retained earnings		283,089	308,999
Proposed extraordinary dividend		3,500	0
Proposed dividend for the financial year		0	3,000
Equity belonging to Parent's shareholders		**286,639**	**312,049**
Equity belonging to minority interests		**(2,534)**	**(446)**
Equity		**284,105**	**311,603**
Deferred tax	13	15,689	21,440
Provisions		**15,689**	**21,440**
Mortgage debt		104,091	109,416
Other payables	15	6,692	6,601
Non-current liabilities other than provisions	16	**110,783**	**116,017**
Current portion of non-current liabilities other than provisions	16	4,613	3,561
Bank loans		196,658	297,292
Deposits		279	328
Prepayments received from customers		73	741
Trade payables		36,372	37,690
Payables to owners and management		233	395
Tax payable		671	2,800
Other payables	17	36,014	42,431
Current liabilities other than provisions		**274,913**	**385,238**
Liabilities other than provisions		**385,696**	**501,255**
Equity and liabilities		**685,490**	**834,298**
Unrecognised rental and lease commitments	19		
Assets charged and collateral	20		
Non-arm’s length related party transactions	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000
Equity beginning of year	50	308,999	0	3,000	312,049
Ordinary dividend paid	0	0	0	(3,000)	(3,000)
Exchange rate adjustments	0	(245)	0	0	(245)
Other entries on equity	0	(986)	0	0	(986)
Profit/loss for the year	0	(24,679)	3,500	0	(21,179)
Equity end of year	**50**	**283,089**	**3,500**	**0**	**286,639**

	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	(446)	311,603
Ordinary dividend paid	0	(3,000)
Exchange rate adjustments	0	(245)
Other entries on equity	0	(986)
Profit/loss for the year	(2,088)	(23,267)
Equity end of year	**(2,534)**	**284,105**

Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		387	14,945
Amortisation, depreciation and impairment losses		22,982	22,276
Other provisions		0	(13,386)
Working capital changes	18	119,288	(102,468)
Cash flow from ordinary operating activities		**142,657**	**(78,633)**
Financial income received		2,556	517
Financial expenses paid		(27,442)	(11,529)
Taxes refunded/(paid)		(4,136)	(26,377)
Cash flows from operating activities		**113,635**	**(116,022)**
Acquisition etc. of intangible assets		(4,843)	(11,879)
Acquisition etc. of property, plant and equipment		(2,158)	(2,992)
Cash flows from investing activities		**(7,001)**	**(14,871)**
Free cash flows generated from operations and investments before financing		**106,634**	**(130,893)**
Loans raised		(104,907)	130,135
Dividend paid		(3,000)	(5,000)
Other cash flows from financing activities		(1,755)	2,776
Cash flows from financing activities		**(109,662)**	**127,911**
Increase/decrease in cash and cash equivalents		**(3,028)**	**(2,982)**
Cash and cash equivalents beginning of year		12,566	15,548
Cash and cash equivalents end of year		**9,538**	**12,566**
Cash and cash equivalents at year-end are composed of:			
Cash		9,512	12,566
Cash and cash equivalents end of year		**9,512**	**12,566**

Notes to consolidated financial statements

1 Revenue

	2023 DKK'000	2022 DKK'000
Denmark	246,939	281,030
Other EU countries	104,159	137,021
Other european countries	88,253	81,732
Other countries	25,934	44,519
Total revenue by geographical market	**465,285**	**544,302**

2 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	573	499
Tax services	183	368
Other services	667	452
	1,423	**1,319**

3 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	78,899	86,630
Pension costs	7,167	7,675
Other social security costs	1,208	1,319
Other staff costs	2,867	3,506
	90,141	**99,130**

Average number of full-time employees	**128**	**138**

	Remuneration of management 2023 DKK'000	Remuneration of management 2022 DKK'000
Executive Board	7,609	9,178
Board of Directors	1,731	1,350
	9,340	**10,528**

4 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	16,048	14,690
Depreciation on property, plant and equipment	6,934	7,586
	22,982	**22,276**

5 Other financial income

	2023 DKK'000	2022 DKK'000
Other interest income	103	3,191
Exchange rate adjustments	2,029	3,361
Other financial income	2,453	501
	4,585	**7,053**

6 Other financial expenses

	2023 DKK'000	2022 DKK'000
Other interest expenses	25,829	9,569
Exchange rate adjustments	4,934	10,544
Other financial expenses	1,613	1,960
	32,376	**22,073**

7 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	2,497	1,635
Change in deferred tax	(7,597)	(1,996)
Adjustment concerning previous years	(517)	(50)
	(5,617)	**(411)**

8 Proposed distribution of profit/loss

	2023 DKK'000	2022 DKK'000
Ordinary dividend for the financial year	0	3,000
Extraordinary dividend distributed in the financial year	3,500	0
Retained earnings	(24,679)	(1,838)
Minority interests' share of profit/loss	(2,088)	(864)
	(23,267)	**298**

9 Intangible assets

	Completed development projects DKK'000	Acquired rights DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	21,589	230,062	74,164	134
Additions	1,844	64	0	2,935
Cost end of year	**23,433**	**230,126**	**74,164**	**3,069**
Amortisation and impairment losses beginning of year	(4,660)	(142,478)	(23,082)	0
Amortisation for the year	(4,056)	(8,701)	(3,291)	0
Amortisation and impairment losses end of year	**(8,716)**	**(151,179)**	**(26,373)**	**0**
Carrying amount end of year	**14,717**	**78,947**	**47,791**	**3,069**

10 Development projects

Development projects include direct costs in relation to development and designing of E-com platform as well other applications. Completed projects are taken into use in the financial year and are normally depreciated over 5 years. The completed development projects are considered to be an important part of the company's earnings as well as commercial strategy.

The management has found no indications of impairment in relation to the accounting value of the company's development projects.

11 Property, plant and equipment

	Land and buildings DKK'000	Investment property DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	189,144	34,004	60,957	7,318	611
Transfers	0	0	504	0	(504)
Additions	0	0	1,848	0	310
Cost end of year	**189,144**	**34,004**	**63,309**	**7,318**	**417**
Depreciation and impairment losses beginning of year	(24,111)	(6,006)	(51,093)	(4,734)	0
Depreciation for the year	(2,079)	(808)	(3,477)	(570)	0
Depreciation and impairment losses end of year	**(26,190)**	**(6,814)**	**(54,570)**	**(5,304)**	**0**
Carrying amount end of year	**162,954**	**27,190**	**8,739**	**2,014**	**417**

12 Financial assets

	Investments in associates DKK'000	Other receivables DKK'000	Deferred tax DKK'000
Cost beginning of year	20	17,946	2,441
Additions	0	0	741
Disposals	0	(2,664)	(184)
Cost end of year	**20**	**15,282**	**2,998**
Impairment losses beginning of year	(20)	0	0
Share of profit/loss for the year	(1,480)	0	0
Investments with negative equity value depreciated over receivables	1,480	0	0
Impairment losses end of year	**(20)**	**0**	**0**
Carrying amount end of year	**0**	**15,282**	**2,998**

Associates	**Registered in**	**Ownership %**
Aurora Invest ApS	Nivå	50.00

13 Deferred tax

Changes during the year	**2023 DKK'000**	**2022 DKK'000**
Beginning of year	21,440	20,995
Recognised in the income statement	(7,597)	445
End of year	**13,843**	**21,440**

Deferred tax assets

Deferred tax consists of temporary differences between accounting and tax values that are expected to be capitalized in future positive taxable income.

14 Prepayments

Prepayments relates to prepaid expenses.

15 Other payables

	2023 DKK'000	**2022 DKK'000**
Holiday pay obligation	6,692	6,601
	6,692	**6,601**

16 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000
Mortgage debt	4,613	3,561	104,091
Other payables	0	0	6,692
	4,613	**3,561**	**110,783**

17 Other payables

	2023 DKK'000	2022 DKK'000
VAT and duties	6,531	8,593
Wages and salaries, personal income taxes, social security costs, etc. payable	949	4,236
Holiday pay obligation	3,384	3,932
Other costs payable	25,150	25,670
	36,014	**42,431**

18 Changes in working capital

	2023 DKK'000	2022 DKK'000
Increase/decrease in inventories	93,795	(87,997)
Increase/decrease in receivables	33,875	28,896
Increase/decrease in trade payables etc.	(8,382)	(43,367)
	119,288	**(102,468)**

19 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	**23,500**	**28,021**

20 Assets charged and collateral

As security for the group's bank debt, a mortgage deed has been issued with a nominal value of DKK 100,000 thousand, in the following assets with accounting values per 31 December 2023: Receivables from sales; DKK 98.227 thousand, inventory; DKK 207.881 thousand, leasehold improvements; DKK 2.014 thousand, other operating assets and fixtures; DKK 8.739 thousand and Property, plant and equipment in progress; DKK 417 thousand.

As security of mortgage loans and financing institutions, the company's properties have registered mortgage security for DKK 164,413 thousand. Debt to mortgages and financial institutions amounts to DKK 305,362 thousand as per 31 December 2023.

In addition, payment guarantees have been provided for a total of DKK 351 thousand and security of DKK 1,461 thousand to Illums Bolighus the group per balance sheet date.

21 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.

22 Subsidiaries

	Registered in	Corporate form	Ownership %
RDG Invest Aps	Hørsholm, Denmark	ApS	100.00
RDG Property ApS	Hørsholm, Denmark	ApS	100.00
Rosendahl Design Group A/S	Hørsholm, Denmark	ApS	100.00
Rosendahl Trading Co. Ltd.	Shenzhen, China	Co. Ltd.	100.00
Rosendahl Design Group Norge AS	Oslo, Norway	AS	100.00
Rosendahl Design Group AB	Hørsholm, Denmark	AB	100.00
HRO Property ApS	Hørsholm, Denmark	ApS	100.00
Rosendahl Design Group Germany GmbH	Harrislee, Germany	GmbH	100.00
Rosendahl Design Group Holding US LLC	New York, USA	LLC	100.00
Rosendahl Design Group US LLC	New York, USA	LLC	60.00

Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Other external expenses		(1,599)	(582)
Gross profit/loss		**(1,599)**	**(582)**
Staff costs	1	(380)	0
Operating profit/loss		**(1,979)**	**(582)**
Income from investments in group enterprises		(19,852)	369
Other financial income from group enterprises		822	1,009
Financial expenses from group enterprises		(1,064)	(1,235)
Other financial expenses	2	(2)	(78)
Profit/loss before tax		**(22,075)**	**(517)**
Tax on profit/loss for the year	3	479	243
Profit/loss for the year	4	**(21,596)**	**(274)**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Investments in group enterprises		290,011	310,089
Financial assets	5	**290,011**	**310,089**
Fixed assets		**290,011**	**310,089**
Receivables from group enterprises		14,668	18,921
Deferred tax	6	590	149
Tax receivable		1,671	1,671
Joint taxation contribution receivable		223	112
Receivables		**17,152**	**20,853**
Cash		**69**	**31**
Current assets		**17,221**	**20,884**
Assets		**307,232**	**330,973**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		50	50
Reserve for net revaluation according to equity method		111,863	129,633
Retained earnings		173,623	181,175
Proposed extraordinary dividend		3,500	0
Proposed dividend for the financial year		0	3,000
Equity		**289,036**	**313,858**
Trade payables		9	0
Payables to group enterprises		17,705	16,661
Payables to owners and management		203	365
Other payables		279	89
Current liabilities other than provisions		**18,196**	**17,115**
Liabilities other than provisions		**18,196**	**17,115**
Equity and liabilities		**307,232**	**330,973**
Contingent liabilities	7		
Assets charged and collateral	8		
Related parties with controlling interest	9		
Non-arm’s length related party transactions	10		

Parent statement of changes in equity for 2023

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000	Proposed dividend for the year DKK'000
Equity beginning of year	50	129,633	181,175	0	3,000
Ordinary dividend paid	0	0	0	0	(3,000)
Exchange rate adjustments	0	(245)	0	0	0
Other entries on equity	0	19	0	0	0
Profit/loss for the year	0	(17,544)	(7,552)	3,500	0
Equity end of year	**50**	**111,863**	**173,623**	**3,500**	**0**

	Total DKK'000
Equity beginning of year	313,858
Ordinary dividend paid	(3,000)
Exchange rate adjustments	(245)
Other entries on equity	19
Profit/loss for the year	(21,596)
Equity end of year	**289,036**

Notes to parent financial statements

1 Staff costs

	2023 DKK'000	2022 DKK'000
Other staff costs	380	0
	380	**0**

Number of employees at balance sheet date	**0**	**0**

	Remuneration of Manage-ment 2023 DKK'000
Board of Directors	379,500
	379,500

2 Other financial expenses

	2023 DKK'000	2022 DKK'000
Other interest expenses	2	78
	2	**78**

3 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Change in deferred tax	(441)	(149)
Adjustment concerning previous years	0	(61)
Refund in joint taxation arrangement	(38)	(33)
	(479)	**(243)**

4 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Ordinary dividend for the financial year	0	3,000
Extraordinary dividend distributed in the financial year	3,500	0
Retained earnings	(25,096)	(3,274)
	(21,596)	**(274)**

5 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	180,456
Cost end of year	**180,456**
Revaluations beginning of year	129,633
Exchange rate adjustments	(245)
Amortisation of goodwill	(447)
Share of profit/loss for the year	(17,097)
Adjustment of intra-group profits	(2,308)
Other adjustments	19
Revaluations end of year	**109,555**
Carrying amount end of year	**290,011**

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

6 Deferred tax

Changes during the year	**2023 DKK'000**	**2022 DKK'000**
Beginning of year	149	0
Recognised in the income statement	441	149
End of year	**590**	**149**

Deferred tax assets
It is assesed that the company will generate future income which can be offset against the tax loss.

7 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. 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 these entities.

8 Assets charged and collateral

The company has submitted a guarantee to bank connections in subsidiaries.

9 Related parties with controlling interest

Henrik Rosendahl, Rungsted Kyst 2960 owns all shares in the Entity, thus exercising control.

10 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

The consolidated financial statements have been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The parent financial statements have been presented 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. Minority interests’ pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

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.

Income statement

Revenue

Revenue from the sale of 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.

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.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and normal writedowns of the relevant inventories.

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 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, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

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.

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 securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc. from payables to group enterprises.

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 Parent is jointly taxed with all of its 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

Goodwill
Goodwill is the positive difference between cost 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 other 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 10-20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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 that are directly and indirectly attributable to the development projects.

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 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 on a straight-line basis over the term of the agreement.

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

Property, plant and equipment

Land and buildings, 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
Buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually. The Scrapvalue of domicile property amounts to DKK 30,000 thousand.

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

Investment property

Investment properties are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The cost includes the acquisition price, expenses directly attributable to the acquisition, and expenses for preparing the asset until the point at which the asset is ready for use.

The depreciation basis is the cost less the expected residual value after the end of the useful life. Depreciation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Buildings, 20-50 years.

Expected useful lives and residual values are reassessed annually

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements 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 difference between cost of investments and fair value of the pro rata share 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 one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other 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 10-20 years.

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

Investments in associates

Investments in group enterprises are recognised and measured in the parent financial statements 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.

Investments in group enterprises 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.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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.

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

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. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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.

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.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised

cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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 acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets 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, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.