

Karakter ApS
Gammel Lundtoftevej 1 C
2800 Kgs. Lyngby
CVR no. 38 21 50 19
Annual report for 2021
(5th Financial year)

Adopted at the annual general
meeting on 1. June 2022

Kim Mekawi
chairman

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Karakter ApS for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Lyngby-Taarbæk, 1 June 2022

Executive board

Christian Bjerg Elving
director

Kim Mekawi
director

Supervisory board

Dario Rinero
chairman

Maurizio Fusetti

Luca Fuso

Kim Mekawi

Christian Bjerg Elving

Independent auditor's report

To the shareholders of Karakter ApS

Opinion

We have audited the financial statements of Karakter ApS for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of the results of the company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company to cease to continue as a going concern.

Independent auditor's report

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Taastrup, 1 June 2022

JH Revision
Godkendt Revisionspartnerselskab
CVR no. 55 39 97 19

Frederik Bille
State Authorised Public Accountant
MNE no. mne33208

Company details

The company

Karakter ApS
Gammel Lundtoftevej 1 C
2800 Kgs. Lyngby

CVR no.: 38 21 50 19

Reporting period: 1 January - 31 December 2021

Incorporated: 24 November 2016

Financial year: 5th financial year

Domicile: Lyngby-Taarbæk

Supervisory board

Dario Rinero, chairman
Maurizio Fusetti
Luca Fuso
Kim Mekawi
Christian Bjerg Elving

Executive board

Christian Bjerg Elving, director
Kim Mekawi, director

Auditors

JH Revision
Godkendt Revisionspartnerselskab
Kingsvej 3
2630 Taastrup

Management's review

Business review

The purpose of the company is to conduct production, distribution and sale of design products.

Financial review

The company's income statement for the year ended 31 December 2021 shows a loss of DKK 1.682.297, and the balance sheet at 31 December 2021 shows negative equity of DKK 8.734.899.

Accounting policies

The annual report of Karakter ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year.

The annual report for 2021 is presented in DKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods less direct costs and other external expenses.

Accounting policies

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Direct costs

Direct costs consists of costs used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Intangible assets

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually five years.

Tangible assets

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

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	5 years	0 kr.
Leasehold improvements	5 years	0 kr.

Assets costing less than DKK 30.700 are expensed in the year of acquisition.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Accounting policies

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise deposits at banks.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Accounting policies

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Income statement 1 January 2021 - 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Gross profit		1.225.997	-101
Staff costs	1	<u>-2.070.758</u>	<u>-3.028</u>
Resultat før af- og nedskrivninger		-844.761	-3.129
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-719.884</u>	<u>-668</u>
Profit/loss before net financials		-1.564.645	-3.797
Financial income		12.828	0
Financial costs	3	<u>-130.480</u>	<u>-143</u>
Profit/loss for the year		<u>-1.682.297</u>	<u>-3.940</u>
Transferred to other statutory reserves		-731.872	-236
Retained earnings		<u>-950.425</u>	<u>-3.704</u>
		<u>-1.682.297</u>	<u>-3.940</u>

Balance sheet at 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Assets			
Completed development projects		674.878	1.258
Intangible assets	4	674.878	1.258
Other fixtures and fittings, tools and equipment		48.541	64
Leasehold improvements		373.653	31
Tangible assets	5	422.194	95
Total non-current assets		1.097.072	1.353
Finished goods and goods for resale		4.617.742	5.132
Stocks		4.617.742	5.132
Trade receivables		1.214.454	810
Other receivables		430.193	291
Prepayments		526.575	322
Receivables		2.171.222	1.423
Cash at bank and in hand		3.004.957	2.215
Total current assets		9.793.921	8.770
Total assets		10.890.993	10.123

Balance sheet at 31 December 2021

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> TDKK
Equity and liabilities			
Share capital		175.000	175
Reserve for development expenditure		526.405	1.259
Retained earnings		-9.436.304	-8.487
Equity		<u>-8.734.899</u>	<u>-7.053</u>
Other payables		0	101
Shareholders and management		16.364.387	14.219
Total non-current liabilities	6	<u>16.364.387</u>	<u>14.320</u>
Prepayments received from customers		487.783	405
Trade payables		713.346	286
Payables to shareholders and management		1.727.884	1.662
Other payables		332.492	503
Total current liabilities		<u>3.261.505</u>	<u>2.856</u>
Total liabilities		<u>19.625.892</u>	<u>17.176</u>
Total equity and liabilities		<u><u>10.890.993</u></u>	<u><u>10.123</u></u>

Statement of changes in equity

	<u>Share capital</u>	<u>Reserve for development expenditure</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2021	175.000	1.258.277	-8.485.879	-7.052.602
Net profit/loss for the year	<u>0</u>	<u>-731.872</u>	<u>-950.425</u>	<u>-1.682.297</u>
Equity at 31 December 2021	<u>175.000</u>	<u>526.405</u>	<u>-9.436.304</u>	<u>-8.734.899</u>

Notes

	<u>2021</u>	<u>2020</u>
	DKK	TDKK
1 Staff costs		
Wages and salaries	1.831.491	2.790
Pensions	210.880	210
Other social security costs	28.387	28
	<u>2.070.758</u>	<u>3.028</u>
Average number of employees	<u>4</u>	<u>4</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	642.571	628
Depreciation tangible assets	77.313	40
	<u>719.884</u>	<u>668</u>
3 Financial costs		
Financial expenses, group entities	103.881	93
Other financial costs	26.599	50
	<u>130.480</u>	<u>143</u>

Notes

4 Intangible assets

	Completed development projects
Cost at 1 January 2021	3.729.132
Additions for the year	59.172
Cost at 31 December 2021	<u>3.788.304</u>
Impairment losses and amortisation at 1 January 2021	2.470.855
Amortisation for the year	642.571
Impairment losses and amortisation at 31 December 2021	<u>3.113.426</u>
Carrying amount at 31 December 2021	<u><u>674.878</u></u>

5 Tangible assets

	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2021	99.609	37.840
Additions for the year	19.751	385.214
Cost at 31 December 2021	<u>119.360</u>	<u>423.054</u>
Impairment losses and depreciation at 1 January 2021	35.970	6.937
Depreciation for the year	34.849	42.464
Impairment losses and depreciation at 31 December 2021	<u>70.819</u>	<u>49.401</u>
Carrying amount at 31 December 2021	<u><u>48.541</u></u>	<u><u>373.653</u></u>

Notes

6 Long term debt

	Debt at 1 January 2021	Debt at 31 December 2021	Instalment next year	Debt outstanding after 5 years
Shareholders and management	14.219	16.364.387	0	0
Other payables	101	0	0	0
	14.320	16.364.387	0	0

7 Mortgages and collateral

The company has placed existing and future purchases of stocks, intangible assests, tangible assests and trade receivables as security for bank debt in accordance with the rules on company charges (floating charges) at a maks of TDKK 3,000. The carrying amount of assets covered by the company charge totals DKK 6.929 thousand at 31 December 2021.