

AX V GUBI Holding III ApS

Sankt Annæ Plads 10
1250 København K
Central Business Registration
No 38783769

Annual report
01.07.2019 -
30.06.2020

The Annual General Meeting adopted the annual report on 30.09.2020

Chairman of the General Meeting



Name: Henriette Schütze

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Entity details

Entity

AX V GUBI Holding III ApS
Sankt Annæ Plads 10
1250 København K

Central Business Registration No (CVR): 38783769
Registered in: København
Financial year: 01.07.2019 - 30.06.2020

Board of Directors

Lars Cordt
Asbjørn Mosgaard Hyldgaard
Peter Nyegaard

Executive Board

Jesper Frydensberg Rasmussen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of AX V GUBI Holding III ApS for the financial year 01.07.2019 - 30.06.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2020 and of the results of its operations and cash flows for the financial year 01.07.2019 - 30.06.2020.

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, 28.09.2020

Executive Board

Jesper Frydensberg
Rasmussen

Board of Directors

Lars Cordt

Asbjørn Mosgaard Hylgaard

Peter Nyegaard

Independent auditor's report

To the shareholders of AX V GUBI Holding III ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of AX V GUBI Holding III ApS for the financial year 01.07.2019 - 30.06.2020, 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. 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 30.06.2020, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2019 - 30.06.2020 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 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 of 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. 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 Parent'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 Group or 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

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these 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 Parent'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 Parent'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.

Independent auditor's report

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, 28.09.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Hans Tauby
State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000
Financial highlights			
Key figures			
Revenue	367.805	373.547	-
Gross profit/loss	146.157	169.089	(63)
EBITDA	93.134	131.052	(63)
EBITDA, normalised for non-recurring costs	110.273	135.153	(63)
Operating profit/loss	(6.214)	35.434	(63)
Net financials	(27.197)	(31.822)	(63)
Profit/loss for the year	(43.316)	(15.816)	(63)
Total assets	1.864.487	1.963.595	2.024.778
Investments in property, plant and equipment	2.516	1.589	-
Equity	1.199.871	1.244.826	1.270.001
Average numbers of employees	75	68	-
Ratios			
Gross margin (%)	39,7	45,3	-
Equity ratio (%)	64,4	63,4	62,7
EBITDA margin (%)	25,3	35,1	0,0
Norm. EBITDA margin (%)	30,0	35,9	0,0

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
EBITDA margin (%)	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$	The entity's EBITDA
Norm. EBITDA margin (%)	$\frac{\text{Norm. EBITDA} \times 100}{\text{Revenue}}$	The entity's EBITDA, normalised for non-recurring costs.

Management commentary

Primary activities

The Group's main activities are the design and sale of furniture, lighting and interior products.

GUBI is a leading Danish design brand focusing on timeless, high-quality furniture, lighting and interior products. GUBI designs, develops and markets products developed in co-operation with reputable international designers for both consumers and professionals, and the range includes several prize-winning designs. Products are sold internationally by leading online and offline retailers and to professional customers worldwide. The Group's head office is located at Nordhavn, Copenhagen.

The parent Company's main activities are investments in subsidiaries within the design and sale of furniture and lighting, and interior products as well as related activities, including providing management services.

Development in activities and finances

In 2019/20 the Company realized a revenue of t.DKK 367,805 compared to a revenue of t.DKK 373,547 in 2018/19. Normalized operating profit (EBITDA) of t.DKK 110,273 was realized compared to t.DKK 135,153 in 2018/19 due to continued investments in strategic initiatives, among other resources, products and IT, to support future growth, as well as a negative impact from the product mix. Non-recurring costs, primarily related to legal expenses, external advisors and redundancies, amount to t.DKK 17,306, resulting in reported EBITDA of t.DKK 93,134. The result is negatively affected by the ongoing virus outbreak of COVID-19.

Profit for the year compared to expectation

Management considers the results for the financial year of 2019/20 to be satisfactory, given the COVID-19 impact and the resources and investments channeled into building the foundation for future growth, which are yet to materialize.

Outlook

The ongoing impacts of COVID-19 are expected to continue to negatively affect the Company's Danish and foreign markets. Due to the worldwide development of the COVID-19 situation, the Company is not able to provide financial expectations for the coming financial year.

Particular risks

Business risks

The Company is not exposed to any specific business risks besides the commonly occurring risks in the industry.

The Board of Directors must continue monitoring the developments in the market in order to reduce business risks, as well as strengthen its competitive position on crucial parameters.

Currency risks

The Company is primarily exposed to the Euro currency. The risk hereto is considered limited. Exchange rate adjustments of trade receivables, trade payables and cash in foreign currency are recognized as financial

Management commentary

items.

The Company's currency policy is set in order to minimize the risks in transactions with foreign currencies. The policy has in the financial year proven to be correct and will be continued unchanged during the coming financial year.

Credit risks

The Company's credit risks are related to trade receivables. The Company closely examines and manages the risk exposure by assessing the creditworthiness of all significant customers and professionals. Since the Company's customer base is very dispersed, no significant credit risk is associated with any one single party.

Ownership and Capital Structure

GUBI Group ApS is indirectly owned by the equity fund Axcel with an approximately 59% share; Jacob Gudmund Olsen, with an approximately 40% share; and members of the board of directors and leading employees via holding companies AX V GUBI Holding I ApS and AX V GUBI Holding II ApS an approximately 1% share.

GUBI Group ApS' equity consists of one class of shares and the loan capital consists of bank debt, provided by Nykredit Bank A/S and Nordea Danmark, an affiliated branch of Nordea Bank Abp, Finland.

The current capital structure is deemed appropriate in relation to the need for financial flexibility in GUBI Group ApS and its subsidiaries.

Being owned by the Danish private equity firm Axcel, the Company is subject to the guidelines of the Danish Venture Capital and Private Equity Association (DVCA, www.dvca.dk) for responsible ownership and corporate governance. GUBI Group ApS intends to comply with all relevant guidelines.

Non-financial matters

The organization of the Management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's article of association. The Company has based its corporate governance efforts on a two-tier system where the Board of Directors and the Executive Management have two distinct roles. The Executive Management undertakes the operational management of the Company, whereas the Board of Directors determines the overall company strategy and acts as a sounding board to the Executive Management of the Company. In addition, the Management is continuously monitoring the financial development as well as developments in the field of corporate governance to ensure that the Company – internally as well as externally – is managed in a way that is in accordance with applicable laws, in order to protect the interests of all stakeholders.

Risk management is considered an essential and natural part of the realization of the Company's objectives and strategy. The daily activities, the implementation of the established strategy and the continuous use of business opportunities involve inherent risks, and the Company's handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

Management commentary

The Board of Directors is appointed by Axcel. The Board of Directors consists of six members. Board meetings are held a minimum of six times a year. Additionally, the Chairman Committee meets with Executive Management on an ongoing basis.

Other board positions of the members of the Board of Directors are:

Board of Directors			
Name	Lars Cordt (appointed in June 2018)	Asbjørn Mosgaard Hyldgaard (appointed in June 2018)	Peter Nyegaard (appointed in June 2018)
Position	Partner – Axcel Management A/S CEO – AX IV HoldCo P/S	Partner – Axcel Management A/S	CFO and Partner – Axcel Management A/S CEO – JNP AX-III INV ApS
Chairman of the Board of Directors in:	AX V GUBI Holding III ApS SteelSeries Group ApS and related Group companies AX MITA INVEST ApS AX V ESB Holding III ApS AX V Nissens III ApS		FIH A/S and related Holding companies
Vice Chairman of the Board of Directors in:	AX V Nissens ApS and related Group companies	GUBI Group ApS and related Group companies	DANMARKS SKIBSKREDIT A/S
Board Member in:	AX IV HoldCo P/S GUBI Group ApS and related Group companies Mountain Top Group ApS and related Group companies	AX V GUBI Holding III ApS AX V Nissens III ApS ESB Group ApS and related Group companies Phase One Group ApS and related Group companies	AX IV HoldCo P/S Axcel Management Holding ApS AX V GUBI Holding III ApS AX V Nissens III ApS MNGT2 ApS Frontmatec Holding III ApS and related Holding companies Mountain Top Holding III ApS and related Holding companies AX V Phase One Holding III ApS and related Holding companies ØENS MURERFIRMA A/S AX V ESB Holding III ApS SteelSeries Holding III ApS and related Holding companies Aidian Oy and related Holding companies AX V INV7 Holding III ApS and related Holding companies AX V INV8 Holding III ApS and related Holding companies
Other management positions:			Owner of Yggdrasill ApS

Knowledge resources

The ambition to be the world's most loved and respected design brand places pressure on the Company when it comes to gathering and combining design and product knowledge.

It is essential for the Company to attract, develop and retain high-quality members of staff with a fittingly

Management commentary

high level of competence. The realization of the Company’s goal of ensuring quality of knowledge and knowhow at each staff level will be facilitated through recruitment procedures and a continuous development of the existing staff and their competencies. Throughout the year, a considerable number of experienced and highly qualified members of staff have been added to the Company. This initiative has strengthened the Company's knowledge and competency base.

Environmental performance

The Company continuously seeks to improve, and comply with product or packaging requirements, for the benefit of the environment.

Research and development activities

The Company's research activities are related to products developed and designed both internally and in collaboration with internationally leading external partners.

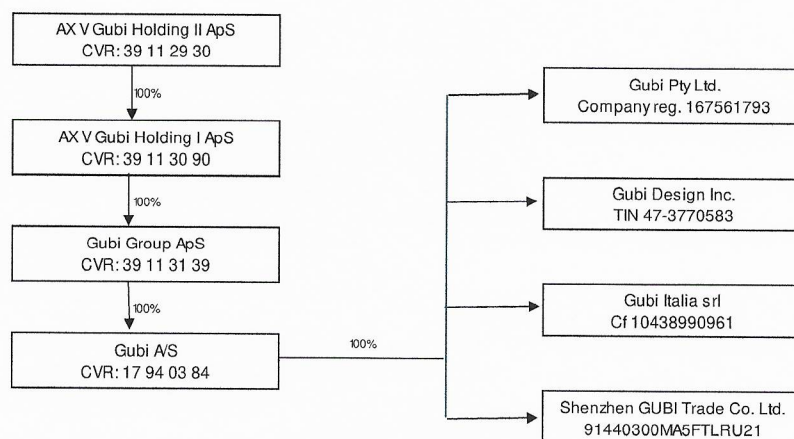
Uncertainty relating to recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

Group relations



Statutory report on corporate social responsibility

CSR is a key strategic focus for the Company. To ensure that the Company develops sustainable growth and drives social responsibility it has joined the UN Global Compact in July 2019 and has submitted its first Global Compact Active Report in July 2020. The Company is aware that there may be some CSR risks related to its operations. The risks are further described below.

Management commentary

Regarding environmental and climate-related aspects, it is a risk if the Company becomes associated with excessive or unnecessary use of materials such as packaging and components in its operations. This could impact the local environment and the Company's reputation.

Regarding employee conditions, it is a risk if the Company's production and handling of products would cause injuries to our employees or to our partners. This could impact our ability to attract and retain employees.

Regarding human rights, it is a risk if the Company is associated with production of the products with use of child labor at any of its partners. This could impact the Company's reputation.

Regarding corruption and bribery, the Company is aware that it operates in regions of the world where there is a higher risk of corruption and bribery. Specifically, the risk relates to the Company being associated with the use of means to illegally influence a third party decision. Consequently, the Company's image could be damaged.

The Group complies with all legal requirements in terms of social responsibility, environmental and climate considerations, human rights and anti-corruption measures.

During the last year, the Company has executed the following initiatives: Established an internal CSR team, created a CSR strategy and actionable timeline, initiated several new sustainably-minded product developments, launched the C-Chair Collection with FSC and EU Timber Regulation, updated the GUBI employee handbook, and conducted a company-wide internal work environment study.

For further information on the Company's business refer to the above section on primary activities.

Statutory report on the underrepresented gender

It is the policy of the Company to secure the best professional competencies possible at all levels of the Company, while improving gender balance at other management levels. The Company will be further formalizing this policy in the coming financial year. To implement the policy, the Company strives to ensure that both genders are represented at final interviews for management positions, the Company also works to ensure that career opportunities are discussed with the underrepresented gender. In the current financial year, the composition of managers in the Company are six male and four female employees. Members of Management are solely appointed based on their qualifications and not based on their gender. By doing so, equal opportunities for both genders are secured provided the candidates applying for the management positions possess the professional skills required. As far as possible, it is our goal to have job applicants from different genders, nationalities, ethnicities and ages represented at final interviews and to inform existing employees about career development opportunities.

It is the Company's goal to have both genders represented on the Board of Directors and other management levels of the Company. Currently, the Board of Directors consists of six male members, and other management levels consists of six male and four female employees. The Company has set a target that the underrepresented gender does not represent less than 40 percent of the Board. Due to the current composition and necessary continuity, the target has not been met in current financial year. The target is expected to be reached by 2024.

Management commentary

As of 30 June 2020 the number of employees was 73 (2018/19: 72) of whom 36 (50%) were female (2018/19: 42).

Material errors relating to previous years

The Annual Report as of 30.06.2020 contains material errors. The financial impact is recognized directly in the Equity as an adjustment to previous year and the comparative figures have been adjusted. We refer to the accounting policies for a detailed description.

Apart from the above, no significant unusual circumstances affecting recognition and measurement have occurred.

Events after the balance sheet date

Management noted that the worldwide COVID-19 outbreak is affecting the Company's performance and financial position in 2020/2021. However, it is not possible for management, at the time of financial reporting, to further quantify the effect, as it will depend on the duration and extent of the virus outbreak.

No other events have occurred, between the balance sheet date and this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019/20

	<u>Notes</u>	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
Revenue	2	367.805	373.547
Other operating income		1.445	0
Cost of sales		(179.664)	(179.309)
Other external expenses	3	(43.429)	(25.149)
Gross profit/loss		146.157	169.089
Staff costs	4	(53.187)	(38.205)
Depreciation, amortisation and impairment losses	5	(99.184)	(95.405)
Other operating expenses		0	(45)
Operating profit/loss		(6.214)	35.434
Other financial income	6	167	953
Other financial expenses	7	(27.364)	(32.775)
Profit/loss before tax		(33.411)	3.612
Tax on profit/loss for the year	8	(9.905)	(19.428)
Profit/loss for the year	9	(43.316)	(15.816)

Consolidated balance sheet at 30.06.2020

	<u>Notes</u>	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
Completed development projects		8.793	1.049
Acquired licences		2.042	759
Acquired trademarks		297.721	314.261
Goodwill		1.396.901	1.474.510
Development projects in progress		3.818	8.654
Intangible assets	10	<u>1.709.275</u>	<u>1.799.233</u>
Plant and machinery		1.852	2.187
Other fixtures and fittings, tools and equipment		1.911	1.246
Leasehold improvements		0	64
Property, plant and equipment in progress		0	256
Property, plant and equipment	11	<u>3.763</u>	<u>3.753</u>
Deposits		3.032	2.960
Other receivables		0	26
Fixed asset investments	12	<u>3.032</u>	<u>2.986</u>
Fixed assets		<u>1.716.070</u>	<u>1.805.972</u>
Manufactured goods and goods for resale		48.767	23.429
Prepayments for goods		2.268	2.674
Inventories		<u>51.035</u>	<u>26.103</u>
Trade receivables		37.281	50.276
Other receivables		5.700	1.577
Prepayments	13	358	2.719
Receivables		<u>43.339</u>	<u>54.572</u>
Cash		<u>54.043</u>	<u>76.948</u>
Current assets		<u>148.417</u>	<u>157.623</u>
Assets		<u>1.864.487</u>	<u>1.963.595</u>

Consolidated balance sheet at 30.06.2020

	<u>Notes</u>	<u>2019/20 DKK'000</u>	<u>2018/19 DKK'000</u>
Contributed capital		7.557	7.557
Reserve for development expenditure		9.836	7.568
Other reserves		0	959
Retained earnings		691.172	707.769
Equity attributable to the Parent's owners		708.565	723.853
Share of equity attributable to minority interests		491.306	520.973
Equity		1.199.871	1.244.826
Deferred tax	14	65.815	68.233
Other provisions	15	10.278	11.987
Provisions		76.093	80.220
Bank loans		460.742	512.886
Income tax payable		3.116	17.868
Non-current liabilities other than provisions	16	463.858	530.754
Current portion of long-term liabilities other than provisions	16	46.788	45.000
Bank loans		20.899	16
Prepayments received from customers		6.699	14.177
Trade payables		27.359	27.137
Income tax payable		167	1.885
Other payables		22.753	19.580
Current liabilities other than provisions		124.665	107.795
Liabilities other than provisions		588.523	638.549
Equity and liabilities		1.864.487	1.963.595
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Other reserves DKK'000	Retained earnings DKK'000
Equity beginning of year	7.557	7.569	959	731.621
Corrections of material errors	0	0	0	(14.894)
Adjusted equity, beginning of year	7.557	7.569	959	716.727
Value adjustments	0	0	0	0
Other entries on equity	0	0	0	0
Transfer to reserves	0	2.267	(959)	0
Profit/loss for the year	0	0	0	(25.555)
Equity end of year	7.557	9.836	0	691.172
			Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year			522.335	1.270.041
Corrections of material errors			(10.332)	(25.226)
Adjusted equity, beginning of year			512.003	1.244.815
Value adjustments			(3.611)	(3.611)
Other entries on equity			675	675
Transfer to reserves			0	1.308
Profit/loss for the year			(17.761)	(43.316)
Equity end of year			491.306	1.199.871

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		(6.214)	35.434
Amortisation, depreciation and impairment losses		99.184	95.450
Other provisions		(1.709)	0
Working capital changes	17	(17.782)	(27.489)
Cash flow from ordinary operating activities		73.479	103.395
Financial income received		167	953
Financial expenses paid		(27.364)	(32.775)
Income taxes refunded/(paid)		(28.793)	(28.417)
Cash flows from operating activities		17.489	43.156
Acquisition etc of intangible assets		(7.782)	(6.498)
Sale of intangible assets		0	7.880
Acquisition etc of property, plant and equipment		(1.668)	(1.589)
Sale of property, plant and equipment		333	101
Acquisition of fixed asset investments		0	(2.086)
Disposal of enterprises		0	16.136
Cash flows from investing activities		(9.117)	13.944
Repayments of loans etc		(52.144)	(499.109)
Cash increase of capital		0	464.041
Cash flows from financing activities		(52.144)	(35.068)
Increase/decrease in cash and cash equivalents		(43.772)	22.032
Cash and cash equivalents beginning of year		76.932	54.900
Cash and cash equivalents end of year		33.160	76.932
Cash and cash equivalents at year-end are composed of:			
Cash		54.043	76.948
Short-term debt to banks		(20.883)	(16)
Cash and cash equivalents end of year		33.160	76.932

Notes to consolidated financial statements

1. Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak is affecting the company's performance and financial position in 2020/2021. However, it is not possible for management to the time of financial reporting to further quantify the effect, as it will depend on the duration and extent of the virus outbreak.

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

	2019/20 DKK'000	2018/19 DKK'000
2. Revenue		
Denmark	63.492	65.704
Europe	216.590	223.616
Other Countries	87.723	84.227
	367.805	373.547

Segments of the revenue are only provided for geographical markets as business segments are not relevant.

3. Other external expenses

Fees to the auditor appointed by the Annual General Meeting comprises statutory audit fee amounting to 455 t.DKK (2018/19: 363 t.DKK), other assurance engagements amounting to 608 t.DKK (2018/19: 24 t.DKK) and other services amounting to 575 t.DKK (2018/19: 95 t.DKK).

	2019/20 DKK'000	2018/19 DKK'000
4. Staff costs		
Wages and salaries	51.719	38.536
Pension costs	1.286	1.093
Other social security costs	588	227
Other staff costs	1.889	1.397
Staff costs classified as assets	(2.295)	(3.048)
	53.187	38.205
Average number of employees	75	68

	Remunera- tion of manage- ment 2019/20 DKK'000	Remunera- tion of manage- ment 2018/19 DKK'000
Executive Board	3.874	4.971
Board of Directors	1.300	1.300
	5.174	6.271

Notes to consolidated financial statements

	2019/20 DKK'000	2018/19 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	97.888	94.641
Depreciation of property, plant and equipment	1.261	764
Profit/loss from sale of intangible assets and property, plant and equipment	35	0
	99.184	95.405
6. Other financial income		
Other interest income	2	0
Exchange rate adjustments	165	953
	167	953
7. Other financial expenses		
Other interest expenses	26.292	27.761
Exchange rate adjustments	753	427
Other financial expenses	319	4.587
	27.364	32.775
8. Tax on profit/loss for the year		
Current tax	12.274	21.470
Change in deferred tax	(2.369)	(2.042)
	9.905	19.428
9. Proposed distribution of profit/loss		
Retained earnings	(25.555)	(11.470)
Minority interests' share of profit/loss	(17.761)	(4.346)
	(43.316)	(15.816)

Notes to consolidated financial statements

	Completed develop- ment projects DKK'000	Acquired licences DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000
10. Intangible assets				
Cost beginning of year	1.595	759	330.801	1.552.185
Transfers	10.001	0	0	0
Additions	971	1.646	0	0
Cost end of year	12.567	2.405	330.801	1.552.185
Amortisation and impairment losses beginning of year	(546)	0	(16.540)	(77.675)
Amortisation for the year	(3.228)	(363)	(16.540)	(77.609)
Amortisation and impairment losses end of year	(3.774)	(363)	(33.080)	(155.284)
Carrying amount end of year	8.793	2.042	297.721	1.396.901
				Develop- ment projects in progress DKK'000
10. Intangible assets				
Cost beginning of year				8.654
Transfers				(10.001)
Additions				5.165
Cost end of year				3.818
Amortisation and impairment losses beginning of year				0
Amortisation for the year				0
Amortisation and impairment losses end of year				0
Carrying amount end of year				3.818

Development projects

Development projects regarding products and processors that are clearly defined and identifiable, where a potential future market or development opportunity in companies can be found, and where appropriate in manufacturing, marketing or using the official product or work, procedures, add in as an intangible assets.

The cost of development projects, which includes externally invoiced costs as well as internal wages directly attributable to development projects.

Notes to consolidated financial statements

Acquired trademarks and goodwill have been created on the basis of purchase price allocation in connection with acquisitions of companies in the GUBI Group.

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
11. Property, plant and equipment				
Cost beginning of year	4.597	2.425	772	256
Addition through business combinations etc	0	848	0	0
Transfers	0	256	0	(256)
Additions	298	1.370	0	0
Disposals	0	(571)	(772)	0
Cost end of year	4.895	4.328	0	0
Depreciation and impairment losses beginning of year	(2.410)	(1.179)	(708)	0
Transfers	0	(722)	0	0
Depreciation for the year	(633)	(776)	0	0
Reversal regarding disposals	0	260	708	0
Depreciation and impairment losses end of year	(3.043)	(2.417)	0	0
Carrying amount end of year	1.852	1.911	0	0
			Deposits DKK'000	Other receivables DKK'000
12. Fixed asset investments				
Cost beginning of year			2.960	26
Additions			273	0
Disposals			(201)	(26)
Cost end of year			3.032	0
Carrying amount end of year			3.032	0
13. Prepayments				
Prepayments is related to prepaid costs.				

Notes to consolidated financial statements

	2019/20 DKK'000
14. Deferred tax	
Changes during the year	
Beginning of year	68.199
Recognised in the income statement	(2.384)
End of year	65.815

15. Other provisions

Provisions for warranty and fairness of DKK 10.3m have been recognised as of 30 June 2020 to cover expected warranty and claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns. The expected amount due within one year amounts to DKK 4.4m.

	Due within 12 months 2019/20 DKK'000	Due within 12 months 2018/19 DKK'000	Due after more than 12 months 2019/20 DKK'000
16. Liabilities other than provisions			
Bank loans	46.788	45.000	460.742
Income tax payable	0	0	3.116
	46.788	45.000	463.858

Amortization allowance of DKK 12m is recognized in the bank debt.

With Nordea, the company has entered into interest rate swaps, which means that interest on a significant part of the bank debt is fixed until 2022.

	2019/20 DKK'000	2018/19 DKK'000
17. Change in working capital		
Increase/decrease in inventories	(24.932)	(788)
Increase/decrease in receivables	3.755	(13.502)
Increase/decrease in trade payables etc	3.395	(13.199)
	(17.782)	(27.489)

	2019/20 DKK'000	2018/19 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	3.725	3.868

19. Contingent liabilities

The Group has a repurchase obligation towards a number of their suppliers. The repurchase obligation amounts to 17,785 t.DKK as of 30.06.2020.

Notes to consolidated financial statements

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 jointly and severally liable as of the financial year 2019/20 with other jointly taxed companies for income taxes etc for the jointly taxed companies, and as of 01.07.2019 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

20. Assets charged and collateral

In an agreement with Nordea Denmark the company has posted pledge ban for simple claims arising from sales and services, stocks of raw materials, semi-finished goods and finished goods, corporate mortgages from leased premises, operating equipment and operating materials, debt collateral, movables from motor vehicles etc., goodwill, domain names and rights as well as motor vehicles. As of 30.06.2020 the carrying amount is DKK 1.716m.

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: AX V GUBI Holding III ApS, Sankt Annæ Plads 10, Copenhagen, Copenhagen C 1250

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
22. Subsidiaries			
Gubi A/S	Copenhagen	A/S	58,9
Gubi Design Inc	USA	Inc	58,9
Gubi Shenzhen Co.	China	Ltd	58,9
Gubi Pty Ltd	Australia	Ltd	58,9
Gubi Design Limited	UK	Ltd	58,9
Gubi Italy SRL	Italy	SRL	58,9
AX V Gubi Holding I ApS	Copenhagen	ApS	58,9
AX V Gubi Holding II ApS	Copenhagen	ApS	58,9
Gubi Group ApS	Copenhagen	ApS	58,9

Parent income statement for 2019/20

	<u>Notes</u>	<u>2019/20 DKK'000</u>	<u>2018/19 DKK'000</u>
Other external expenses		(42)	(144)
Operating profit/loss		(42)	(144)
Income from investments in group enterprises		(25.485)	(7.242)
Other financial expenses	2	(28)	(4.549)
Profit/loss before tax		(25.555)	(11.935)
Tax on profit/loss for the year	3	15	1.032
Profit/loss for the year	4	(25.540)	(10.903)

Parent balance sheet at 30.06.2020

	<u>Notes</u>	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
Investments in group enterprises		704.543	725.366
Fixed asset investments	5	704.543	725.366
Fixed assets		704.543	725.366
Deferred tax	6	20	20
Other receivables		1.000	1.000
Joint taxation contribution receivable		1.047	1.032
Receivables		2.067	2.052
Cash		1.817	5.345
Current assets		3.884	7.397
Assets		708.427	732.763

Parent balance sheet at 30.06.2020

	<u>Notes</u>	<u>2019/20</u> <u>DKK'000</u>	<u>2018/19</u> <u>DKK'000</u>
Contributed capital		7.557	7.556
Retained earnings		700.607	724.983
Equity		708.164	732.539
Trade payables		94	100
Payables to group enterprises		169	124
Current liabilities other than provisions		263	224
Liabilities other than provisions		263	224
Equity and liabilities		708.427	732.763
Events after the balance sheet date	1		
Contingent liabilities	7		
Assets charged and collateral	8		
Related parties with controlling interest	9		
Transactions with related parties	10		

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	7.557	740.149	747.706
Corrections of material errors	0	(15.167)	(15.167)
Adjusted equity, beginning of year	7.557	724.982	732.539
Other entries on equity	0	1.165	1.165
Profit/loss for the year	0	(25.540)	(25.540)
Equity end of year	7.557	700.607	708.164

Notes to parent financial statements

1. Events after the balance sheet date

Management noted that the worldwide Covid-19 outbreak is affecting the company's performance and financial position in 2020/2021. However, it is not possible for management to the time of financial reporting to further quantify the effect, as it will depend on the duration and extent of the virus outbreak.

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

	2019/20 DKK'000	2018/19 DKK'000
2. Other financial expenses		
Other interest expenses	28	0
Other financial expenses	0	4.549
	28	4.549
	2019/20 DKK'000	2018/19 DKK'000
3. Tax on profit/loss for the year		
Current tax	(15)	(1.032)
	(15)	(1.032)
	2019/20 DKK'000	2018/19 DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	(25.540)	(10.903)
	(25.540)	(10.903)
		Investments in group enterprises DKK'000
5. Fixed asset investments		
Cost beginning of year		744.764
Additions		3.700
Disposals		(200)
Cost end of year		748.264
Impairment losses beginning of year		(4.234)
Share of profit/loss for the year		(25.485)
Other adjustments		(14.002)
Impairment losses end of year		(43.721)
Carrying amount end of year		704.543

Notes to parent financial statements

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

6. Deferred tax

Deferred tax assets, including the tax value of tax-deductible tax loss carryforwards, are recognized in the balance sheet at the value at which the asset is expected to be realized.

7. Contingent liabilities

The Entity serves as the administration company in a Dansih joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore jointly and severally liable as of the financial year 2019/20 with other jointly taxed companies for income taxes etc for the jointly taxed companies, and as of 01.07.2019 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

8. Assets charged and collateral

In an agreement with Nordea Denmark the company has posted pledge ban for simple claims arising from sales and services, stocks of raw materials, semi-finished goods and finished goods, corporate mortgages from leased premises, operating equipment and operating materials, debt collateral, movables from motor vehicles etc., goodwill, domain names and rights as well as motor vehicles.

9. Related parties with controlling interest

Axcel V K/S, Nørregade 21, 1165 Copenhagen K, owns 56,53% of the shares in the company and thus has the controlling interest.

10. Transactions with related parties

With reference to the Danish Financial Statements Act § 98c, section 4, there have been no transactions with related parties that have not been completed at normal market conditions.

Accounting policies

Reporting class

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

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year except the change mentioned below.

Material errors in previous years

The Annual Report as of 30.06.2020 contains material errors relating to previous years. The financial impact is recognised directly in Equity as an adjustment to previous year and the comparative figures have been adjusted. Inventory value have been reduced by DKK 10.324 thousand, liabilities has been increased by DKK 16.387 thousand, joint taxation contribution payable have been reduced by DKK 5,613 thousand and the profit by the year have been reduced by DKK 3.073 thousand. Equity have been negatively affected by DKK 25.216 thousand.

Changes in accounting policies

The accounting policies for investments in group enterprises has been adjusted. Group enterprises are no longer measured ad cost but by equity-method. The financial impact is recognized directly in the Equity as an adjustment to previous year and the comparative figures have been adjusted. The total impact is DKK 11.425 thousand.

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.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

Accounting policies

The book-value method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements. The comparative figures have not been changed.

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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Accounting policies

Income statement

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.

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.

Staff costs

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

Accounting policies

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.

Other operating expenses

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

Income from investments in group enterprises

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

Other financial income

Other financial income comprises dividends etc received on other investments, 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 as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

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

Balance sheet

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 one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 20 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 20 years.

The expected useful life is based on the company's unique brand and commercial position, as well as the

Accounting policies

associated designer's skills, which are expected to last and be in use for at least 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 under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

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 3 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

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

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

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Property	5 years

Accounting policies

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

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

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

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

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

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.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

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 or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Other provisions

Provisions comprise provisions for warranty and provisions for fairness. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period. Provisions are recognised when there is a legal or constructive obligation as a result of events in the financial year or previous years, and it is probable that an outflow of financial resources will be required to settle the obligation. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

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

Income tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as 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 income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of

Accounting policies

enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

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

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Jesper Frydensberg Rasmussen

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