Annual report 2022

The Annual General Meeting adopted
the annual report on 16.05.2023

Rasmus Edelgaard
Chairman of the General Meeting

Fredericia Furniture A/S
Treldevej 183
7000 Fredericia
CVR No. 45607313

Fredericia

Contents

Entity details

Entity

Fredericia Furniture A/S

Treldevej 183

7000 Fredericia

Business Registration No.: 45607313

Registered office: Fredericia

Financial year: 01.01.2022 - 31.12.2022

Phone number: 7592 3344

Fax: 7592 3876

URL: www.fredericia.com

E-mail: sales@fredericia.com

Board of Directors

Niels Hermansen, Chairman

Torsten Leif Moe, Vice Chairman

Thomas Graversen

Mogens Volmer Simonsen

Finn Kalmar Kristiansen

Executive Board

Kaja Wiegand Møller, Managing Director

Thomas Graversen, Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Fredericia Furniture A/S for the financial year 01.01.2022 - 31.12.2022.

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

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

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Fredericia, 16.05.2023

Executive Board

Kaja Wiegand Møller
Managing Director

Thomas Graversen
Director

Board of Directors

Niels Hermansen
Chairman

Torsten Leif Moe
Vice Chairman

Thomas Graversen

Mogens Volmer Simonsen

Finn Kalmar Kristiansen

Independent auditor's report

To the shareholders of Fredericia Furniture A/S

Opinion

We have audited the financial statements of Fredericia Furniture A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Kolding, 16.05.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Ole Søndergaard Larsen
State Authorised Public Accountant
Identification No (MNE) mne11676

Peter Kjærsgaard Rasmussen
State Authorised Public Accountant
Identification No (MNE) mne46587

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Gross profit/loss	84,974	102,379	52,810	42,897	39,180
Operating profit/loss	23,024	38,272	16,466	5,025	6,465
Net financials	1,719	125	(458)	(352)	(235)
Profit/loss for the year	18,880	29,569	13,055	3,594	4,820
Total assets	140,318	146,765	125,391	74,838	69,471
Investments in property, plant and equipment	5,085	35,166	1,051	3,302	1,787
Equity	67,746	68,486	58,917	45,862	42,268
Cash flows from (used in) operating activities	53	28,606	14,202	5,785	5,733
Cash flows from (used in) investing activities	(11,331)	12,253	(27,539)	(4,557)	(2,786)
Cash flows from (used in) financing activities	(4,185)	(30,724)	19,030	(1,683)	(2,566)
Average number of employees	109	110	57	61	60
Ratios					
Return on equity (%)	27.72	46.42	24.92	8.16	12.09
Equity ratio (%)	48.28	46.66	46.99	61.28	60.84
Return on invested capital (%)	15.77	26.30	13.40	5.50	8.80

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

Return on equity (%):
$\frac{\text{Profit/loss for the year * 100}}{\text{Average equity}}$

Equity ratio (%):
$\frac{\text{Equity * 100}}{\text{Total assets}}$

Return on invested capital (%):
EBIT * 100
Total assets

Primary activities
The Company manufactures and markets high-quality design furniture developed in cooperation with recognized Danish and international architects. The furniture is sold nationally and internationally to the retail as well as the contract markets.

Development in activities and finances
The year showed a decrease in activity, with sales to private homes in particular falling more than expected. The company has been affected by rising raw material prices and freight rates, which have challenged profitability. The company has adapted to the situation, but not without a reduction in gross profit margin.

The Company's balance sheet as per balance date, shows an equity of MDKK 67.7 corresponding to a solvency ratio of 48.2%.

The Company continues to have a long-term goal of profitable growth and a healthy balance, which means that in 2023, investments will continue to be made in digital empowerment, sustainability, and various growth initiatives.

Financial risks and use of financial instruments
The company is affected by currency developments. There are no risks other than the common risks for the industry.

Profit/loss for the year in relation to expected developments
The income statement shows a profit before tax of MDKK 24.7 against MDKK 38.4 the year before, which is on par with the Company's expectations and market development. Overall, the result for the year is as expected and based upon this, the management assesses, that the result for the year is satisfactory.

Outlook
The expectations for 2023 are still influenced by the post-corona market effect and continued insecurity caused by the general economic developments. We foresee a reduced market activity in all markets, including negative impact on the supply chain, consequently the Company expects the profit for 2023 to be less than the level of 2022.

Environmental performance
Encouraging customers to conscious consumption has been at the core of Fredericia's company ethics ever since we began in 1911. Our goal is to create furniture that becomes more beautiful with age, intended to be passed on from generation to generation. These core values are rooted in our sense of responsibility and our use of natural materials, our ethical methods of production and our respect for the people using our furniture every day. Crafted to last.

We continuously work to improve our sustainability performance, and by setting realistic targets for future achievements, we ensure continued progress and development.

Application for B Corp certification
We are proud to have submitted our B Impact Assessment for evaluation and validation, the first step of becoming a Certified B Corporation. The B Corp Certification is holistic, not exclusively focused on a single social or environmental issue. A B Corporation must meet high standards of social and environmental performance, accountability, and transparency.

The certification is divided into five stakeholder-focused “Impact areas”: Governance, Worker, Community, Environment, and Customers. These areas are followed up with topics related to our company’s day-to-day operations and overall business model. Achieving and maintaining the certification is rigorous and requires engaging teams and departments across the company.

Continuous improvement is a natural part of our strategy for sustainable growth and how we handle our business processes. This fits perfectly with the verification process conducted every three years to become recertified. We expect that we have the certification during 2nd half of 2023.

Reaching carbon neutrality ahead of time
According to the UN Paris Agreement ”Climate Neutral Now Initiative”, all EU countries must reduce emissions by at least 55% by 2030 and be completely carbon neutral by 2050. At Fredericia, we want to meet these ambitions even sooner and be 100% carbon neutral in 2035. Many objectives in our sustainability roadmap are the foundation for reaching this ambition. Initially, we are establishing the baseline with actual CO2 data in Scope 1, 2 and 3 to set further targets in the coming years.

Life cycle assessments - The environmental impact of our products
As part of our sustainability strategy, we have initiated environmental product sheets on our core assortment developed in compliance with ISO 14021, self-declared environmental claims.
In the phase of developing new products or re-engineering existing products, we follow the listed principles:

- Timeless design
- Long material lifetime
- Crafted to last
- Easy disassembly of products to increase circularity and ease repair of broken parts
- Increase the use of recycled materials
- Replacement of harmful substances with less harmful

The environmental product sheets are an important tool to define our Scope 3 emissions, and furthermore it serves as an important sales tool towards our customers.

Responsible procurement
We are proud of cooperating with the best suppliers in the industry. Through our ongoing implementation of a 360-degree sustainable supplier selection and Code of Conduct, we ensure that our suppliers meet our conditions regarding human rights and environmental standards among other things. The Code of Conduct is the basis of a trustworthy partnership between us and our suppliers.

We mostly purchase raw materials, semi-finished and finished products from suppliers within Denmark and Europe. This is to ensure a high quality in our products and to minimize the transportation throughout the entire product life cycle. By selecting suppliers which are in Denmark or Europe, close to our production facilities, the required amount of transport is minimized.

Our packaging serves the purpose of protecting our products during transport, which ensures that our customers receive the products in the best condition. We focus on minimizing the material consumption and simultaneously protect the furniture. To ensure this, we equip the products with different types of foam shapes, when undergoing transport.

Contributing to the local community is important for Fredericia. A protective workshop is placed close to our HQ in Fredericia, which facilitate a safe, disability-friendly environment for citizens to develop and improve their skills and to earn an income. Fredericia have developed a respectful relationship throughout the years of collaboration, as we believe that this relationship both contributes to the local community, but also adds a high value for us as a company.

Governance

Our employees are of high value to Fredericia. Developing our employees and provide that everyone has the possibility to grow within the company is very important. As an example, we prioritize hiring trainees, interns, or student workers. It is of high value for the employees but also for us a company, as valuable knowledge is shared between both parties.

Diversity and inclusion in the workforce are an important part of the company. It is very essential for Fredericia to create a work atmosphere which increases knowledge sharing between its employees, and to create the most suited workspace for collaboration.

Long-term relationships with our employees, clients and designers are of high priority.

Responsible operation

How we handle our waste has high focus in the operation at all facilities, therefore we are also ISO14001 certified. The material that we use in our products are of high value both in cost, but also as a resource in itself. We work systematically and continuously to ensure a reduction in waste, by eliminating overconsumption of material and by utilizing waste in the most sufficient way. Textile and leather waste material is collected and sorted separately. This ensures that the waste material can either be donated, used for smaller products, or sold to other companies which can use it in their operation. This prolongs the life of the materials, so that it does not end up as unrecyclable waste.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		**84,974,388**	**102,378,607**
Staff costs	2	(56,550,262)	(59,009,472)
Depreciation, amortisation and impairment losses	3	(5,400,543)	(5,097,616)
Operating profit/loss		**23,023,583**	**38,271,519**
Other financial income	4	4,229,535	1,612,553
Other financial expenses	5	(2,510,926)	(1,487,059)
Profit/loss before tax		**24,742,192**	**38,397,013**
Tax on profit/loss for the year	6	(5,862,152)	(8,827,936)
Profit/loss for the year	7	**18,880,040**	**29,569,077**

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Acquired intangible assets		2,446,891	1,169,737
Acquired licences		0	0
Goodwill		11,866,222	13,397,347
Intangible assets	8	**14,313,113**	**14,567,084**
Land and buildings		15,967,263	16,053,406
Plant and machinery		3,485,614	1,979,764
Other fixtures and fittings, tools and equipment		5,031,614	4,029,603
Leasehold improvements		351,581	525,423
Property, plant and equipment	9	**24,836,072**	**22,588,196**
Investments in group enterprises		878	878
Investments in associates		25,000	25,000
Deposits		1,469,688	1,445,004
Financial assets	10	**1,495,566**	**1,470,882**
Fixed assets		**40,644,751**	**38,626,162**
Raw materials and consumables		44,037,030	35,565,165
Work in progress		1,120,661	1,329,956
Manufactured goods and goods for resale		15,314,825	12,584,134
Inventories		**60,472,516**	**49,479,255**
Trade receivables		30,019,023	28,697,800
Receivables from group enterprises		1,865,159	7,969,343
Other receivables		2,943,090	2,504,667
Prepayments	11	2,000,827	1,652,208
Receivables		**36,828,099**	**40,824,018**
Cash		**2,372,589**	**17,835,777**
Current assets		**99,673,204**	**108,139,050**
Assets		**140,317,955**	**146,765,212**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	12, 13	2,148,000	2,148,000
Retained earnings		65,597,799	66,337,759
Equity		**67,745,799**	**68,485,759**
Deferred tax	14	3,041,202	2,538,322
Other provisions	15	3,868,274	6,160,983
Provisions		**6,909,476**	**8,699,305**
Mortgage debt		17,540,974	21,324,567
Non-current liabilities other than provisions	16	**17,540,974**	**21,324,567**
Current portion of non-current liabilities other than provisions	16	893,103	1,800,096
Bank loans		16,870,834	39,856
Lease liabilities		3,298,784	1,786,637
Prepayments received from customers		2,773,649	3,913,019
Trade payables		12,854,061	14,588,709
Payables to group enterprises		0	878
Tax payable		109,418	63,162
Joint taxation contribution payable		5,359,272	8,978,989
Other payables		5,962,585	17,084,235
Current liabilities other than provisions		**48,121,706**	**48,255,581**
Liabilities other than provisions		**65,662,680**	**69,580,148**
Equity and liabilities		**140,317,955**	**146,765,212**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Transactions with related parties	22		
Group relations	23		

Statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	2,148,000	66,337,759	68,485,759
Purchase of treasury shares	0	(19,620,000)	(19,620,000)
Profit/loss for the year	0	18,880,040	18,880,040
Equity end of year	**2,148,000**	**65,597,799**	**67,745,799**

Cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		23,023,583	38,271,519
Amortisation, depreciation and impairment losses		5,400,543	5,097,616
Working capital changes	17	(17,786,597)	(10,570,604)
Other adjustments		(75,641)	0
Cash flow from ordinary operating activities		**10,561,888**	**32,798,531**
Financial income received		935,022	1,612,553
Financial expenses paid		(2,510,926)	(1,487,059)
Taxes refunded/(paid)		(8,932,733)	(4,317,611)
Cash flows from operating activities		**53,251**	**28,606,414**
Acquisition etc of intangible assets		(2,314,064)	(914,978)
Acquisition etc of property, plant and equipment		(3,572,721)	(5,256,651)
Sale of property, plant and equipment		80,125	709,314
Acquisition of fixed asset investments		(24,684)	(113,769)
Other cash flows from investing activities		(5,500,000)	17,828,844
Cash flows from investing activities		**(11,331,344)**	**12,252,760**
Free cash flows generated from operations and investments before financing		**(11,278,093)**	**40,859,174**
Loans raised		15,434,905	0
Repayments of loans etc		0	(10,724,064)
Dividend paid		0	(20,000,000)
Acquisition of treasury shares		(19,620,000)	0
Cash flows from financing activities		**(4,185,095)**	**(30,724,064)**
Increase/decrease in cash and cash equivalents		**(15,463,188)**	**10,135,110**
Cash and cash equivalents beginning of year		17,835,777	7,700,667
Cash and cash equivalents end of year		**2,372,589**	**17,835,777**
Cash and cash equivalents at year-end are composed of:			
Cash		2,372,589	17,835,777
Cash and cash equivalents end of year		**2,372,589**	**17,835,777**

Notes

1 Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

2 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	47,956,906	50,301,929
Pension costs	5,369,431	5,357,539
Other social security costs	1,141,478	1,335,553
Other staff costs	2,082,447	2,014,451
	56,550,262	**59,009,472**

Average number of full-time employees	109	110

	Remuneration of Management 2022 DKK	Remuneration of Management 2021 DKK
Executive Board	3,651,889	4,267,576
Board of Directors	470,000	436,666
	4,121,889	**4,704,242**

3 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	2,568,035	1,981,138
Depreciation of property, plant and equipment	2,832,508	3,116,478
	5,400,543	**5,097,616**

4 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	0	16,837
Other interest income	0	13,055
Exchange rate adjustments	908,928	1,582,661
Other financial income	3,320,607	0
	4,229,535	**1,612,553**

5 Other financial expenses

	2022 DKK	2021 DKK
Other interest expenses	485,678	479,244
Exchange rate adjustments	1,977,813	978,864
Other financial expenses	47,435	28,951
	2,510,926	**1,487,059**

6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	5,359,272	8,719,516
Change in deferred tax	502,880	108,420
	5,862,152	**8,827,936**

7 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Retained earnings	18,880,040	29,569,077
	18,880,040	**29,569,077**

8 Intangible assets

	Acquired intangible assets DKK	Acquired licences DKK	Goodwill DKK
Cost beginning of year	6,983,430	9,770,450	15,275,709
Additions	2,314,064	0	0
Cost end of year	**9,297,494**	**9,770,450**	**15,275,709**
Amortisation and impairment losses beginning of year	(5,813,693)	(9,770,450)	(1,878,362)
Amortisation for the year	(1,036,910)	0	(1,531,125)
Amortisation and impairment losses end of year	**(6,850,603)**	**(9,770,450)**	**(3,409,487)**
Carrying amount end of year	**2,446,891**	**0**	**11,866,222**

Goodwill is amortised straight-line over its estimated useful life, which is determined on the basis of management's experience in the individual business areas. It has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years in accordance with the Danish Financial Statements Act.

9 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	45,599,861	12,358,960	18,831,841	2,523,438
Additions	752,970	2,279,879	2,052,019	0
Disposals	0	(118,255)	(11,210)	0
Cost end of year	**46,352,831**	**14,520,584**	**20,872,650**	**2,523,438**
Depreciation and impairment losses beginning of year	(29,546,455)	(10,379,196)	(14,802,238)	(1,998,015)
Depreciation for the year	(839,113)	(774,029)	(1,045,524)	(173,842)
Reversal regarding disposals	0	118,255	6,726	0
Depreciation and impairment losses end of year	**(30,385,568)**	**(11,034,970)**	**(15,841,036)**	**(2,171,857)**
Carrying amount end of year	**15,967,263**	**3,485,614**	**5,031,614**	**351,581**
Recognised assets not owned by entity	-	-	3,298,784	-

Recognised assets not owned by the entity consists of leased fixed assets.

10 Financial assets

	Investments in group enterprises DKK	Investments in associates DKK	Deposits DKK
Cost beginning of year	878	25,000	1,445,004
Additions	0	0	24,684
Cost end of year	**878**	**25,000**	**1,469,688**
Carrying amount end of year	**878**	**25,000**	**1,469,688**

Investments in subsidiaries	**Registered in**	**Equity interest %**
Fredericia Furniture UK Ltd.	London	100.00

Investments in associates	Registered in	Equity interest %
3 Days of Design ApS	København K	20.00

11 Prepayments

Prepayments comprises costs, which are payed in the financial year, but are related to the next financial year.

12 Share capital

	Number	Par value DKK	Nominal value DKK
A- share capital	483,300	1	483,300
B- share capital	1,449,900	1	1,449,900
C- share capital	214,800	1	214,800
	2,148,000		**2,148,000**

13 Treasury shares

	Number	Nominal value DKK	Share of contributed capital %	Purchase/ (selling) price DKK
C- share capital	214,800	214,800	10.00	19,620,000
Investments acquired	**214,800**	**214,800**	**10.00**	
C- share capital	214,800	214,800	10.00	
Holding of treasury shares	**214,800**	**214,800**	**10.00**	

The Company has acquired treasury shares from its minority shareholders. The total payment for shares amounted to DKK 19,620 thousand, which has been transfered from retained earnings under equity. These shares have not been cancelled and are therefore held as treasury shares. The acquirement has been authorised at the General Meeting.

14 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	1,138,321	857,347
Property, plant and equipment	1,181,231	1,121,569
Inventories	413,468	327,920
Receivables	308,182	231,486
Deferred tax	**3,041,202**	**2,538,322**

Changes during the year	2022 DKK	2021 DKK
Beginning of year	2,538,322	2,048,902
Recognised in the income statement	502,880	108,420
Addition through business combinations etc	0	381,000
End of year	**3,041,202**	**2,538,322**

15 Other provisions

Other provisions comprises earn-out payments related to the acquisition of Erik Jørgensen Møbelfabrik A/S. The provision is estimated at DKK 6,300 thousand, of which DKK 2,432 thousand is due in 2023 and therefore recognised as a current liability.

16 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Mortgage debt	893,103	1,800,096	17,540,974	15,426,573
	893,103	**1,800,096**	**17,540,974**	**15,426,573**

17 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in inventories	(10,993,261)	(1,590,651)
Increase/decrease in receivables	3,995,919	(6,545,840)
Increase/decrease in trade payables etc	(10,789,255)	(2,434,113)
	(17,786,597)	**(10,570,604)**

18 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	9,828,388	11,669,802

Unrecognised rental and lease commitments consists of operating lease agreements of fixed assets.

There has been made an agreement for the commercial lease in Copenhagen, London and Norway, where the total obligations in total is DKK 9,488 thousand.

The agreement in Copenhagen can be terminated earliest 31.12.2025. The agreement in London can be terminated earliest 31.10.2023. The agreement in Norway can be terminated earliest 31.01.2024.

19 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Thomas Graversen Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

20 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The accounting value of the property is DKK 15,967 thousand (2021: DKK 16,053 thousand).

21 Related parties with controlling interest

Thomas Graversen Holding ApS, Fredericia, Business Registration no. 43447890, holds 95% voting rights through A-shares and has therefore controlling influence on the entity.

Thomas Graversen, Fredericia holds 51% of the voting rights in Thomas Graversen Holding ApS and has therefore controlling influence on the entity.

22 Transactions with related parties

Only transactions with related parties that are not carried out at market terms are disclosed in the annual report. No such transactions have been performed.

23 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest and smallest group:

Thomas Graversen Holding ApS, Fredericia, Business Registration no. 43447890

Accounting policies

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

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

Consolidated financial statements
Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

The book value-method is applied to mergers in which the participating entities are subject to the Parent's control. Under this method, assets and liabilities of the participating entities are recognised at the amounts at which they are recognised in the consolidated financial statements of the parent forming part of the merger. Vertical mergers are recognised at the merger date without restatement of comparative figures.

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.

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

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

Income statement

Gross profit or loss
Gross profit or loss comprises revenue, other operating income, costs of sales and other external expenses.

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses relating to tangible and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets.

Other financial income
Other financial income comprises interest income, including interest income from group enterprises, net capital or exchange gains on 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 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 it's Danish parent company. 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. It has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years.

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

Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights and acquired licences.

Acquired intellectual property rights are production and sales rightes, which are measured at cost less accumulated amortisation. Production and sales rights are straight-line depreciated over the rights lifetime, which is 10 years.

Acquired licences are software, which are measured at cost less accumulated amortisation. Software is straight-line depreciated over 3-4 years, which is its estimated financial lifetime.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

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	25-35 years
Plant and machinery	3-40 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 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.

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. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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 positive difference between cost of investments 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 10 years.

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

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

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Treasury shares
Acquisition and selling prices and dividends for treasury shares are classified directly as equity in retained earnings. Gains and losses on sale are not recognised in the income statement..

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.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Tax receivable or payable
Current tax receivable or payable 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 receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax.

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 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, repayments of 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.