Designers Company A/S

Århusgade 130, 1, DK-2150 Nordhavn

Annual Report for 1 October 2020 - 30 September 2021

CVR No 39 37 35 99

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/2 2022

Allan Bach Pedersen
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Designers Company A/S for the financial year 1 October 2020 - 30 September 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020/21.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Nordhavn, 28 February 2022

Executive Board

Danny Espersen
CEO

Mikkel Guldborg Bredmose
CFO

Board of Directors

Søren Schriver
Chairman

Bjarne Hansen

Allan Bach Pedersen

Peter Rathsach

Christian Mariager

Independent Auditor's Report

To the Shareholders of Designers Company A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2020 - 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Designers Company A/S for the financial year 1 October 2020 - 30 September 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company 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 Company's and the Group'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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

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

- 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.

Hellerup, 28 February 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Baunkjær Andersen statsautoriseret revisor mne35483	Søren Alexander statsautoriseret revisor mne42824

Company Information

The Company	Designers Company A/S Århusgade 130, 1 DK-2150 Nordhavn CVR No: 39 37 35 99 Financial period: 1 October - 30 September Municipality of reg. office: København
Board of Directors	Søren Schriver, Chairman Bjarne Hansen Allan Bach Pedersen Peter Rathsach Christian Mariager
Executive Board	Danny Espersen Mikkel Guldborg Bredmose
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a four-year period, the development of the Group is described by the following financial highlights:

	Group			
	2020/21	2020	2019	2018
	TDKK	TDKK (9 months)	TDKK	TDKK
Key figures				
Profit/loss				
Gross profit/loss	113.683	44.724	79.060	55.831
Operating profit/loss	16.684	-17.499	-8.552	-1.140
Profit/loss before depreciations (EBITDA)	48.388	3.435	24.292	18.834
Adjusted profit/loss before depreciations (adj. EBITDA)*	54.397	3.819	25.759	21.151
Profit/loss before financial income and expenses	19.113	-16.704	-9.841	201
Net financials	-6.873	-6.722	-6.863	-5.045
Net profit/loss for the year	8.262	-19.925	-15.448	-5.354
Balance sheet				
Balance sheet total	535.074	418.939	403.843	409.378
Equity	181.426	168.640	187.138	155.243
Cash flows				
Cash flows from:				
- operating activities	13.821	12.251	15.676	32.391
- investing activities	-110.040	-5.634	-9.947	-342.671
including investment in property, plant and equipment	-7.894	-4.086	-8.090	-5.868
- financing activities	51.340	43.446	-6.218	317.640
Change in cash and cash equivalents for the year	-44.879	50.064	-489	7.360
Number of employees	114	79	81	61
Ratios				
Return on assets	3,6%	-4,0%	-2,4%	0,0%
Solvency ratio	33,9%	40,3%	46,3%	37,9%
Return on equity	4,7%	-11,2%	-9,0%	-6,9%

* - The adjusted profit/loss before depreciations (adj. EBITDA) is calculated from EBITDA adjusted with special items cf. note 4.

Management's Review

Key activities

The Group's primary activities are the design and sale of high-quality designer furniture, lighting, and home accessories developed together with reputable designers around the world.

Acquisition of by Lassen

During the year, Designers Company A/S has acquired the Danish design icon, "by Lassen". by Lassen design, produce and sell furniture and accessories from the archive of the brothers Lassen, Flemming & Mogens. With its strong Nordic home market, it is the ambition of Designers Company Group, as a House of Brands, to continue the by Lassen expansion into the global design distribution network.

The global supply chain situation

As is the case for the entire market, supply and logistics has been a major challenge with increasing prices for cost of goods and transportation and limited capacity for production. The Group has overcome the challenges and have even established a growth in most markets despite the situation. Q4 of 2021 has shown even further growth, indicating that we are heading towards a more normalized market situation.

COVID-19 impacts

Attributable to diversification across geography, sales channels and product groups and supported by strong management, the Group has realised strong results.

Expanding the brand

MENU

During the past year, MENU's portfolio of high-quality designer furniture, lighting and home accessories has continued to draw attention from the international press as MENU have garnered international attention from editors across the world. Followers on our many different social media platforms as well as traffic to our own webshop has shown strong increase during the year. The Audo, as the hybrid international space it is, has continued to draw attention as a unique place to be seen and tried. New partners have joined, and many photoshoots has taken place.

In the spirit of the Audo vision – collaboration with many like-minded partners – we created collaboration with several strong and creative partners. The Audo was a key attraction during the yearly '3 Days of Design' fair in Copenhagen. MENU introduced a strong lighting range of new products as well as the responsible product story of Ishinomaki. A locally sourced stool based on a Japanese design. Furthermore, in May MENU launched recycled plastic chairs and a brand-new series of responsibly made pillows and throws. MENU took part of the major fair event in Milan having responsible products and themes as the tagline. Despite the COVID-19 situation we saw a strong flow of customers, media and like-minded creatives passing by.

Management's Review

By allying ourselves with other international brands, we lift MENU to new heights. Partnerships with likeminded brands help us to create more relevant events and content.

Menu has expanded its reach via strong growth with online resellers across all markets.

By Lassen

At the end of the financial year the Danish icon by Lassen was acquired and included in the Designers Company operation model. That brought by Lassen to the '3 Days of Design' for the first time. Using the Audo as the catapult, the brand got the opportunity to be shown to a huge number of customers, agents, and media from around the world. A very successful introduction for the brand.

The Audo

The Audo has been heavily affected by Covid 19 regulations for cafés, shops, hotels, and restaurants. Regulations had a major impact on the possibilities to use The Audo as the brand platform it is intended to be physically. Consequently, we have had focus on digital "presence" which has created numerous visits and as the result hereof the very mission of The Audo – creating brand platform for our brands – has been achieved.

Operational platform

Digitalization has been the top priority during the year. Everything from improving the layout of the website towards a new digital sales tool to the opening of own web shop in most of the European countries.

Furthermore, we have focused on integration of by Lassen into the existing global sales network.

MENU became both ISO 14001- and 9001 certified in July 2021, defining our next major step towards our vision of becoming a strong sustainable interior supplier.

Development in activities and finances

Designers Company A/S achieved an operating profit (EBIT) of DKK 19,0m for the accounting period compared to an operating loss (EBIT) of DKK 16.7m for 9 months in 2020. Given the global situation, the management considers the result as satisfactory.

Management's Review

Given the timing of the by Lassen acquisition, only part of the result is included in the numbers above and the 2020/21 annual report. Below we have presented proforma numbers outlining how revenue and EBITDA would have been on a 12-month basis, had by Lassen been a part of the Group throughout the period.

Pro forma Group excluding Audo and adjusted for special items

	12 Months*		
DKKm	2019/20	2020/21	Growth
Revenue	281,6	375,2	*33,2%*
EBITDA	18,6	66,9	

*Proforma numbers are adjusted to 12 months and as if by Lassen had been part of the Group in the entire period

Outlook

Despite the continuing COVID-19 ridden world we expect strong growth in operating profit compared to the past year, also given the acquisition of By Lassen made in late FY21 which will have full year impact in FY22. On EBITDA level we expect to improve the margin. Most importantly Designers Group has proven its ability to attract and grow brands and these activities will be expanded in the coming year. After the balance sheet date further furniture brands have become a part of the group.

Market risks

The company's products are primarily positioned in the high-end markets. The economic development in the professional and private consumer markets will affect the financial results.

Foreign exchange risks

Due to sales activities in foreign markets, cash flow and equity might be influenced by changes in interest levels and exchange rates for several currencies. It is company policy to cover commercial exchange risks. Hedging is primarily used to cover open foreign exchange positions related to trading activities in foreign currencies, in the next twelve months based on the budget. The company does not use speculative hedging.

Credit risks

The company's credit risks relate to trade receivables included in the balance sheet. The company has no vital risks related to a single customer or business partner. The company's credit risk policy involves assessing creditworthiness of all major customers and business partners. This is done on a regular basis.

Management’s Review

Capital structure and Ownership

Designers Company A/S share capital is not divided into classes.

Management regularly assesses whether Designers Company A/S has an adequate capital structure, the Board of Directors continuously assesses that the company's capital structure is consistent with the company’s and its stakeholders’ interests. The overall objective is to ensure a capital structure that supports a profitable long-term growth.

Management believes that the current capital structure provides sufficient flexibility to address the future strategy of the Group.

Intellectual capital resources

The employees are the Group’s most important resource, with main emphasis on design and product development.

Research and development

MENU continuously invests in development, updates, and improvements of its product portfolio. Costs related to development of products are expensed in the income statement or accounted for as an asset following the accounting policies.

External environment

During 2021 the group management has implemented the adjustments, defined by the 2020 assessment according to the UN Defined global minimum standard for responsible business conduct. In the assessment of Environmental, Social and Governance sustainability (ESG) no significant impact on external factors were found. For further information a reference is made to section 'Statement of corporate social responsibility' in the management review.

Group relations

The Consolidated Annual Report of the Designers Company A/S Group is prepared by the parent company, Designers Company A/S.

All subsidiaries are 100 % owned by Designers Company A/S.

The subsidiary Menu Trading Co Ltd. had discontinued all activity by December 2020 and was finally dissolved in January 2021.

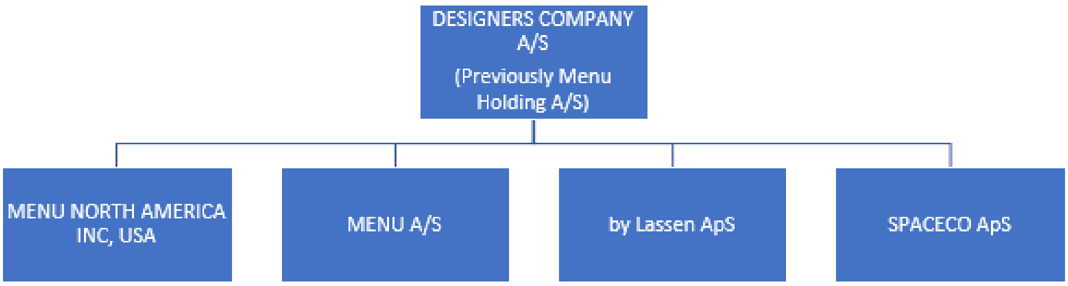
Management's Review

The private equity fund Polaris owns approximately 65% of Designers Company A/S through P-Menu 2018 A/S. Polaris is a member of the Active Owners Denmark (Previously DVCA) and hence compliant with the associated guidelines; please see https://aktiveejere.dk/. These guidelines, published in June 2015, recommend a thorough review regarding corporate governance, financial risks, employee relations and strategy.

Designers Company A/S sales organisation is based throughout the world. The daily management is carried out from Denmark in a close cooperation between the executive management and the company's Board of Directors.

Menu Group has 92 employees, of whom 62 are employed in Menu A/S and 30 are employed in the subsidiaries. Circa 54% are female. by Lassen ApS has 32 employees, of whom 44% are female.

Designers Company



The Group's work with ESG

Below policies and actions are made for MENU and The Audo only. By Lassen will be included during the coming 12 months

Policies

Our commitment is based on the internationally agreed core principles for sustainable development; human rights (including labour rights), environment (including climate), and anti-corruption. The principles are listed by the UN Global Compact and made operational through the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD). We comply with regulations, wherever we operate. Distinct from this, our commitment means that MENU continuously identifies, prevents, or mitigates our risks of adverse impacts in relation to the core principles. We will communicate how we manage such impacts. We will seek to make a difference for sustainability, where it makes most sense for us.

Management’s Review

Our employees are key partners in helping us respect international principles for sustainable development. We expect all team members at MENU to assist us in honouring our commitment in their daily work. We will embed our CSR commitment in the daily work of both our employees and management through training, communication, and ongoing assessments. We always appreciate good ideas for how to prevent, mitigate or improve our impacts on sustainable development

Business Code of Conduct

We will expect all our business relationships to meet the globally agreed minimum standard for responsible business conduct as expressed in this commitment. Business relationships shall implement the UNGPs/OECD, i.e., manage risks of causing or contributing to adverse impacts in relation to human rights, the environment, and anticorruption, and address actual impacts, share their results – and ask the same from their relationships. Management of severe impacts shall be communicated promptly. As an important part of MENU’s business conduct, all our major business relations have received our Code of Conduct for Responsible Business Conduct.

Self-assessment

MENU will continuously and minimum once a year conduct self-assessment according the Global ESG standards. Results and actions were published first time June 2021 as a part of the Global Compact membership as a report on progress (COP). We continue to ask major business relations to be transparent and guide on progress on the same topics, according to our Code of Conduct.

With the acquisition of by Lassen the work on the sustainability agenda will start to include this organisation and its operation. Since the brand only became a part of Designers Company a few months before the end of the business year, this work has just started.

Corporate governance

The Board of Directors and the Executive Board constantly strive to ensure that appropriate and sufficient control systems are in place managed by a robust management team structure. The Board of Directors and the Executive Board have several duties being defined in, amongst others, the Companies Act, the Danish Financial Statements Act, the Articles of Association, and good practice for companies of the same size and with the same international scope as Designer Company. On this basis, an ongoing series of internal procedures are developed and maintained to ensure active, reliable, and profitable management of the company.

Underrepresented gender / diversity

MENU is committed to our membership of Global Compact and reported on our Sustainable business conduct during Q2 2021. Among our chosen relevant KPIs we report on diversity within MENU. From advertising to recruiting we are committed to provide a safe and healthy work environment that is free of unlawful discrimination including harassment that is based on any legally protected characteristics, including, but not limited to, race, colour, gender, sexual orientation, national origin, citizen status, disability, veteran status, height, weight, and religion. MENU conducted its first international employee satisfaction survey in august 2021. It showed a very positive result.

Management’s Review

With app 52% share of women employed, we have the best possibility to ensure a good balance in the leading positions in the future growth and development of the company.

Audit Committee

No audit committee is established due to the modest size and complexity of the company.

Remuneration to management

To attract and retain Menu Groups management competencies, the remuneration of management and senior employees is based on tasks, value creation and conditions in comparable companies. An incentive program is implemented in the form of bonus schemes and share and warrant-based incentive programs.

Board of directors

The Board of Directors ensures that the Executive Board complies with the approved objectives, strategies, and business procedures. The information to the Executive Board is provided systematically before and during meetings as well as through written and oral reports. These reports include market development, the company's development, and profitability. The Board of Directors and Executive Management have overall responsibility for risk management and internal controls related to financial reporting.

The Board of Directors of the company meet at least four times a year. Furthermore, information about the company and the Group's results and financial position is shared with the Board of Directors on a regular basis (monthly). If relevant, extraordinary meetings are held.

Management's Review

Board of directors in Designers Company A/S

Name:	Occupation:	Executive Board Role in Designers Company A/S:	Other board roles:
Søren Schriver	Director	Chairman	Bisgaard Sko A/ S
Peter Rathsach	Director	Vice Chairman	Montana Furniture A/ S Junckers Furniture A/ S
Bjarne Hansen	Director	Board member	SV. Michelsen Chokolade A/S CafeKant ApS Sven House A/S
Allan Bach Pedersen	Partner, Polaris Private Equity	Board member	Configit A/ S A number of parent companies related to Polaris Private Equity
Christian Mariager	Operating Partner, L Catterton UK Advisors Ltd	Board member	Ganni A/ S Peter B Chokolade A/S The Brew Company A/S A number of Parent Companies related to L catterton Europe

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 30 September 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020/21 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 October - 30 September

	Note	Group 2020/21 DKK (12 months)	Group 2020 DKK (9 months)	Parent Company 2020/21 DKK (12 months)	Parent Company 2020 DKK (9 months)
Gross profit/loss		**113.683.129**	**44.724.080**	**-308.975**	**-127.314**
Staff expenses	1	-66.489.942	-41.288.647	0	0
Profit/loss before depreciations		**47.193.187**	**3.435.433**	**-308.975**	**-127.314**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-27.942.881	-19.986.396	0	0
Other operating expenses		-137.355	-153.341	0	0
Profit/loss before financial income and expenses	3	**19.112.951**	**-16.704.304**	**-308.975**	**-127.314**
Income from investments in subsidiaries		0	0	11.822.010	-17.975.063
Financial income	4	754.340	495.644	142.076	558.417
Financial expenses	5	-7.627.129	-7.217.342	-4.577.035	-2.930.794
Profit/loss before tax		**12.240.162**	**-23.426.002**	**7.078.076**	**-20.474.754**
Tax on profit/loss for the year	6	-3.978.633	3.501.180	1.183.453	549.932
Net profit/loss for the year		**8.261.529**	**-19.924.822**	**8.261.529**	**-19.924.822**

Balance Sheet 30 September

Assets

	Note	Group 2020/21 DKK	Group 2020 DKK	Parent Company 2020/21 DKK	Parent Company 2020 DKK
Completed development projects		6.380.222	4.926.703	0	0
Acquired patents		64.889.292	16.584.125	0	0
Acquired trademarks		69.766.540	59.711.501	0	0
Acquired other rights		22.081.399	25.661.737	0	0
Goodwill		199.950.272	170.792.891	0	0
Intangible assets	7	**363.067.725**	**277.676.957**	**0**	**0**
Other fixtures and fittings, tools and equipment		17.850.186	7.193.063	0	0
Leasehold improvements		6.904.369	6.720.487	0	0
Property, plant and equipment in progress		952.312	0	0	0
Prepayments for property, plant and equipment		0	498.000	0	0
Property, plant and equipment	8	**25.706.867**	**14.411.550**	**0**	**0**
Investments in subsidiaries	9	0	0	364.697.597	256.227.663
Deposits	10	1.594.823	1.318.640	0	0
Other receivables	10	2.502.583	0	2.502.583	0
Fixed asset investments		**4.097.406**	**1.318.640**	**367.200.180**	**256.227.663**
Fixed assets		**392.871.998**	**293.407.147**	**367.200.180**	**256.227.663**

Balance Sheet 30 September

Assets

	Note	Group 2020/21 DKK	Group 2020 DKK	Parent Company 2020/21 DKK	Parent Company 2020 DKK
Raw materials and consumables		7.449.642	0	0	0
Finished goods and goods for resale		73.219.425	43.585.773	0	0
Prepayments for goods		858.537	555.519	0	0
Inventories		**81.527.604**	**44.141.292**	**0**	**0**
Trade receivables		44.919.896	22.293.076	0	0
Receivables from group enterprises		0	0	5.354.762	13.057.617
Other receivables	16	928.173	695.322	0	0
Deferred tax asset	13	0	0	1.919.011	735.558
Corporation tax		0	0	0	1.960.818
Prepayments	11	2.771.740	1.467.505	0	0
Receivables		**48.619.809**	**24.455.903**	**7.273.773**	**15.753.993**
Cash at bank and in hand		**12.054.871**	**56.934.297**	**70.520**	**0**
Currents assets		**142.202.284**	**125.531.492**	**7.344.293**	**15.753.993**
Assets		**535.074.282**	**418.938.639**	**374.544.473**	**271.981.656**

Balance Sheet 30 September

Liabilities and equity

	Note	Group 2020/21 DKK	Group 2020 DKK	Parent Company 2020/21 DKK	Parent Company 2020 DKK
Share capital		2.112.358	2.069.188	2.112.358	2.069.188
Reserve for hedging transactions		1.051.399	1.426.648	0	0
Retained earnings		178.262.580	165.144.100	179.313.979	166.570.748
Equity		**181.426.337**	**168.639.936**	**181.426.337**	**168.639.936**
Provision for deferred tax	13	29.236.235	14.606.477	0	0
Other provisions	14	55.358	42.707	0	0
Provisions		**29.291.593**	**14.649.184**	**0**	**0**
Credit institutions		159.722.891	123.218.402	128.670.000	55.000.000
Lease obligations		2.341.190	16.034	0	0
Corporation tax		3.947.790	0	0	0
Other payables		42.808.845	37.872.837	33.592.330	32.540.566
Long-term debt	15	**208.820.716**	**161.107.273**	**162.262.330**	**87.540.566**
Credit institutions	15	34.502.628	22.932.575	26.330.000	15.734.905
Lease obligations	15	781.128	32.066	0	0
Prepayments received from customers		9.101.722	5.746.435	0	0
Trade payables		46.780.074	28.761.214	55.000	55.000
Payables to group enterprises		0	0	4.458.165	0
Corporation tax	15	0	103.493	0	0
Other payables	15	24.370.084	16.966.463	12.641	11.249
Short-term debt		**115.535.636**	**74.542.246**	**30.855.806**	**15.801.154**
Debt		**324.356.352**	**235.649.519**	**193.118.136**	**103.341.720**
Liabilities and equity		**535.074.282**	**418.938.639**	**374.544.473**	**271.981.656**

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Statement of Changes in Equity

Group

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 October	2.069.188	1.426.648	165.144.100	168.639.936
Exchange adjustments	0	-42.288	0	-42.288
Cash capital increase	43.170	0	4.702.351	4.745.521
Sale of warrants	0	0	154.600	154.600
Fair value adjustment of hedging instruments, beginning of year	0	-514.169	0	-514.169
Fair value adjustment of hedging instruments, end of year	0	87.296	0	87.296
Tax on adjustment of hedging instruments for the year	0	93.912	0	93.912
Net profit/loss for the year	0	0	8.261.529	8.261.529
Equity at 30 September	**2.112.358**	**1.051.399**	**178.262.580**	**181.426.337**

Parent Company

	Share capital	Reserve for hedging transactions	Retained earnings	Total
Equity at 1 October	2.069.188	0	166.570.748	168.639.936
Cash capital increase	43.170	0	4.702.351	4.745.521
Sale of warrants	0	0	154.600	154.600
Other equity movements	0	0	-375.249	-375.249
Net profit/loss for the year	0	0	8.261.529	8.261.529
Equity at 30 September	**2.112.358**	**0**	**179.313.979**	**181.426.337**

Cash Flow Statement 1 October - 30 September

	Note	Group 2020/21 DKK (12 months)	Group 2020 DKK (9 months)
Net profit/loss for the year		8.261.529	-19.924.822
Adjustments	17	38.787.835	23.489.988
Change in working capital	18	-26.211.821	17.080.656
Cash flows from operating activities before financial income and expenses		**20.837.543**	**20.645.822**
Financial income		754.340	530.828
Financial expenses		-7.627.127	-7.212.279
Cash flows from ordinary activities		**13.964.756**	**13.964.371**
Corporation tax paid		-144.004	-1.713.114
Cash flows from operating activities		**13.820.752**	**12.251.257**
Purchase of intangible assets		-3.190.641	-1.523.860
Purchase of property, plant and equipment		-7.893.762	-4.086.132
Fixed asset investments made etc		-2.646.326	-32.518
Sale of fixed asset investments etc		0	8.333
Business acquisition		-96.309.612	0
Cash flows from investing activities		**-110.040.341**	**-5.634.177**
Repayment of loans from credit institutions		-53.379.479	0
Reduction of lease obligations		-180.479	0
Raising of loans from credit institutions		100.000.000	43.471.884
Lease obligations incurred		0	-25.402
Sale of warrents		154.600	0
Cash capital increase		4.745.521	0
Cash flows from financing activities		**51.340.163**	**43.446.482**
Change in cash and cash equivalents		**-44.879.426**	**50.063.562**
Cash and cash equivalents at 1 October		56.934.297	6.870.735
Cash and cash equivalents at 30 September		**12.054.871**	**56.934.297**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		12.054.871	56.934.297
Cash and cash equivalents at 30 September		**12.054.871**	**56.934.297**

Notes to the Financial Statements

1 Staff expenses

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK (12 months)	DKK (9 months)	DKK (12 months)	DKK (9 months)
Wages and salaries	62.627.733	38.731.056	0	0
Pensions	2.502.163	1.494.941	0	0
Other social security expenses	593.580	326.305	0	0
Other staff expenses	766.466	736.345	0	0
	66.489.942	**41.288.647**	**0**	**0**
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board	3.636.140	2.536.224	0	0
Supervisory Board	637.500	225.000	0	0
	4.273.640	**2.761.224**	**0**	**0**
Average number of employees	**114**	**79**	**0**	**0**

At 10 April 2018, an incentive scheme was established comprising both the Board of Directors, the Executive Board and other executives and the scheme is made to maintain the management. The registered management has subscribed warrants for 5,7 % of the total amount. The scheme runs from 10 April 2018 to 31 December 2027. When an option has vested, the option holder may subscribe for one new share in Designers Company A/S at a exercise price of DKK 100 with addition of 10% p.a. from the date of subscription.

As it is the Company's practice to settle the schemes by way of shares (equity-settled share-based payment arrangements), no costs have been recognised in 2021.

Notes to the Financial Statements

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK (12 months)	DKK (9 months)	DKK (12 months)	DKK (9 months)

2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	22.601.215	16.651.205	0	0
Depreciation of property, plant and equipment	5.341.666	3.335.191	0	0
	27.942.881	**19.986.396**	**0**	**0**

3 Special items

Restructuring costs	1.462.408	0	41.000	0
Reduncancies	0	368.998	0	0
Other expenses	0	14.505	0	0
	1.462.408	**383.503**	**41.000**	**0**

4 Financial income

Income from fixed asset investments	4.275	0	4.275	0
Interest received from group enterprises	0	0	137.801	558.417
Other financial income	91.783	22.916	0	0
Exchange adjustments	658.113	470.242	0	0
Exchange gains	169	2.486	0	0
	754.340	**495.644**	**142.076**	**558.417**

Notes to the Financial Statements

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK (12 months)	DKK (9 months)	DKK (12 months)	DKK (9 months)

5 Financial expenses

	Group 2020/21	Group 2020	Parent Company 2020/21	Parent Company 2020
Other financial expenses	6.680.434	4.722.713	4.577.035	2.930.794
Exchange adjustments, expenses	894.093	2.493.244	0	0
Exchange loss	52.602	1.385	0	0
	7.627.129	**7.217.342**	**4.577.035**	**2.930.794**

6 Tax on profit/loss for the year

	Group 2020/21	Group 2020	Parent Company 2020/21	Parent Company 2020
Current tax for the year	5.386.963	36.641	0	0
Deferred tax for the year	-1.502.242	-3.172.024	-1.183.453	-549.932
	3.884.721	**-3.135.383**	**-1.183.453**	**-549.932**
which breaks down as follows:				
Tax on profit/loss for the year	3.978.633	-3.501.180	-1.183.453	-549.932
Tax on changes in equity	-93.912	365.797	0	0
	3.884.721	**-3.135.383**	**-1.183.453**	**-549.932**

Notes to the Financial Statements

7 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired trademarks	Acquired other rights	Goodwill	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Cost at 1 October	10.059.384	21.990.000	68.083.317	42.264.208	195.922.770	338.319.679
Net effect from merger and acquisition	0	51.000.000	14.000.000	0	39.801.342	104.801.342
Additions for the year	2.565.982	0	373.010	251.649	0	3.190.641
Cost at 30 September	12.625.366	72.990.000	82.456.327	42.515.857	235.724.112	446.311.662
Impairment losses and amortisation at 1 October	5.132.681	5.405.875	8.371.816	16.602.471	25.129.879	60.642.722
Amortisation for the year	1.112.463	2.694.833	4.317.971	3.831.987	10.643.961	22.601.215
Impairment losses and amortisation at 30 September	6.245.144	8.100.708	12.689.787	20.434.458	35.773.840	83.243.937
Carrying amount at 30 September	**6.380.222**	**64.889.292**	**69.766.540**	**22.081.399**	**199.950.272**	**363.067.725**

The Group's development activities is mainly related to design and development of new products as well as development of tools for the actual production. The value of the recognized development projects is compared with expected earnings from the products.

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Prepayments for property, plant and equipment	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 October	19.383.515	7.721.308	0	498.000	27.602.823
Exchange adjustment	2.006	0	0	0	2.006
Net effect from merger and acquisition	16.793.763	576.793	1.019.551	0	18.390.107
Additions for the year	6.076.757	207.589	1.609.416	0	7.893.762
Disposals for the year	-1.221.439	-107.796	-17.071	0	-1.346.306
Transfers for the year	1.663.654	493.930	-1.659.584	-498.000	0
Cost at 30 September	42.698.256	8.891.824	952.312	0	52.542.392
Impairment losses and depreciation at 1 October	12.190.452	1.000.821	0	0	13.191.273
Exchange adjustment	-8.355	0	0	0	-8.355
Net effect from merger and acquisition	9.381.331	229.735	0	0	9.611.066
Depreciation for the year	4.476.971	864.695	0	0	5.341.666
Reversal of impairment and depreciation of sold assets	-1.192.329	-107.796	0	0	-1.300.125
Impairment losses and depreciation at 30 September	24.848.070	1.987.455	0	0	26.835.525
Carrying amount at 30 September	**17.850.186**	**6.904.369**	**952.312**	**0**	**25.706.867**
Including assets under finance leases amounting to	3.984.787	0	0	0	3.984.787

Notes to the Financial Statements

	Parent Company	
	2020/21	2020
	DKK	DKK

9 Investments in subsidiaries

	2020/21 DKK	2020 DKK
Cost at 1 October	311.180.495	307.680.495
Additions for the year	102.023.172	3.500.000
Cost at 30 September	413.203.667	311.180.495
Value adjustments at 1 October	-54.952.832	-21.304.417
Net profit/loss for the year	23.989.307	-3.463.344
Dividend to the Parent Company	-5.000.000	-17.100.000
Other equity movements, net	-375.249	1.426.648
Amortisation of goodwill	-15.578.307	-10.494.550
Change in intercompany profit on inventories	3.411.011	-4.017.169
Value adjustments at 30 September	-48.506.070	-54.952.832
Carrying amount at 30 September	**364.697.597**	**256.227.663**
Remaining positive difference included in the above carrying amount at 30 September	303.226.705	228.303.671

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Menu A/S	Copenhagen	2.501.000	100%	52.939.028	31.632.146
SpaceCo ApS	Copenhagen	50.000	100%	2.351.090	-3.890.766
By Lassen ApS	Holstebro	125.000	100%	6.543.549	-774.415

Notes to the Financial Statements

10 Other fixed asset investments

	Group		Parent Company
	Deposits	Other receiv-ables	Other receiv-ables
	DKK	DKK	DKK
Cost at 1 October	1.318.640	0	0
Net effect from merger and acquisition	132.440	0	0
Additions for the year	143.743	2.502.583	2.502.583
Cost at 30 September	1.594.823	2.502.583	2.502.583
Impairment losses at 1 October	0	0	0
Impairment losses at 30 September	0	0	0
Carrying amount at 30 September	**1.594.823**	**2.502.583**	**2.502.583**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

12 Distribution of profit

	Parent Company	
	2020/21	2020
	DKK (12 months)	DKK (9 months)
Retained earnings	8.261.529	-19.924.822
	8.261.529	**-19.924.822**

Notes to the Financial Statements

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK	DKK	DKK	DKK

13 Provision for deferred tax

	2020/21	2020	2020/21	2020
Provision for deferred tax at 1 October	14.606.477	17.783.371	-735.558	-185.626
Amounts recognised in the income statement for the year	-1.502.242	-3.172.024	-1.183.453	-549.932
Business acquisitions and amounts recognised in equity for the year and tax refund	16.132.000	-4.870	0	0
Provision for deferred tax at 30 September	**29.236.235**	**14.606.477**	**-1.919.011**	**-735.558**

The recognised tax asset comprises tax loss carry-forwards expected to be utilised within the next three to four years.

14 Other provisions

The Company has some obligations to replace goods. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 55 (2020: TDKK 43) have been recognised for expected warranty claims.

	2020/21	2020	2020/21	2020
Other provisions	55.358	42.707	0	0
	55.358	**42.707**	**0**	**0**

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK	DKK	DKK	DKK
Credit institutions				
After 5 years	128.670.000	6.666.667	128.670.000	0
Between 1 and 5 years	31.052.891	116.551.735	0	55.000.000
Long-term part	159.722.891	123.218.402	128.670.000	55.000.000
Within 1 year	32.996.667	21.666.667	26.330.000	15.000.000
Other short-term debt to credit institutions	1.505.961	1.265.908	0	734.905
Short-term part	34.502.628	22.932.575	26.330.000	15.734.905
	194.225.519	**146.150.977**	**155.000.000**	**70.734.905**
Lease obligations				
Between 1 and 5 years	2.341.190	16.034	0	0
Long-term part	2.341.190	16.034	0	0
Within 1 year	781.128	32.066	0	0
	3.122.318	**48.100**	**0**	**0**
Corporation tax				
Between 1 and 5 years	3.947.790	0	0	0
Long-term part	3.947.790	0	0	0
Within 1 year	0	103.493	0	0
	3.947.790	**103.493**	**0**	**0**
Other payables				
After 5 years	33.592.327	32.540.565	33.592.327	32.540.565
Between 1 and 5 years	9.216.518	5.332.272	3	1
Long-term part	42.808.845	37.872.837	33.592.330	32.540.566
Other short-term payables	24.370.084	16.966.463	12.641	11.249
	67.178.929	**54.839.300**	**33.604.971**	**32.551.815**

Notes to the Financial Statements

16 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK	DKK	DKK	DKK
Assets	87.296	514.169	0	0

17 Cash flow statement - adjustments

	Group	
	2020/21	2020
	DKK (12 months)	DKK (9 months)
Financial income	-754.340	-495.644
Financial expenses	7.627.129	7.217.342
Depreciation, amortisation and impairment losses, including losses and gains on sales	27.978.701	20.139.737
Tax on profit/loss for the year	3.978.633	-3.501.180
Other adjustments	-42.288	129.733
	38.787.835	**23.489.988**

18 Cash flow statement - change in working capital

Change in inventories	-28.104.371	16.341.806
Change in receivables	-17.130.317	-8.189.316
Change in other provisions	12.651	1.122
Change in trade payables, etc	19.437.089	7.264.332
Fair value adjustments of hedging instruments	-426.873	1.662.712
	-26.211.821	**17.080.656**

Notes to the Financial Statements

19 Contingent assets, liabilities and other financial obligations

	Group		Parent Company	
	2020/21	2020	2020/21	2020
	DKK	DKK	DKK	DKK
Charges and security				
The following assets have been placed as security with bankers:				
Floating company charge DKK 25 mio. in Trade receivables, stocks, plant and machinery, goodwill.	79.713.273	64.607.028	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	957.102	898.349	0	0
Between 1 and 5 years	984.327	1.807.411	0	0
	1.941.429	**2.705.760**	**0**	**0**
Rental obligations, non-cancellable period	36.197.161	41.779.466	0	0

Other contingent liabilities

The Parent Company has provided a charge on the shares in Menu A/S and by Lassen ApS and has provided guarantees towards bank commitments in the subsidiaries Menu A/S and SpaceCo ApS.

The company has put up a gurantee for the Norwegian customs authorities NOK 1.0 million.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of P-Menu 2018 A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

20 Related parties

	Basis
Controlling interest	
P-Menu 2018 A/S	The Company is the parent Company and has the control in Designers Company A/S.

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

P-Menu 2018 A/S, København
DSH Holding ApS, Gentofte
Schriver & Co. ApS, Århus

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Designers Company A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The company has last year changed its fiscal year from 1/1 - 31/12 to 1/10 - 30/9 with a conversion period from 1/1 2020 - 30/9 2020 and the comparative figures a therefore covering a 9 month period.

The Consolidated and Parent Company Financial Statements for 2020/21 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Designers Company A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Notes to the Financial Statements

21 Accounting Policies (continued)

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Notes to the Financial Statements

21 Accounting Policies (continued)

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

21 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

21 Accounting Policies (continued)

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

21 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Notes to the Financial Statements

21 Accounting Policies (continued)

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 10 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5-20 years. determined on the basis of Management’s experience with the individual business areas.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-20 years

The fixed assets’ residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

21 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Notes to the Financial Statements

21 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

21 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

Notes to the Financial Statements

21 Accounting Policies (continued)

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$