
BOLIA A/S

Værkmestergade 11, 1., DK-8000 Aarhus C

Annual Report for 1 September 2023 - 31 August 2024

CVR No. 25 45 19 96

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 18/12 2024

Jan Bøgh
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company information	4
Financial Highlights	5
Management's Review	6
Financial Statements	
Income Statement 1 September - 31 August	9
Balance sheet 31 August	10
Statement of changes in equity	12
Notes to the Financial Statements	13

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of BOLIA A/S for the financial year 1 September 2023 - 31 August 2024.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 August 2024 of the Company and of the results of the Company operations for 2023/24.

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.

Aarhus C, 14 November 2024

Executive Board

Lars Lyse Hansen
CEO

Board of Directors

Jan Bøgh
Chairman

Henrik Naundrup

Peter Dornonville de la Cour
Andsager

Niels Veien

Independent Auditor's report

To the shareholder of BOLIA A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2024 and of the results of the Company's operations for the financial year 1 September 2023 - 31 August 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BOLIA A/S for the financial year 1 September 2023 - 31 August 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 Financial Statements Act.

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

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aarhus C, 14 November 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh

State Authorised Public Accountant

mne26783

Company information

The Company	BOLIA A/S Værkmestergade 11, 1. DK-8000 Aarhus C CVR No: 25 45 19 96 Financial period: 1 September 2023 - 31 August 2024 Municipality of reg. office: Aarhus
Board of Directors	Jan Bøgh, chairman Henrik Naundrup Peter Dornonville de la Cour Andsager Niels Veien
Executive Board	Lars Lyse Hansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,426,537	1,275,267	1,315,078	1,176,422	1,039,331
Gross profit	373,522	300,806	328,826	334,719	292,480
Profit/loss of primary operations	38,811	-5,653	50,031	96,696	80,174
Profit/loss of financial income and expenses	-8,089	-16,258	-6,363	-8,206	-4,232
Net profit/loss for the year	23,242	-19,397	35,805	65,738	60,012
Balance sheet					
Balance sheet total	578,655	504,047	537,964	494,169	389,510
Investment in property, plant and equipment	53,483	62,652	65,787	57,732	19,366
Investment in intangible assets	31,837	37,188	39,771	41,713	40,622
Equity	163,540	140,298	159,695	188,890	162,152
Number of employees	484	443	415	347	308
Ratios					
Gross margin	26.2%	23.6%	25.0%	28.5%	28.1%
Profit margin	2.7%	-0.4%	3.8%	8.2%	7.7%
Return on assets	6.7%	-1.1%	9.3%	19.6%	20.6%
Solvency ratio	28.3%	27.8%	29.7%	38.2%	41.6%
Return on equity	15.3%	-12.9%	20.5%	37.5%	43.1%

Management's review

Key activities

The Company's key activity is the development and sales of own exclusive design collection consisting of furniture and lifestyle products for the private and professional markets. The collection is sold through the Company's own international concept stores and E-commerce platform, as well as through a global dealer and B2B network. The BOLIA concept stores are run as branches in Denmark, Norway, Germany, Sweden, Austria, Switzerland, France, Belgium, Luxembourg, Spain, and the Netherlands together with BOLIA partnership stores in Singapore and Australia.

Development in the financial year

During the financial year, the general market situation has remained highly competitive, and the consumer confidence relatively low on most markets. Despite the challenging business climate, BOLIA has increased sales across all markets. This is the result of continuous focus on design, quality and customer experience. Store expansion has been accelerated across current European markets and on new markets Spain and Australia and major investments has also been upheld in sustainable initiatives, concept development and digitalization.

Revenue for the financial year 2023/24 amounted to 1,426,537 tDKK. It also marks a record high turnover in the company's history. Profit for the year before tax was 30,722 tDKK which was above expectations.

The result before tax has been significantly improved from the previous financial year. Driven by higher sales, a stronger margin and a healthy cost ratio despite the major investments made in new concept development and international expansion. Considering these elements and activities, the year result is considered satisfactory.

Capital resources

On 31 August 2024, equity was 163,540 tDKK.

Targets and expectations for the year ahead

BOLIA International A/S plans to continue the focus on growth through design and concept development, as well as investing further in international expansion, sustainable initiatives, and digitalization. The expectation for the financial year 2024/25 is an improved year result with an expected profit before tax between 40 and 60 mDKK.

Research and development

In line with the Company's growth- and innovation strategy, major investments were made in design- and product development and sustainable initiatives throughout the value chain. Together with investments in digitalization and development of the global IT platform.

Statement of corporate social responsibility

The Company's corporate social responsibility report is included in the CSR reporting of the Group. Reference is made to Management's Review in the Annual Report 2023/24 of Lars Larsen Group A/S, CVR No. 86 00 15 19, which may be obtained from www.cvr.dk.

Management's review

Statement on gender composition

BOLIA International A/S aims to be a highly attractive workplace with equal opportunities for all employees. We will continue our work to further support our policy on gender equality at all other management levels and throughout the organization. To achieve this ambition, we will continue to work actively with our equal opportunities policy, our company values, and our human resources, while at the same time basing recruitment on qualifications and competences.

The gender representation at the various management levels is shown in the table below.

BOLIA International A/S	Total	Women in per cent	Men in per cent	Percentage of under-represented gender, %	Target, %	Target year
Total number of employees in BOLIA (All employees, incl. full and part time contracts)	818	76%	24%	24%		
Number of Board of Directors positions in BOLIA	4	0%	100%	0%	25%	2028
Number of Other Management Positions	28	61%	39%	39%	40%	2028

The Board of Directors currently consists of four male board members. The Board of Directors is appointed by the General Assembly and composed with the aim of ensuring the right professional competencies. The Board of Directors ambition is to have at least one female board member by 2028. The current gender composition appointed by the General Assembly is four male members.

For Other Management Positions the ambition is to achieve a gender composition of 60/40 by having 40% male Managers by 2028. The Bolia Gender Equality policy encompass initiatives to increase the share of the underrepresented gender. At the same time recruitment of Other Managers is being considered individually based on qualifications, experience and corporate cultural fit to provide equal opportunities for employees and applicants.

Statement on data ethics

The statement required under section 99(d) of the Danish Financial Statements Act are contained in the Consolidated financial statements of Lars Larsen Group A/S, CVR No. 86 00 15 19, which may be obtained from www.cvr.dk.

Management's review

Subsequent events

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

Income statement 1 September 2023 - 31 August 2024

	Note	2023/24	2022/23
		TDKK	TDKK
Revenue	1	1,426,537	1,275,267
Other operating income		7,300	0
Cost of goods sold		-702,963	-638,212
Other external expenses		-357,352	-336,249
Gross profit		373,522	300,806
Staff expenses	2	-242,372	-212,284
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-92,010	-93,486
Other operating expenses		-329	-689
Profit/loss before financial income and expenses		38,811	-5,653
Financial income	3	10,991	4,137
Financial expenses	4	-19,080	-20,395
Profit/loss before tax		30,722	-21,911
Tax on profit/loss for the year	5	-7,480	2,514
Net profit/loss for the year	6	23,242	-19,397

Balance sheet 31 August 2024

Assets

	Note	2023/24	2022/23
		TDKK	TDKK
Completed development projects		68,523	79,918
Acquired other similar rights		2,407	2,735
Intangible assets	7	70,930	82,653
Other fixtures and fittings, tools and equipment		31,274	37,445
Leasehold improvements		118,938	109,509
Property, plant and equipment	8	150,212	146,954
Investments in subsidiaries	9	0	0
Deposits	10	14,204	6,821
Fixed asset investments		14,204	6,821
Fixed assets		235,346	236,428
Finished goods and goods for resale		152,508	130,740
Inventories		152,508	130,740
Trade receivables		56,567	49,414
Other receivables		15,878	8,763
Corporation tax		0	7,252
Prepayments	11	46,762	49,526
Receivables		119,207	114,955
Cash at bank and in hand		71,594	21,924
Current assets		343,309	267,619
Assets		578,655	504,047

Balance sheet 31 August 2024

Liabilities and equity

	Note	2023/24	2022/23
		TDKK	TDKK
Share capital		1,800	1,800
Reserve for development costs		53,447	62,336
Retained earnings		108,293	76,162
Equity		163,540	140,298
Provision for deferred tax	12	16,037	17,286
Provisions		16,037	17,286
Trade payables		78,407	64,516
Payables to group enterprises		128,171	108,288
Corporation tax		9,077	3,813
Other payables		18,171	26,077
Deferred income	13	165,252	143,769
Short-term debt		399,078	346,463
Debt		399,078	346,463
Liabilities and equity		578,655	504,047
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Fee to auditors appointed at the general meeting	16		
Subsequent events	17		
Accounting Policies	18		

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 September	1,800	62,336	76,162	140,298
Development costs for the year	0	-8,889	8,889	0
Net profit/loss for the year	0	0	23,242	23,242
Equity at 31 August	1,800	53,447	108,293	163,540

Notes to the Financial Statements

	2023/24	2022/23
	TDKK	TDKK
1. Revenue		
Business segments		
Business to consumer	1,279,680	1,135,483
Business to business	146,857	139,784
	<u>1,426,537</u>	<u>1,275,267</u>

With reference to section 96(1) of the Danish Financial Statements Act, no disclosure is made of the breakdown of revenue into geographical markets as Company Management, including the Board of Directors, finds that such disclosure would be very detrimental to the Company.

	2023/24	2022/23
	TDKK	TDKK
2. Staff Expenses		
Wages and salaries	196,462	182,904
Pensions	18,060	10,550
Other social security expenses	27,850	18,830
	<u>242,372</u>	<u>212,284</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>484</u>	<u>443</u>
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	2023/24	2022/23
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	10,207	2,013
Other financial income	784	2,087
Exchange gains	0	37
	<u>10,991</u>	<u>4,137</u>

Notes to the Financial Statements

	2023/24	2022/23
	TDKK	TDKK
4. Financial expenses		
Interest paid to group enterprises	8,191	8,808
Other financial expenses	10,889	11,301
Exchange loss	0	286
	19,080	20,395

	2023/24	2022/23
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	8,352	-3,405
Deferred tax for the year	-1,249	-1,070
Adjustment of tax concerning previous years	377	-19,574
Adjustment of deferred tax concerning previous years	0	21,535
	7,480	-2,514

	2023/24	2022/23
	TDKK	TDKK
6. Profit allocation		
Transfer for the year to other reserves	8,889	6,664
Other statutory reserves	-8,889	-6,664
Retained earnings	23,242	-19,397
	23,242	-19,397

Notes to the Financial Statements

7. Intangible fixed assets

	Completed development projects	Acquired other similar rights
	TDKK	TDKK
Cost at 1 September	255,136	7,422
Additions for the year	31,837	0
Cost at 31 August	286,973	7,422
Impairment losses and amortisation at 1 September	175,218	4,687
Amortisation for the year	43,232	328
Impairment losses and amortisation at 31 August	218,450	5,015
Carrying amount at 31 August	68,523	2,407

Development projects relate to the development of the company's digital platform, which is fully implemented by the business. Sub-projects of the IT project are completed on an ongoing basis.

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK
Cost at 1 September	128,014	284,255
Additions for the year	11,469	42,014
Disposals for the year	-59,400	-85,322
Cost at 31 August	80,083	240,947
Impairment losses and depreciation at 1 September	90,569	174,746
Depreciation for the year	16,374	32,076
Reversal of impairment and depreciation of sold assets	-58,134	-84,813
Impairment losses and depreciation at 31 August	48,809	122,009
Carrying amount at 31 August	31,274	118,938

Notes to the Financial Statements

	2023/24 TDKK	2022/23 TDKK
9. Investments in subsidiaries		
Cost at 1 September	0	0
Cost at 31 August	0	0
Carrying amount at 31 August	0	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Owner- ship	Equity	Net profit/loss for the year
Bolia Inc.	Delaware, USA	0	100%	0	0
				0	0

10. Other fixed asset investments

	Deposits TDKK
Cost at 1 September	6,821
Additions for the year	8,342
Disposals for the year	-959
Cost at 31 August	14,204
Carrying amount at 31 August	14,204

11. Prepayments

Prepayments and accrued income consist mainly of prepaid expenses relating to rent and marketing.

Notes to the Financial Statements

	2023/24 TDKK	2022/23 TDKK
12. Provision for deferred tax		
Deferred tax liabilities at 1 September	17,286	-3,179
Amounts recognised in the income statement for the year	-1,249	20,465
Deferred tax liabilities at 31 August	16,037	17,286
Fixed asset investments	-4,688	-970
Trade receivables	-523	-557
Leasehold improvements	3,883	3,566
Rights	74	7
Prepayments	2,217	1,614
Development projects	15,074	13,626
	16,037	17,286

13. Deferred income

Prepayments are mainly made up of prepayments received regarding income in the following years as well as issued gift cards.

Notes to the Financial Statements

	2023/24	2022/23
	TDKK	TDKK
14. Contingent assets, liabilities and other financial obligations		
Other contingent liabilities		
At 31 August, the Company has assumed rental obligations, which are non-terminable for 1-7 years, and which total:	437,526	313,641
At 31 August, the Company has assumed lease commitments, which are non-terminable for 1-3 years, and which total:	533	530
Guarantees have been provided to external parties, which at 31 August amounted to:	30,863	32,281
The company's enterprises 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 Lars Larsen Group 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.		
Lars Larsen Group A/S has entered into an agreement concerning a group arrangement for Lars Larsen Group. As of 31 August 2023 0 kDKK had been withdrawn from the total group facility. As a participant in the group account arrangement, Bolia A/S has provided surety towards credit institutions as security for Lars Larsen Group A/S' obligations under the group agreement.		

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Lars Larsen Group A/S, CVR-nr. 86 00 15 19	Parent entity

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.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
Lars Larsen Group A/S, CVR-nr. 86 00 15 19	Aarhus

The Group Annual Report of Lars Larsen Group A/S, CVR-nr. 86 00 15 19 may be obtained at the following address:

Lars Larsen Group A/S
Randersvej 2C
8600 Silkeborg
Danmark

16. Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act and to the consolidated financial statements for 2023/24 of Lars Larsen Group A/S, CVR-nr. 86 00 15 19, the Company has not disclosed the fee to the auditors appointed at the general meeting.

17. Subsequent events

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

Notes to the Financial Statements

18. Accounting policies

The Annual Report of BOLIA A/S for 2023/24 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Regarding to the true and fair view of the financial statement, certain reclassifications have been made in the notes. Comparative figures have been adjusted accordingly.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023/24 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023/24 of Lars Larsen Group A/S, CVR-nr. 86 00 15 19, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Lars Larsen Group A/S, CVR-nr. 86 00 15 19, the Company has not prepared a cash flow statement.

Social responsibility

With reference to section 99(7) of the Danish Financial Statements Act and to the social responsibility included in the consolidated financial statements of Lars Larsen Group A/S, CVR-nr. 86 00 15 19, the Company has not prepared social responsibility statement in the Management's Review.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

Notes to the Financial Statements

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.

Segment information on revenue

With reference to section 96(1) of the Danish Financial Statements Act, no disclosure is made of the breakdown of revenue into business segments as Company Management, including the Board of Directors, finds that such disclosure would be very detrimental to the Company.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before the end of the financial year;
- a binding sales agreement has been made;
- the selling price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

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

Cost of goods sold

Cost of goods sold comprise the purchase price etc. for goods sold in the year.

Other external expenses

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

With reference to section 96(3) of the Danish Financial Statements Act, no disclosure is made of the fee to the auditors appointed at the general meeting. We refer to the statement in Lars Larsen Group A/S' Consolidated Financial Statements.

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.

Other operating income and expenses

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

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Notes to the Financial Statements

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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Lars Larsen Group A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Development projects

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 enterprise 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.

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 year.

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

Rights are amortised over the period of the agreement, which is 6 years.

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.

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:

Notes to the Financial Statements

Other fixtures and fittings, tools and equipment	3-6 years
Plant and machinery	6 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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 measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

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 and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Equity

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

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.

Notes to the Financial Statements

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.

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 liabilities

Payables are recognised at cost at the time of incurring the debt. Subsequently, they are determined at amortised cost, which in terms of short-term and non-interest-bearing liabilities as well as variable-rate liabilities usually corresponds to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$