

Midform A/S
Central Business Registration No
16276138
Fynsvej 27
5500 Middelfart

Annual report 2015/16

The Annual General Meeting adopted the annual report on 13.12.2016

Chairman of the General Meeting

Name: Lars Aaen

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Entity details

Entity

Midform A/S
Fynsvej 27
5500 Middelfart

Central Business Registration No: 16276138

Registered in: Middelfart, Denmark

Financial year: 01.10.2015 - 30.09.2016

Board of Directors

Lars Aaen
Claus Hansson
Maria Struckmann

Executive Board

Lars Ryholl

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Midform A/S for the financial year 01.10.2015 - 30.09.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2016 and of the results of its operations for the financial year 01.10.2015 - 30.09.2016.

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

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

Middelfart, 13.12.2016

Executive Board

Lars Ryholl

Board of Directors

Lars Aaen

Claus Hansson

Maria Struckmann

Independent auditor's reports

To the owners of Midform A/S

Report on the financial statements

We have audited the financial statements of Midform A/S for the financial year 01.10.2015 - 30.09.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30.09.2016 and of the results of its operations for the financial year 01.10.2015 - 30.09.2016 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Kolding, 13.12.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders Rosendahl Poulsen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

Through rational and cost effective operations, the Company delivers mould shaped, laminated components and solutions for the international furniture industry.

Development in activities and finances

The result for the year was a profit, which is considered satisfactory by Management.

Reorganisations and cost adjustments have been made, which have contributed to a minor improvement of operations. Moreover, initiatives have been taken to focus on revenue growth.

The parent company has made a contribution of DKK 7m to support the Company.

The development after the balance sheet date follows the budgets and plans made.

Events after the balance sheet date

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

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises. Moreover, the provisions governing reporting class C concerning recognition of production overhead on inventories have been added.

Referring to section 110 of the Danish Financial Statements Act, Midform A/S has not prepared any consolidated financial statements.

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of fixed asset investments and liabilities are recognised in the income statement as financial income or financial expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Accounting policies

Income statement

Gross profit or loss

Gross profit or loss is an aggregation of revenue for the year (revenue), cost of sales for the year to achieve revenue for the year (cost of sales) and operating and maintenance expenses for the year on property, plant and equipment as well as sales and administrative expenses (other external expenses).

Revenue

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

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

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

Other financial income

Other financial income comprises interest income, realised and unrealised capital gains on transactions in foreign currencies, amortisation of fixed asset investments, cash discounts as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, realised and unrealised capital losses on transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

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

The Entity is jointly taxed with its Parent and all of the Parent's other Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

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

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 2-5 years. Development projects are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings are measured at cost with addition of revaluations and for buildings less accumulated depreciation and impairment losses. Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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

Buildings	50 years
Plant and machinery, other fixtures and fittings etc.	3-25 years

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

Investments in group enterprises

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

Inventories

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management.

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

Receivables

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

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

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost corresponding to the capitalised value applying the effective interest method.

Other financial liabilities

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

Prepayments received from customers

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

Income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK'000</u>
Gross profit		7.223.670	6.113
Staff costs	1	(5.957.515)	(6.274)
Depreciation, amortisation and impairment losses	2	<u>(645.346)</u>	<u>(636)</u>
Operating profit/loss		620.809	(797)
Income from investments in group enterprises		(167.925)	(81)
Other financial income	3	27.579	0
Other financial expenses	4	<u>(432.887)</u>	<u>(456)</u>
Profit/loss from ordinary activities before tax		47.576	(1.334)
Tax on profit/loss from ordinary activities	5	<u>(26.959)</u>	<u>428</u>
Profit/loss for the year		<u>20.617</u>	<u>(906)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>20.617</u>	<u>(906)</u>
		<u>20.617</u>	<u>(906)</u>

Balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK'000</u>
Completed development projects		272.466	217
Intangible assets	6	<u>272.466</u>	<u>217</u>
Land and buildings		11.344.323	11.505
Other fixtures and fittings, tools and equipment		612.271	684
Property, plant and equipment	7	<u>11.956.594</u>	<u>12.189</u>
Investments in group enterprises		0	0
Fixed asset investments	8	<u>0</u>	<u>0</u>
Fixed assets		<u>12.229.060</u>	<u>12.406</u>
Raw materials and consumables		1.524.883	1.267
Work in progress		578.763	781
Manufactured goods and goods for resale		673.879	720
Inventories		<u>2.777.525</u>	<u>2.768</u>
Trade receivables		3.843.230	2.150
Receivables from group enterprises		933.032	1.930
Other short-term receivables		86.645	79
Prepayments		277.539	307
Receivables		<u>5.140.446</u>	<u>4.466</u>
Cash		<u>31.437</u>	<u>98</u>
Current assets		<u>7.949.408</u>	<u>7.332</u>
Assets		<u>20.178.468</u>	<u>19.738</u>

Balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK'000</u>
Contributed capital	9	1.900.000	1.900
Revaluation reserve		4.680.000	4.680
Retained earnings		617.976	(6.405)
Equity		<u>7.197.976</u>	<u>175</u>
Provisions for deferred tax		1.591.532	1.227
Provisions		<u>1.591.532</u>	<u>1.227</u>
Mortgage debts		5.664.833	6.014
Non-current liabilities other than provisions	10	<u>5.664.833</u>	<u>6.014</u>
Current portion of long-term liabilities other than provisions	10	410.734	443
Bank loans		8	5
Prepayments received from customers		250.154	0
Trade payables		1.365.974	1.756
Debt to group enterprises		1.506.928	8.673
Other payables		2.190.329	1.445
Current liabilities other than provisions		<u>5.724.127</u>	<u>12.322</u>
Liabilities other than provisions		<u>11.388.960</u>	<u>18.336</u>
Equity and liabilities		<u>20.178.468</u>	<u>19.738</u>
Contingent liabilities	11		
Assets charged and collateral	12		

Statement of changes in equity for 2015/16

	Contributed capital DKK	Revaluation reserve DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.900.000	4.680.000	(6.405.543)	174.457
Other adjustments	0	0	7.002.902	7.002.902
Profit/loss for the year	0	0	20.617	20.617
Equity end of year	1.900.000	4.680.000	617.976	7.197.976

Notes

	2015/16	2014/15
	DKK	DKK'000
1. Staff costs		
Wages and salaries	5.518.527	5.917
Other social security costs	179.624	165
Other staff costs	259.364	192
	5.957.515	6.274
Number of employees at balance sheet date	12	12
	2015/16	2014/15
	DKK	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	109.878	104
Depreciation of property, plant and equipment	535.468	532
	645.346	636
	2015/16	2014/15
	DKK	DKK'000
3. Other financial income		
Financial income arising from group enterprises	27.579	0
	27.579	0
	2015/16	2014/15
	DKK	DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	160.546	113
Interest expenses	272.341	343
	432.887	456
	2015/16	2014/15
	DKK	DKK'000
5. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	364.099	784
Adjustment relating to previous years	(337.140)	(1.100)
Effect of changed tax rates	0	(112)
	26.959	(428)

The adjustment relating to previous year concerns the allocation in the joint taxation.

Notes

		Completed development projects DKK
6. Intangible assets		
Cost beginning of year		480.982
Additions		165.026
Cost end of year		646.008
Amortisation and impairment losses beginning of year		(263.664)
Amortisation for the year		(109.878)
Amortisation and impairment losses end of year		(373.542)
Carrying amount end of year		272.466
	Land and buildings DKK	Other fix- tures and fittings, tools and equipment DKK
7. Property, plant and equipment		
Cost beginning of year	10.630.446	13.751.372
Additions	152.836	150.138
Cost end of year	10.783.282	13.901.510
Revaluations beginning of year	6.000.000	0
Revaluations end of year	6.000.000	0
Depreciation and impairment losses beginning of the year	(5.125.179)	(13.067.551)
Depreciation for the year	(313.780)	(221.688)
Depreciation and impairment losses end of the year	(5.438.959)	(13.289.239)
Carrying amount end of year	11.344.323	612.271

The assessment of real property at 01.10.2015 amounts to DKK 12.700.000.

Notes

	Investments in group enterprises DKK
8. Fixed asset investments	
Cost beginning of year	17.708
Cost end of year	17.708
Impairment losses beginning of year	(90.397)
Exchange rate adjustments	2.902
Share of profit/loss after tax	(167.925)
Other adjustments	237.712
Impairment losses end of year	(17.708)
Carrying amount end of year	0

Other adjustments comprise deficit for set-off against intercompany balance with the Parent company.

	Registered in	Equity interest %
Subsidiaries:		
Midform sp. Z.O.O.	Poland	100,00

	Number	Par value DKK	Nominal value DKK
9. Contributed capital			
Ordinary shares	1.900	1.000,00	1.900.000
	1.900		1.900.000

The contributed capital has not been divided into classes.

	Instalments within 12 months 2014/15 DKK'000	Instalments within 12 months 2015/16 DKK	Instalments beyond 12 months 2015/16 DKK	Outstanding after 5 years 2015/16 DKK
10. Long-term liabilities other than provisions				
Mortgage debts	443	410.734	5.664.833	4.021.896
	443	410.734	5.664.833	4.021.896

Notes

11. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which C. Hansson Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2012/13 for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these companies.

12. Assets charged and collateral

	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises production equipment and machinery appurtenant to the properties.		
Bank debt and other credit institutions are secured by way of deposited mortgage deed registered to the mortgagor on the property of totally DKK 7.200k nominal.		
Carrying amount of property pledged	<u>11.344</u>	<u>11.505</u>
Bank debt is secured by way of a company pledge with security in an all-moneys mortgage of DKK 17.000k comprising unsecured receivables from sale of goods and services, inventories of raw materials, semi-manufactured goods and finished goods, fixtures and fittings etc. and operating equipment as well as goodwill, domain names and intellectual rights.		
Carrying amount of inventories pledged	<u>2.778</u>	<u>2.767</u>
Carrying amount of other fixtures and fittings, etc. pledged	<u>612</u>	<u>684</u>
Carrying amount of trade receivables pledged	<u>3.843</u>	<u>2.150</u>
The Company has issued a guarantee of payment for bank debt in other Danish group enterprises.		
	<u>933</u>	<u>1.930</u>

Notes

The Company has issued a gurantee of payment for bank debt in Midform Holding ApS, C. Hansson Holding and Rufac ApS.