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

Annual report 01.10.2017 - 30.09.2018

The Annual General Meeting adopted the annual report on 29.11.2018

Chairman of the General Meeting

____
Name: Lars Aaen

Contents

Entity details

Entity
Midform A/S
Fynsvej 27
5500 Middelfart

Central Business Registration No (CVR): 16276138
Registered in: Middelfart
Financial year: 01.10.2017 - 30.09.2018

Board of Directors
Lars Aaen, chairman
Claus Hansson
Maria Struckmann

Executive Board
Claus Hansson, CEO

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 01.10.2017 - 30.09.2018.

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 30.09.2018 and of the results of its operations for the financial year 01.10.2017 - 30.09.2018.

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, 29.11.2018

Executive Board

Claus Hansson
CEO

Board of Directors

Lars Aaen chairman	Claus Hansson	Maria Struckmann

Independent auditor's report

To the shareholders of Midform A/S

Opinion

We have audited the financial statements of Midform A/S for the financial year 01.10.2017 - 30.09.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2018 and of the results of its operations for the financial year 01.10.2017 - 30.09.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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

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

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

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

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

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

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

Independent auditor's report

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

Kolding, 29.11.2018

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Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Bjerregaard Nielsen
State Authorised Public Accountant
Identification No (MNE) mne29393

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 loss, which is considered unsatisfying by Management.

A new strategy for the company has been decided. Reorganisations and cost adjustments are in progress and will contribute to a minor improvement of operations.

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.

Income statement for 2017/18

	Notes	2017/18 DKK	2016/17 DKK
Gross profit		**5.168.966**	**6.266.657**
Staff costs	1	(7.844.286)	(7.104.127)
Depreciation, amortisation and impairment losses	2	(668.381)	(653.615)
Operating profit/loss		**(3.343.701)**	**(1.491.085)**
Income from investments in group enterprises		87.844	(451.694)
Other financial expenses	3	(282.279)	(242.736)
Profit/loss before tax		**(3.538.136)**	**(2.185.515)**
Tax on profit/loss for the year	4	797.687	353.532
Profit/loss for the year		**(2.740.449)**	**(1.831.983)**
Proposed distribution of profit/loss			
Retained earnings		(2.740.449)	(1.831.983)
		(2.740.449)	**(1.831.983)**

Balance sheet at 30.09.2018

	Notes	2017/18 DKK	2016/17 DKK
Completed development projects		540.620	656.122
Intangible assets	5	**540.620**	**656.122**
Land and buildings		10.777.407	11.092.364
Other fixtures and fittings, tools and equipment		594.359	684.010
Property, plant and equipment	6	**11.371.766**	**11.776.374**
Investments in group enterprises		264.416	175.144
Fixed asset investments	7	**264.416**	**175.144**
Fixed assets		**12.176.802**	**12.607.640**
Raw materials and consumables		1.486.372	1.660.186
Work in progress		1.336.876	918.173
Manufactured goods and goods for resale		1.208.257	1.070.257
Inventories		**4.031.505**	**3.648.616**
Cash		**3.042**	**3.167**
Current assets		**7.533.983**	**6.862.018**
Assets		**19.710.785**	**19.469.658**

Balance sheet at 30.09.2018

	Notes	2017/18 DKK	2016/17 DKK
Contributed capital	8	1.900.000	1.900.000
Revaluation reserve		4.680.000	4.680.000
Other reserves		211.429	230.406
Retained earnings		(4.180.707)	(1.460.663)
Equity		**2.610.722**	**5.349.743**
Deferred tax		1.684.000	1.238.000
Provisions		**1.684.000**	**1.238.000**
Mortgage debt		4.844.533	5.255.831
Non-current liabilities other than provisions	9	**4.844.533**	**5.255.831**
Current portion of long-term liabilities other than provisions	9	414.737	412.684
Bank loans		376.514	39.930
Prepayments received from customers		129.760	506.700
Trade payables		1.235.537	1.353.257
Payables to group enterprises		7.479.878	4.094.141
Other payables		935.104	1.219.372
Current liabilities other than provisions		**10.571.530**	**7.626.084**
Liabilities other than provisions		**15.416.063**	**12.881.915**
Equity and liabilities		**19.710.785**	**19.469.658**
Unrecognised rental and lease commitments	10		
Assets charged and collateral	11		

Statement of changes in equity for 2017/18

	Contributed capital DKK	Revaluation reserve DKK	Other reserves DKK	Retained earnings DKK
Equity beginning of year	1.900.000	4.680.000	230.406	(1.460.663)
Other entries on equity	0	0	(24.303)	25.731
Tax of entries on equity	0	0	5.326	(5.326)
Profit/loss for the year	0	0	0	(2.740.449)
Equity end of year	**1.900.000**	**4.680.000**	**211.429**	**(4.180.707)**

	Total DKK
Equity beginning of year	5.349.743
Other entries on equity	1.428
Tax of entries on equity	0
Profit/loss for the year	(2.740.449)
Equity end of year	**2.610.722**

Notes

	2017/18 DKK	2016/17 DKK
1. Staff costs		
Wages and salaries	7.408.774	6.575.218
Other social security costs	274.270	258.757
Other staff costs	161.242	270.152
	7.844.286	**7.104.127**
Average number of employees	**17**	**16**

	2017/18 DKK	2016/17 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	178.017	153.465
Depreciation of property, plant and equipment	490.364	507.150
Profit/loss from sale of intangible assets and property, plant and equipment	0	(7.000)
	668.381	**653.615**

	2017/18 DKK	2016/17 DKK
3. Other financial expenses		
Financial expenses from group enterprises	100.102	17.918
Other interest expenses	182.177	224.818
	282.279	**242.736**

	2017/18 DKK	2016/17 DKK
4. Tax on profit/loss for the year		
Current tax	(739.687)	0
Change in deferred tax	(58.000)	(381.000)
Adjustment concerning previous years	0	27.468
	(797.687)	**(353.532)**

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

Notes

	Completed development projects DKK
5. Intangible assets	
Cost beginning of year	1.183.129
Additions	62.515
Cost end of year	**1.245.644**
Amortisation and impairment losses beginning of year	(527.007)
Amortisation for the year	(178.017)
Amortisation and impairment losses end of year	**(705.024)**
Carrying amount end of year	**540.620**

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment		
Cost beginning of year	10.846.212	14.068.010
Additions	0	85.756
Cost end of year	**10.846.212**	**14.153.766**
Revaluations beginning of year	6.000.000	0
Revaluations end of year	**6.000.000**	**0**
Depreciation and impairment losses beginning of year	(5.753.848)	(13.384.000)
Depreciation for the year	(314.957)	(175.407)
Depreciation and impairment losses end of year	**(6.068.805)**	**(13.559.407)**
Carrying amount end of year	**10.777.407**	**594.359**

Notes

	Investments in group enterprises DKK
7. Fixed asset investments	
Cost beginning of year	882.258
Cost end of year	**882.258**
Impairment losses beginning of year	(707.114)
Exchange rate adjustments	1.428
Share of profit/loss for the year	87.844
Impairment losses end of year	**(617.842)**
Carrying amount end of year	**264.416**

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

	Registered in	Equity interest %
Investments in group enterprises comprise:		
Midform sp. Z.O.O.	Poland	100,0

Notes

	Number	Par value DKK	Nominal value DKK
8. Contributed capital			
Ordinary shares	1.900	1000	1.900.000
	1.900		**1.900.000**

The contributed capital has not been divided into classes.

	Due within 12 months 2017/18 DKK	Due within 12 months 2016/17 DKK	Due after more than 12 months 2017/18 DKK	Outstanding after 5 years DKK
9. Liabilities other than provisions				
Mortgage debt	414.737	412.684	4.844.533	3.218.903
	414.737	**412.684**	**4.844.533**	**3.218.903**

	2017/18 DKK	2016/17 DKK
10. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**111.240**	**158.920**

Notes

11. Assets charged and collateral

	2017/18 DKK'000	2016/17 DKK'000
Mortgage debt is secured by way of mortage 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	**10.777**	**11.092**
Bank debt is secured by way of a company pledge with security in an all-moneys mortage 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	**4.365**	**3.849**
Carrying amount of other fixtures and fittings, etc. pledged	**594**	**684**
Carrying amount of trade receivables pledged	**1.761**	**1.587**
The Company has issued a guarantee of payment for bank debt in other Danish group enterprises.	**0**	**0**

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 with addition of certain provisions for report-ing class C.

Referring to section 110 of the Danish Financial Statements Act, Midform A/S has not prepared ane 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.

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).

Accounting policies

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.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity’s primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

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.

Depreciation, amortisation 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 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.

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

Accounting policies

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.

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

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

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.

The estimated lives and residual values are re-assessed on a yearly basis.

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.

Accounting policies

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.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. ♥For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

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.

Accounting policies

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.