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

**Annual report 01.10.2018
- 30.09.2019**

The Annual General Meeting adopted the annual report on 23.01.2020

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 (CVR): 16276138

Registered in: Middelfart

Financial year: 01.10.2018 - 30.09.2019

Board of Directors

Lars Aaen
Claus Hansson
Anders Rosendahl Poulsen

Executive Board

Claus Hansson

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 01.10.2018 - 30.09.2019.

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 30.09.2019 and of the results of its operations for the financial year 01.10.2018 - 30.09.2019.

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, 19.12.2019

Executive Board

Claus Hansson

Board of Directors

Lars Aaen

Claus Hansson

Anders Rosendahl Poulsen

Independent auditor's extended review report

To the shareholders of Midform A/S

Conclusion

We have performed an extended review of the financial statements of Midform A/S for the financial year 01.10.2018 - 30.09.2019, 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.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2019 and of the results of its operations for the financial year 01.10.2018 - 30.09.2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements". We are independent of the Entity in accordance with the International Ethics Standards Board for 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

Independent auditor's extended review report

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

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 extended review 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 extended review or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with 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, 19.12.2019

Deloitte

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 and implemented. Reorganizations and cost adjustments are in progress and will contribute to an improvement of operations.

Due to the loss, the company has a negative equity. The parent company has in fact supported the company and will continue to do so in 2019/20

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 2018/19

	<u>Notes</u>	<u>2018/19</u> <u>DKK</u>	<u>2017/18</u> <u>DKK</u>
Gross profit		4.533.103	5.168.966
Staff costs	1	(6.688.936)	(7.844.286)
Depreciation, amortisation and impairment losses	2	<u>(600.997)</u>	<u>(668.381)</u>
Operating profit/loss		(2.756.830)	(3.343.701)
Income from investments in group enterprises		(211.172)	87.844
Other financial expenses	3	<u>(426.065)</u>	<u>(282.279)</u>
Profit/loss before tax		(3.394.067)	(3.538.136)
Tax on profit/loss for the year	4	<u>700.374</u>	<u>797.687</u>
Profit/loss for the year		<u>(2.693.693)</u>	<u>(2.740.449)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(2.693.693)</u>	<u>(2.740.449)</u>
		(2.693.693)	(2.740.449)

Balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19</u> <u>DKK</u>	<u>2017/18</u> <u>DKK</u>
Completed development projects		365.056	540.620
Intangible assets	5	<u>365.056</u>	<u>540.620</u>
Land and buildings		10.462.450	10.777.407
Other fixtures and fittings, tools and equipment		334.929	594.359
Property, plant and equipment	6	<u>10.797.379</u>	<u>11.371.766</u>
Investments in group enterprises		47.495	264.416
Fixed asset investments	7	<u>47.495</u>	<u>264.416</u>
Fixed assets		<u>11.209.930</u>	<u>12.176.802</u>
Raw materials and consumables		2.917.899	1.486.372
Work in progress		675.839	1.336.876
Manufactured goods and goods for resale		427.235	1.208.257
Inventories		<u>4.020.973</u>	<u>4.031.505</u>
Trade receivables		1.686.246	1.499.182
Receivables from group enterprises		1.404.308	998.390
Other receivables		97.309	102.377
Joint taxation contribution receivable		615.374	739.687
Prepayments		56.987	159.799
Receivables		<u>3.860.224</u>	<u>3.499.435</u>
Cash		<u>105.356</u>	<u>3.042</u>
Current assets		<u>7.986.553</u>	<u>7.533.982</u>
Assets		<u>19.196.483</u>	<u>19.710.784</u>

Balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19</u> <u>DKK</u>	<u>2017/18</u> <u>DKK</u>
Contributed capital	8	1.900.000	1.900.000
Revaluation reserve		3.688.359	4.680.000
Other reserves		151.863	211.429
Retained earnings		<u>(5.828.942)</u>	<u>(4.180.707)</u>
Equity		<u>(88.720)</u>	<u>2.610.722</u>
Deferred tax		<u>1.599.000</u>	<u>1.684.000</u>
Provisions		<u>1.599.000</u>	<u>1.684.000</u>
Mortgage debt		<u>4.429.099</u>	<u>4.844.533</u>
Non-current liabilities other than provisions	9	<u>4.429.099</u>	<u>4.844.533</u>
Current portion of long-term liabilities other than provisions	9	418.718	414.737
Bank loans		208.957	376.514
Prepayments received from customers		132.709	129.760
Trade payables		1.068.768	1.235.536
Payables to group enterprises		10.968.676	7.479.878
Other payables		<u>459.276</u>	<u>935.104</u>
Current liabilities other than provisions		<u>13.257.104</u>	<u>10.571.529</u>
Liabilities other than provisions		<u>17.686.203</u>	<u>15.416.062</u>
Equity and liabilities		<u>19.196.483</u>	<u>19.710.784</u>
Unrecognised rental and lease commitments	10		
Assets charged and collateral	11		

Statement of changes in equity for 2018/19

	Contributed capital DKK	Revaluation reserve DKK	Other reserves DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	1.900.000	4.680.000	211.429
Dissolution of revaluations	0	(991.641)	0
Other entries on equity	0	0	(76.367)
Tax of entries on equity	0	0	16.801
Profit/loss for the year	<u>0</u>	<u>0</u>	<u>0</u>
Equity end of year	<u>1.900.000</u>	<u>3.688.359</u>	<u>151.863</u>

	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	(4.180.707)	2.610.722
Dissolution of revaluations	991.641	0
Other entries on equity	70.618	(5.749)
Tax of entries on equity	(16.801)	0
Profit/loss for the year	<u>(2.693.693)</u>	<u>(2.693.693)</u>
Equity end of year	<u>(5.828.942)</u>	<u>(88.720)</u>

Notes

	2018/19	2017/18
	DKK	DKK
1. Staff costs		
Wages and salaries	6.478.401	7.408.774
Other social security costs	123.986	274.270
Other staff costs	86.549	161.242
	6.688.936	7.844.286
Average number of employees	6	17
	2018/19	2017/18
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	175.564	178.017
Depreciation of property, plant and equipment	448.475	490.364
Profit/loss from sale of intangible assets and property, plant and equipment	(23.042)	0
	600.997	668.381
	2018/19	2017/18
	DKK	DKK
3. Other financial expenses		
Financial expenses from group enterprises	171.486	100.102
Other interest expenses	254.579	182.177
	426.065	282.279
	2018/19	2017/18
	DKK	DKK
4. Tax on profit/loss for the year		
Current tax	(615.374)	(739.687)
Change in deferred tax	(85.000)	(58.000)
	(700.374)	(797.687)

Notes

		Completed develop- ment projects DKK
		<u>DKK</u>
5. Intangible assets		
Cost beginning of year		1.245.644
Cost end of year		<u>1.245.644</u>
Amortisation and impairment losses beginning of year		(705.024)
Amortisation for the year		<u>(175.564)</u>
Amortisation and impairment losses end of year		<u>(880.588)</u>
Carrying amount end of year		<u>365.056</u>
		Other fixtures and fittings, tools and equipment DKK
	Land and buildings DKK	DKK
	<u>DKK</u>	<u>DKK</u>
6. Property, plant and equipment		
Cost beginning of year	10.846.212	14.153.766
Additions	0	19.780
Disposals	<u>0</u>	<u>(5.580.483)</u>
Cost end of year	<u>10.846.212</u>	<u>8.593.063</u>
Revaluations beginning of year	<u>6.000.000</u>	<u>0</u>
Revaluations end of year	<u>6.000.000</u>	<u>0</u>
Depreciation and impairment losses beginning of year	(6.068.805)	(13.559.407)
Depreciation for the year	(314.957)	(133.518)
Reversal regarding disposals	<u>0</u>	<u>5.434.791</u>
Depreciation and impairment losses end of year	<u>(6.383.762)</u>	<u>(8.258.134)</u>
Carrying amount end of year	<u>10.462.450</u>	<u>334.929</u>

Notes

	Invest- ments in group enterprises DKK
	<u> </u>
7. Fixed asset investments	
Cost beginning of year	882.258
Cost end of year	<u>882.258</u>
Impairment losses beginning of year	(617.842)
Exchange rate adjustments	(5.749)
Share of profit/loss for the year	<u>(211.172)</u>
Impairment losses end of year	<u>(834.763)</u>
Carrying amount end of year	<u>47.495</u>
	Equity inte- rest
	<u> </u>
	Registered in
	<u> </u>
Investments in group enterprises comprise:	
Midform sp. Z.O.O.	Poland 100,0

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
8. Contributed capital			
Ordinary shares	<u>1.900</u>	1000	<u>1.900.000</u>
	<u>1.900</u>		<u>1.900.000</u>

The contributed capital has not been divided into classes.

	<u>Due within 12 months 2018/19 DKK</u>	<u>Due within 12 months 2017/18 DKK</u>	<u>Due after more than 12 months 2018/19 DKK</u>	<u>Outstanding after 5 years DKK</u>
9. Liabilities other than provisions				
Mortgage debt	<u>418.718</u>	<u>414.737</u>	<u>4.429.099</u>	<u>2.788.539</u>
	<u>418.718</u>	<u>414.737</u>	<u>4.429.099</u>	<u>2.788.539</u>

	<u>2018/19 DKK</u>	<u>2017/18 DKK</u>
10. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>102.953</u>	<u>111.240</u>

Notes

11. Assets charged and collateral

	<u>2018/19</u> <u>DKK'000</u>	<u>2017/18</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>10.462</u>	<u>10.777</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>4.021</u>	<u>4.032</u>
Carrying amount of other fixtures and fittings, etc. pledged	<u>335</u>	<u>594</u>
Carrying amount of trade receivables pledged	<u>1.686</u>	<u>1.499</u>
The Company has issued a guarantee of payment for bank debt in other Danish group enterprises.	<u>0</u>	<u>0</u>

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 reporting class C.

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.

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 Pre-payment 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.