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FORSCO ApS
Oliehavnsvej 2, 2.
8000 Aarhus C
Business Registration No
25611799

Annual report 2018

Godkendt på selskabets generalforsamling, den 20.06.2019

Dirigent

Name: Christian Frismodt

Member of Deloitte Touche Tohmatsu Limited

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Entity details

Entity

FORSCO ApS
Oliehavnsvej 2, 2.
8000 Aarhus C

Central Business Registration No (CVR): 25611799

Registered in: Aarhus

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Christian Frismodt

Executive Board

Claus Nicolai Løvgreen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of FORSCO ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Aarhus, 20.06.2019

Executive Board

Claus Nicolai Løvgreen

Board of Directors

Christian Frismodt

Independent auditor's report

To the shareholders of FORSCO ApS

Opinion

We have audited the financial statements of FORSCO ApS for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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.

Aarhus, 20.06.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Søren Alsen Lauridsen

State Authorised Public Accountant

Identification No (MNE) mne40040

Management commentary

	2018	2017	2016	2015	2014
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	27.537	13.129	11.041	7.086	5.949
Operating profit/loss	18.422	10.616	9.307	6.215	5.165
Net financials	546	(805)	271	4.318	2.482
Profit/loss for the year	14.757	7.615	7.494	9.790	5.744
Total assets	67.616	46.170	21.280	14.300	23.843
Investments in property, plant and equipment	448	27	100	0	0
Equity	18.761	4.004	13.390	7.896	6.706
Ratios					
Return on equity (%)	129,6	87,6	70,4	134,1	90,6
Equity ratio (%)	27,7	8,7	62,9	55,2	28,1

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The activity of the company is to operate in trade and related business and consultancy business.

Development in activities and finances

The result of the year 2018 is satisfying. Forsco ApS has realised a profit after tax of DKK 14,756,759, which is an improvement from last year of DKK 7,142,074. Furthermore, the equity has been improved by DKK 14,756,759, and is now DKK 18,761,245. The results of the year are affected by several extraordinary items - including reduction of activities and assets in subsidiaries, commission and accumulated compensation agreements that have been disbursed during the financial year.

Outlook

Our expectations for the financial year 2019 are that the result of the year will be approximately at the same level as the result of 2018. We expect the sales to increase slightly, but at the same time also, that the exchange rate will go down a bit.

Regarding future performance, the development of the USD exchange rate must be taken into account, as all trading is done in USD. We do not use future exchange contracts. Exchanges are done when the exchange rate is favourable.

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

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit		27.537.153	13.128.817
Staff costs	1	(9.098.965)	(2.556.590)
Depreciation, amortisation and impairment losses		<u>(16.292)</u>	<u>43.800</u>
Operating profit/loss		18.421.896	10.616.027
Other financial income		763.796	23.725
Other financial expenses		<u>(218.054)</u>	<u>(828.764)</u>
Profit/loss before tax		18.967.638	9.810.988
Tax on profit/loss for the year	2	<u>(4.210.879)</u>	<u>(2.196.303)</u>
Profit/loss for the year	3	<u>14.756.759</u>	<u>7.614.685</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		421.496	78.937
Property, plant and equipment	4	421.496	78.937
Investments in group enterprises		991.202	1.388.162
Receivables from group enterprises		396.960	0
Investments in associates		40.000	40.000
Receivables from associates		317.850	317.850
Deposits		106.600	83.200
Fixed asset investments	5	1.852.612	1.829.212
Fixed assets		2.274.108	1.908.149
Raw materials and consumables		0	19.719
Inventories		0	19.719
Trade receivables		45.178.636	32.469.843
Receivables from group enterprises		7.684.925	6.216.799
Other receivables		88.718	17.043
Prepayments	6	101.989	112.090
Receivables		53.054.268	38.815.775
Cash		12.287.706	5.426.711
Current assets		65.341.974	44.262.205
Assets		67.616.082	46.170.354

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		125.000	125.000
Retained earnings		9.136.245	3.879.486
Proposed dividend		<u>9.500.000</u>	<u>0</u>
Equity		<u>18.761.245</u>	<u>4.004.486</u>
Deferred tax		<u>39.000</u>	<u>976</u>
Provisions		<u>39.000</u>	<u>976</u>
Bank loans		2.292.459	3.597.307
Trade payables		36.877.250	29.658.437
Payables to group enterprises		0	1.618.950
Payables to shareholders and management		0	3.520.476
Income tax payable		4.172.855	2.159.608
Other payables		<u>5.473.273</u>	<u>1.610.114</u>
Current liabilities other than provisions		<u>48.815.837</u>	<u>42.164.892</u>
Liabilities other than provisions		<u>48.815.837</u>	<u>42.164.892</u>
Equity and liabilities		<u>67.616.082</u>	<u>46.170.354</u>
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Assets charged and collateral	9		
Group relations	10		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	125.000	3.879.486	0	4.004.486
Profit/loss for the year	<u>0</u>	<u>5.256.759</u>	<u>9.500.000</u>	<u>14.756.759</u>
Equity end of year	<u>125.000</u>	<u>9.136.245</u>	<u>9.500.000</u>	<u>18.761.245</u>

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	8.601.819	2.200.548
Pension costs	174.305	34.980
Other social security costs	56.270	24.681
Other staff costs	266.571	296.381
	9.098.965	2.556.590
Average number of employees	8	5
	2018	2017
	DKK	DKK
2. Tax on profit/loss for the year		
Current tax	4.172.855	2.159.608
Change in deferred tax	38.024	36.695
	4.210.879	2.196.303
	2018	2017
	DKK	DKK
3. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	9.500.000	0
Retained earnings	5.256.759	7.614.685
	14.756.759	7.614.685

Notes

	Other fixtures and fittings, tools and equipment DKK
4. Property, plant and equipment	
Cost beginning of year	393.618
Additions	447.851
Disposals	<u>(100.000)</u>
Cost end of year	<u>741.469</u>
Depreciation and impairment losses beginning of year	(314.681)
Depreciation for the year	(46.957)
Reversal regarding disposals	<u>41.665</u>
Depreciation and impairment losses end of year	<u>(319.973)</u>
Carrying amount end of year	<u>421.496</u>

	Invest- ments in group enterprises DKK	Receivables from group enterprises DKK	Investments in associates DKK	Receivables from associates DKK
5. Fixed asset investments				
Cost beginning of year	1.134.003	0	40.000	317.850
Additions	<u>0</u>	<u>396.960</u>	<u>0</u>	<u>0</u>
Cost end of year	<u>1.134.003</u>	<u>396.960</u>	<u>40.000</u>	<u>317.850</u>
Impairment losses beginning of year	<u>(142.801)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses end of year	<u>(142.801)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Carrying amount end of year	<u>991.202</u>	<u>396.960</u>	<u>40.000</u>	<u>317.850</u>

Notes

	Deposits
	DKK
	<u> </u>
5. Fixed asset investments	
Cost beginning of year	83.200
Additions	<u>23.400</u>
Cost end of year	<u>106.600</u>
Impairment losses beginning of year	<u>0</u>
Impairment losses end of year	<u>0</u>
Carrying amount end of year	<u>106.600</u>

	Registered in	Corpo- rate form	Equity inte- rest %
	<u> </u>	<u> </u>	<u> </u>
Investments in group enterprises comprise:			
EverRest Spain	Spain	Compan y	100,0
Shanghai EverRest Furniture Limited Company	China	Compan y	100,0

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
Investments in associates comprise:			
EverRest Americas	USA	Compan y	50,0

6. Prepayments

Prepayments contains insurances and rent.

	<u>2018 DKK</u>	<u>2017 DKK</u>
7. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>390.000</u>	<u>234.000</u>

8. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Frismodt Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

9. Assets charged and collateral

As security for bank commitments the company has provided a floating charge of DKK 1 million.

10. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Frismodt Holding ApS, Aarhus

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Frismodt Holding ApS, Aarhus

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The consolidated financial statement is to be found in Frismodt Holding ApS.

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.

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 rate 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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, other operating income, cost of raw materials and consumables and external expenses. Referring to section 32 of the Danish Financial Statements Act, no Revenue or Cost of sales are shown.

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 and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 writedowns 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.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and 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.

Balance sheet

Property, plant and equipment

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:

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of 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.

Investments in associates

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

Receivables

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

Inventories

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

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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.

Other financial liabilities

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

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

Cash flow statement

Referring to section 86 paragraph 4 of the Danish Financial Statements Act, no cash flow statement have been prepared. The cash flow statement is prepared in the financial statement of the parent company.