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Midform Holding ApS

Grævlingevænget 13
6000 Kolding
Central Business Registration
No 28118996

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

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Entity details

Entity
Midform Holding ApS
Grævlingevænget 13
6000 Kolding

Central Business Registration No (CVR): 28118996
Registered in: Kolding
Financial year: 01.10.2017 - 30.09.2018

Board of Directors
Lars Aaen, chairman
Claus Hansson
Dion Møberg Eriksen

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 Holding ApS 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.

Kolding, 29.11.2018

Executive Board

Claus Hansson
CEO

Board of Directors

Lars Aaen chairman	Claus Hansson	Dion Møberg Eriksen

Independent auditor's report

To the shareholders of Midform Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Midform Holding ApS 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, for the Group as well as the Parent . The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2018, and of the results of their 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated

Independent auditor's report

financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group’s and the Parent’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 consolidated financial statements and the parent 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 Group's and the Parent’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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights				
Key figures				
Gross profit	39.674	49.706	74.048	59.077
Operating profit/loss	11.640	19.166	45.142	28.943
Net financials	1.685	1.779	(3.216)	(4.071)
Profit/loss for the year	9.855	16.787	30.252	17.456
Profit/loss for the year excl minority interests	10.008	16.787	30.252	17.456
Total assets	61.890	59.939	71.238	71.874
Investments in property, plant and equipment	1.542	1.978	6.505	2.469
Equity	37.825	36.743	31.028	20.503
Equity excl minority interests	36.969	36.743	31.028	20.503
Ratios				
Equity Ratio(%)	61,4	62,0	39,9	28,5

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
Equity Ratio(%)	$\frac{\text{Equity}}{\text{Total assets}}$	The financial strength of the Entity

Management commentary

Primary activities

The operating activities of the Midform Group comprise development, production and sale of advanced ergonomic high adjustable tables for the use in modern companies around the globe. In addition a minor part of the group concentrate on producing high grade moulded plywood components and solutions to the contract furniture as well as residential segments.

Development in activities and finances

2017/18 became a more challenging year than expected for the Group. The Group realized a reduction in both growth and result. EBITDA was reduced compared with last year and reached a level in 2017/18 of 13,9 mDKK. The significant reduction was mainly driven by significant price reduction due to more competitive market conditions.

The Group has started a process to reduce expenses, by both optimizing the production setup with higher automation in Denmark and by moving some of the production for moulded plywood components into a new factory in Poland.

During the year the Group has become the majority shareholder of TableAir, an innovative IT-company with main focus on IT solutions with high adjustable tables, based in Lithaunia.

The board consider the result as less satisfactory.

Outlook

The continued focus on widening the sales into a broader customer base, stronger focus on advanced products and by expanding the sales channels as well as the reduced cost structure is expected to show positive impact in revenue and earnings for 2018/19.

Particular risks

The group has no particular business and financial risks beyond risks of common occurrence within the industry.

Intellectual capital resources

The group has thorough knowledge of the market for moulded shaped wood, and development and production of modern and functional high adjustable tables and has during many years built up a considerable competence within this area.

Environmental performance

The group has a considerable own production which to a high extent consists in assembly and mounting. The environmental impact by the group is limited. The group is continuously trying to reduce the environmental impact by introducing new improvements in this area.

Events after the balance sheet date

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

Management commentary

this annual report.

Consolidated income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Gross profit		**39.674**	**49.706**
Staff costs	2	(25.750)	(28.732)
Depreciation, amortisation and impairment losses	3	(2.284)	(1.808)
Operating profit/loss		**11.640**	**19.166**
Other financial income		1.726	2.348
Other financial expenses		(41)	(569)
Profit/loss before tax		**13.325**	**20.945**
Tax on profit/loss for the year	4	(3.470)	(4.158)
Profit/loss for the year	5	**9.855**	**16.787**

Consolidated balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Completed development projects		575	700
Goodwill		1.397	0
Intangible assets	6	**1.972**	**700**
Land and buildings		15.995	16.330
Other fixtures and fittings, tools and equipment		4.191	4.399
Property, plant and equipment	7	**20.186**	**20.729**
Fixed assets		**22.158**	**21.429**
Raw materials and consumables		8.800	9.550
Work in progress		1.136	2.952
Manufactured goods and goods for resale		11.146	6.851
Inventories		**21.082**	**19.353**
Trade receivables		11.848	8.774
Receivables from group enterprises		1.236	0
Deferred tax	8	186	556
Other receivables		1.370	1.975
Prepayments		712	526
Receivables		**15.352**	**11.831**
Cash		**3.298**	**7.326**
Current assets		**39.732**	**38.510**
Assets		**61.890**	**59.939**

Consolidated balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital		125	125
Retained earnings		26.844	26.618
Proposed dividend		10.000	10.000
Equity attributable to the Parent's owners		**36.969**	**36.743**
Share of equity attributable to minority interests		**856**	**0**
Equity		**37.825**	**36.743**
Deferred tax	8	704	29
Provisions		**704**	**29**
Mortgage debt		4.845	5.256
Non-current liabilities other than provisions	9	**4.845**	**5.256**
Current portion of long-term liabilities other than provisions	9	415	413
Bank loans		1.116	40
Prepayments received from customers		23	507
Trade payables		10.701	9.013
Payables to group enterprises		194	412
Income tax payable		2.174	3.215
Other payables		3.893	4.311
Current liabilities other than provisions		**18.516**	**17.911**
Liabilities other than provisions		**23.361**	**23.167**
Equity and liabilities		**61.890**	**59.939**
Events after the balance sheet date	1		
Financial instruments	10		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		
Transactions with related parties	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Share of equity attributable to minority interests DKK'000
Equity beginning of year	125	26.618	10.000	0
Ordinary dividend paid	0	0	(10.000)	0
Exchange rate adjustments	0	348	0	0
Other entries on equity	0	(159)	0	1.009
Tax of entries on equity	0	29	0	0
Profit/loss for the year	0	8	10.000	(153)
Equity end of year	**125**	**26.844**	**10.000**	**856**

	Total DKK'000
Equity beginning of year	36.743
Ordinary dividend paid	(10.000)
Exchange rate adjustments	348
Other entries on equity	850
Tax of entries on equity	29
Profit/loss for the year	9.855
Equity end of year	**37.825**

Notes to consolidated financial statements

1. 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.

	2017/18 DKK'000	2016/17 DKK'000
2. Staff costs		
Wages and salaries	22.199	24.836
Pension costs	1.914	1.075
Other staff costs	1.637	2.821
	25.750	**28.732**
Average number of employees	**49**	**51**

	Remuneration of management 2017/18 DKK'000	Remuneration of management 2016/17 DKK'000
Total amount for management categories	1.412	1.431
	1.412	**1.431**

	2017/18 DKK'000	2016/17 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	196	159
Depreciation of property, plant and equipment	2.092	1.650
Profit/loss from sale of intangible assets and property, plant and equipment	(4)	(1)
	2.284	**1.808**

	2017/18 DKK'000	2016/17 DKK'000
4. Tax on profit/loss for the year		
Current tax	3.214	4.950
Change in deferred tax	129	(675)
Adjustment concerning previous years	127	(117)
	3.470	**4.158**

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

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Retained earnings	8	6.787
Minority interests' share of profit/loss	(153)	0
	9.855	**16.787**

	Completed develop-ment projects DKK'000	Goodwill DKK'000
6. Intangible assets		
Cost beginning of year	1.233	0
Additions	63	1.405
Cost end of year	**1.296**	**1.405**
Amortisation and impairment losses beginning of year	(533)	0
Amortisation for the year	(188)	(8)
Amortisation and impairment losses end of year	**(721)**	**(8)**
Carrying amount end of year	**575**	**1.397**

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000
7. Property, plant and equipment		
Cost beginning of year	16.260	23.272
Exchange rate adjustments	0	70
Additions	74	1.468
Disposals	0	(129)
Cost end of year	**16.334**	**24.681**
Revaluations beginning of year	6.000	0
Revaluations end of year	**6.000**	**0**
Depreciation and impairment losses beginning of year	(5.930)	(18.873)
Exchange rate adjustments	0	(63)
Depreciation for the year	(409)	(1.683)
Reversal regarding disposals	0	129
Depreciation and impairment losses end of year	**(6.339)**	**(20.490)**
Carrying amount end of year	**15.995**	**4.191**

8. Deferred tax

The Group’s plans and budgets indicates, that the deferred tax tasset can and will be utilized within a short period of time.

	Due within 12 months 2017/18 DKK'000	Due within 12 months 2016/17 DKK'000	Due after more than 12 months 2017/18 DKK'000	Outstanding after 5 years DKK'000
9. Liabilities other than provisions				
Mortgage debt	415	413	4.845	3.219
	415	**413**	**4.845**	**3.219**

10. Financial instruments

The company has entered indto normal forward exchange rate agreements for hedging purposes, and sold USD amounting to 0,6 m USD on a contract with the bank.

	2017/18 DKK'000	2016/17 DKK'000
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**798**	**8.931**

Notes to consolidated financial statements

12. Contingent liabilities

The group 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 group 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.

13. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises production equipment and machinery appurtenant to the properties.

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on the property of totally DKK 15.200k nominal.

Carrying amount of property pledged is DKK 14.736k.

Bank debt is secured by way of a company pledge with security in an all-moneys mortgage of DKK 15.500k comprising unsecured debt from sale of goods and finished goods, fixtures and fittings etc. and operating equipment as well as goodwill, domain names and intellectual rights.

	2017/18 DKK'000
Carrying amount of inventories pledged	**11.335**
Carrying amount of fixtures and equipment pledged	**2.835**
Carrying amount of receivables pledged	**2.424**

14. Transactions with related parties

With reference to the exeption rule, in section 98c of the Danish Financial Statement Act, information about transactions with related parties has been omitted, as these are entered into on market terms.

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
15. Subsidiaries			
Midform A/S	Middelfart	A/S	100,0
SIS USA Inc.	New Hampshire, USA	Inc.	100,0
Rufac ApS	Middelfart	ApS	100,0
Midform Sp. Z.o.o.	Poland	Sp. Z.o.o.	100,0
TableAir UAB	Vilnius, Lithuania	UAB	51,0

Parent income statement for 2017/18

	Notes	2017/18 DKK'000	2016/17 DKK'000
Gross profit		**2.157**	**3.972**
Staff costs	2	(1.783)	(3.754)
Depreciation, amortisation and impairment losses	3	(491)	(238)
Operating profit/loss		**(117)**	**(20)**
Income from investments in group enterprises		10.582	17.214
Other financial expenses	4	(501)	(541)
Profit/loss before tax		**9.964**	**16.653**
Tax on profit/loss for the year	5	44	134
Profit/loss for the year	6	**10.008**	**16.787**

Parent balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Completed development projects		34	44
Intangible assets	7	**34**	**44**
Other fixtures and fittings, tools and equipment		456	916
Property, plant and equipment	8	**456**	**916**
Investments in group enterprises		56.838	53.588
Fixed asset investments	9	**56.838**	**53.588**
Fixed assets		**57.328**	**54.548**
Receivables from group enterprises		8.716	662
Deferred tax		0	134
Other receivables		87	82
Joint taxation contribution receivable		132	0
Receivables		**8.935**	**878**
Cash		**212**	**39**
Current assets		**9.147**	**917**
Assets		**66.475**	**55.465**

Parent balance sheet at 30.09.2018

	Notes	2017/18 DKK'000	2016/17 DKK'000
Contributed capital	10	125	125
Reserve for net revaluation according to the equity method		23.903	23.103
Retained earnings		2.941	3.515
Proposed dividend		10.000	10.000
Equity		**36.969**	**36.743**
Deferred tax		70	0
Provisions		**70**	**0**
Trade payables		597	784
Payables to group enterprises		28.426	17.245
Other payables		413	693
Current liabilities other than provisions		**29.436**	**18.722**
Liabilities other than provisions		**29.436**	**18.722**
Equity and liabilities		**66.475**	**55.465**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		
Related parties with controlling interest	14		

Parent statement of changes in equity for 2017/18

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	125	23.103	3.515	10.000
Ordinary dividend paid	0	0	0	(10.000)
Exchange rate adjustments	0	348	0	0
Other entries on equity	0	(130)	0	0
Profit/loss for the year	0	582	(574)	10.000
Equity end of year	**125**	**23.903**	**2.941**	**10.000**

	Total DKK'000
Equity beginning of year	36.743
Ordinary dividend paid	(10.000)
Exchange rate adjustments	348
Other entries on equity	(130)
Profit/loss for the year	10.008
Equity end of year	**36.969**

Notes to parent financial statements

1. 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.

	2017/18 DKK'000	2016/17 DKK'000
2. Staff costs		
Wages and salaries	1.614	3.364
Pension costs	124	298
Other social security costs	45	92
	1.783	**3.754**
Average number of employees	**2**	

	Remuneration of management 2017/18 DKK'000	Remuneration of management 2016/17 DKK'000
Total amount for management categories	1.412	1.431
	1.412	**1.431**

	2017/18 DKK'000	2016/17 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	10	6
Depreciation of property, plant and equipment	481	232
	491	**238**

	2017/18 DKK'000	2016/17 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	485	219
Other interest expenses	0	317
Other financial expenses	16	5
	501	**541**

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Current tax	(132)	0
Change in deferred tax	(39)	8
Adjustment concerning previous years	127	(142)
	(44)	**(134)**

	2017/18 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Transferred to reserve for net revaluation according to the equity method	582	17.214
Retained earnings	(574)	(10.427)
	10.008	**16.787**

	Completed development projects DKK'000
7. Intangible assets	
Cost beginning of year	50
Cost end of year	**50**
Amortisation and impairment losses beginning of year	(6)
Amortisation for the year	(10)
Amortisation and impairment losses end of year	**(16)**
Carrying amount end of year	**34**

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment	
Cost beginning of year	1.390
Additions	21
Cost end of year	**1.411**
Depreciation and impairment losses beginning of year	(474)
Depreciation for the year	(481)
Depreciation and impairment losses end of year	**(955)**
Carrying amount end of year	**456**

	Investments in group enterprises DKK'000
9. Fixed asset investments	
Cost beginning of year	30.485
Additions	2.450
Cost end of year	**32.935**
Revaluations beginning of year	23.103
Exchange rate adjustments	349
Amortisation of goodwill	(8)
Share of profit/loss for the year	9.482
Adjustment of intra-group profits	1.107
Dividend	(10.000)
Other adjustments	(130)
Revaluations end of year	**23.903**
Carrying amount end of year	**56.838**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

	Number	Par value DKK'000	Nominal value DKK'000
10. Contributed capital			
Shares	125	1	125
	125		**125**

	2017/18 DKK'000	2016/17 DKK'000
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**86**	**211**

12. Contingent liabilities

The group 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 group 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.

13. Assets charged and collateral

Bank debt is secured by way of a pledge in equity holdings and dividend receivable in two subsidiaries. The carrying amount of equity holdings and dividends pledged amounts to DKK 38.357k in total.

The Company has issued a guarantee of payment concerning C. Hansson Holding ApS', Midform A/S' and Rufac ApS' bank debt.

	2017/18 DKK'000	2016/17 DKK'000
Bank debt is secured by way of a company pledge with security in an all-moneys mortgage of DKK 15.500k comprising unsecured debt 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 other fixtures and fittings, etc. pledged	**457**	**916**
Carrying amount of receivables from group enterprises	**8.716**	**662**

Notes to parent financial statements

14. Related parties with controlling interest

The following parties have controlling interest:

- C. Hansson Holding ApS, Kolding, shareholder.
- Claus Hansson, ultimate owner.

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 consolidated financial statements and parent 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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate

Accounting policies

item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue
Revenue is recognised in the income statement when delivery is made 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.

Costs of raw materials and consumables
Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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.

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 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.

Accounting policies

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.

The Entity is jointly taxed with the Parent and all its 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
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 15 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 2-5 years.

Accounting policies

Property, plant and equipment
Land and buildings, 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. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. 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	3-25 years
Other fixtures and fittings, tools and equipment	3-10 years

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
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits and losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises 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 consists 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 of and impairment losses relating to machinery, factory buildings and equipment used in 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.

Accounting policies

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

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

Cash
Cash comprises cash in hand and bank deposits.

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.

Minority interests
Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

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

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

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. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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.

Income tax receivable or payable

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

Cash flow statement

Cash flow statement is excluded according to the Danish Financial Statement Act. § 86 clause 4.