FLEXA®

Flexa4Dreams Holding A/S

Hornsyld Industrivej 4
8783 Hornsyld

Annual report 2015

Reg. No.: 32 77 56 83

These financial statements are presented and approved at the Annual General Meeting

on 30 May 2016

(chairman)
OLE BORCH

Statements

Management's review

Financial statements 1 January 2015 - 31 December 2015

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Statement by the Executive Management and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the Annual Report for the financial year 1 January - 31 December 2015 for Flexa4Dreams Holding A/S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Annual Report give a true and fair view of the Group's and of the Company's financial position at 31 December 2015, and of the results of the Group's and of the Company's activities and of the Group's cash flow for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the Annual Report is approved at the Annual General Meeting.

Hornsyld, 23 May 2016

Carsten Dan Madsen
CEO

Mikael Hee
Chairman

Kurt Carstensen

Anders Kloster

Troels Dyrup Petersen

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Independent Auditor's Report on the Financial Statements

To the Shareholders of Flexa4Dreams Holding A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Flexa4Dreams Holding A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

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

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

The audit has not resulted in any qualification.

Statements

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Company at 31 December 2015 and of the results of the Group and Company operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 of the Financial Statements in which Management describes the Company's and the Group's capital resources and the going concern assumptions, including the assumption that the budgeted development in 2016 is realised. These matters indicate that material uncertainty may exist which may give rise to material doubt as to the Company's ability to continue as a going concern.

Statement on Management's Review
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Trekantomraadet, 23 May 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33771231

Arne Kristensen	John Lindholm Bode
State Authorised	State Authorised
Public Accountant	Public Accountant

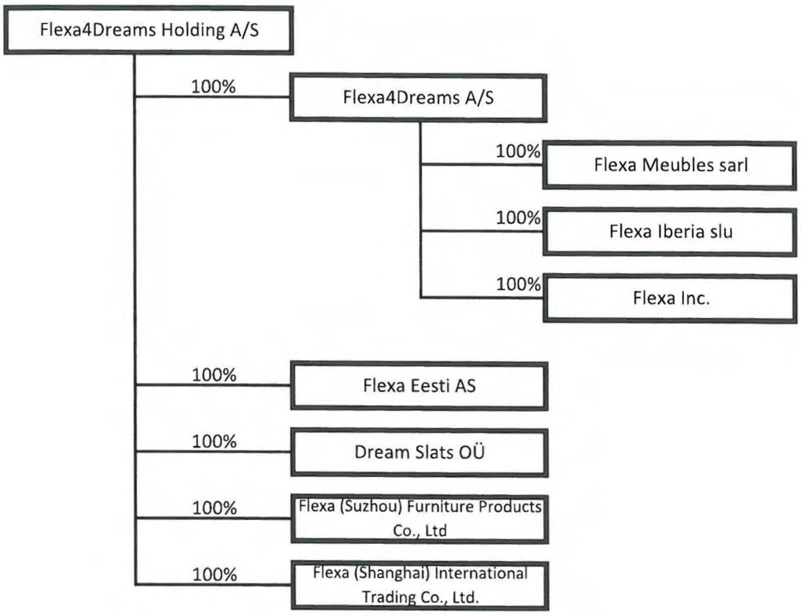
Management's review

Company details

The Company	Flexa4Dreams Holding A/S Hornsyld Industrivej 4 8783 Hornsyld
Telephone	+45 76 68 80 55
Fax	+45 76 68 80 68
E-mail	flexa@flexa.dk
Registration No.	32 77 56 83
Established	23 February 2010
Registered office	Hedensted Kommune
Financial year	1 January - 31 December
Board of Directors	Mikael Hee, chairman Kurt Carstensen Anders Kloster Troels Dyrup Petersen
Executive Board	Carsten Dan Madsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle
Annual general meeting	Annual general meeting is held on 30 May 2016.

Management's review

Group overview



Management's review

Financial highlights for the group

	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000	2011 DKK '000

Key figures

Revenue	346.579	293.032	272.719	268.226	293.774
Gross profit	113.971	92.078	88.520	88.627	91.903
EBITDA	-3.255	-9.561	28	3.067	7.400
Adjusted EBITDA *)	-3.255	-5.542	28	-2.433	-11.970
Ordinary operating profit	-6.250	-15.850	-11.143	-14.352	-4.718
Profit/loss from financial income and expenses	-9.081	-7.302	-5.989	-5.254	14.068
Profit/loss for the year	-23.999	-27.364	-25.266	-14.564	-12.610

Non-current assets	40.805	48.379	52.857	57.506	73.382
Investment in property, plant and equipment	2.555	4.271	5.654	2.310	5.271
Current assets	117.806	122.662	104.876	122.363	134.078
Total assets	158.611	171.042	157.733	179.869	207.459
Total equity	-59.982	-38.404	-13.711	11.860	26.958
Total equity incl. subordinated loan capital	-19.982	1.596	26.289	11.860	26.958

Cash flows from operating activities	-14.198	-17.032	-20.345	-10.375	32.520
Cash flows from investing activities	-2.859	-4.223	-5.236	11.304	-5.014
Cash flows from the capital owners	0	0	0	0	0
Cash flows from financing activities	-289	-819	-1.761	-570	-4.067

Financial ratios

Operating margin	-1,8%	-5,4%	-4,1%	-5,4%	-1,6%
Return on invested capital	-5,7%	-14,3%	-10,2%	-12,5%	-3,3%
Gross margin	32,9%	31,4%	32,5%	33,0%	31,3%
EBITDA ratio	-0,9%	-3,3%	0,0%	1,1%	2,5%
Solvency ratio	-37,8%	-22,5%	-8,7%	6,6%	13,0%
Solvency ratio incl. subordinated loan capital	-12,6%	0,9%	16,7%	6,6%	13,0%

Average number of employees	470	444	380	415	416

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios". For terms and definitions, please see the accounting policies.

*) Adjusted EBITDA includes in 2010 and 2011 restructuring costs, while in 2012 profit from sale of sawmill is eliminated. In 2014 costs of 4.0 Mdkk related to special costs in connection with evaluation of strategic alternatives for the group are reclassified.

Management's review

Operating review

Principal activities of the Group

The Flexa4Dreams-Group's main activities are production, marketing and sale of furniture, interior and related products for children's rooms. The group is one of the largest focused manufacturers and suppliers of furniture and interior for children's rooms in Europe.

In the European market the Group's products are sold through leading furniture dealers and through more than 40 franchise shops. In the Asian market the Group's products are sold through more than 100 franchise shops and shop-in-shops.

Development in activities and financial position

The revenue for the period was 346.6 mill. DKK compared to 293.0 mill. DKK the year before. Result before depreciations and financial expenses (EBITDA) was -3.3 mill. DKK compared to -9.6 mill. DKK in 2014. The ordinary operating profit was -6.3 mill. DKK compared to -15.9 mill. DKK. Cash generated from operations was negative by 14.2 mill. DKK.

Despite a continuing weak business climate, especially in the European markets, revenue for the year increased by 18.3%. This improvement is the result of a number of efforts during the year. Gaining new business and the implementation of the new shop layout and concept has proven successful. A significant growth in branded products as well as in the Private Label segment has been achieved.

The new and revitalized product assortment launched in 2014 and 2015 contributed to the overall development. Of the total revenue for the year, 31% came from products designed and launched within the past 24 months.

In line with the Group's strategy to further grow sales within Europe the increased resources and associated costs allocated have proven successful. In China the setup has been restructured including new general manager and sales organization. Increased sales activities have led to a higher level of demand in the production units during 2015. As a consequence an upscaling of manpower was done in all production units.

Result from ordinary activities after taxes is -24.0 mill. DKK compared to -27.4 mill. DKK last year.

The result in 2015 is partly driven by additional costs in business development and sales force, which was implemented during 2014. This additional cost forms part of a strategic effort to facilitate the turn-around of the group and generate sustainable growth. Following years of negative turnover development, the group has produced growth in 2013 by 1.5%, in 2014 by 7.4% and in 2015 by 18.3%, and the outlook for continued growth in 2016 looks very positive.

In the annual report for 2014 we stated an expectation for increase in turnover and earnings in 2015. The realised increase in turnover of 53.5 mill. DKK and the increase in net profit of 3.4 mill. DKK are assessed satisfactory based on the group's current strategy.

Management's review

During 2013 the capital of the Group was strengthened by conversion of 40 mill. DKK interest bearing debt to subordinated loan capital. Combined with the equity the subordinated loan end of 2015 provides a negative capital base for the Group of 20.0 mill. DKK.

Capital resources

The Company's and the Group's equity at 31 December 2015 is negative by 60.0 mill. DKK. Together with the subordinated loan of 40.0 mill. DKK, the capital base of the Company is negative by 20.0 mill. DKK. It is expected that the operation can be maintained with existing capital resources. The Group's credit institutions have expressed intention to extend the existing credits. See note 1.

Outlook

It is expected that the macro-economic situation remains unchanged in 2016. Consumption of furniture and decor items will continue to be subject to the downturn that we have experienced in recent years. Based on the current sales strategy, improvement of product portfolio and store concepts and optimization of the supply chain, the Group expects to gain further market share, with which continued increased turnover and earnings are expected in 2016.

The Group expects no single major investment in 2016, but only minor investments in connection with the ongoing maintenance of the production units.

Risks
General risks

The management of Flexa4Dreams assesses regularly the Group's risk exposure. Operational and strategic risks that may affect the Group's earnings and financial position are monitored and assessed regularly. The Group's risks in relation to the supply of commodities are continuously attempted to be minimized by entering contracts for the supply of timber, which is the Group's main raw material.

Financial risks

The Group is due to its operating, investing and financing exposed to fluctuations in exchange and interest rates. The Group's policy is not actively to speculate in financial risks. Group's financial management is only aimed at management of already assumed financial risks.

Currency risks

Currency risks relating to investments in foreign subsidiaries are not hedged, as it is the Group's opinion that an ongoing hedging of such long-term investments will not be optimal from an overall risk and cost consideration.

Interest rate risks

The Group's interest bearing net debt, calculated as bank debt less cash, amounted 31. December 2015 to 164.5 mill. DKK.

The Group's total bank debt is based on floating interest rates. There is no hedging of the operational impact of a rate increase.

Credit risks

The Group has no material risks relating to a single customer or partner. The Group's policy for inclusion of credit risks leads to that all major customers and partners are credit rated, and credit insurance has been established.

Management's review

Intellectual capital

The employees are a significant asset in the group, which operates from a united set of values. Based on the shared values the Flexa4Dreams-Group can realise its vision to be the preferred supplier of furniture and interior for the children's room.

Environmental issues

Flexa4Dreams continuously tries to minimize the environmental impact of its activities. Flexa4Dreams continuously strives to produce products using materials and technologies giving the least possible impact on the environment.

The Group will constantly strive to meet customers' and society's demand for the least environmentally harmful products.

Research and development activities

Expenses for development and testing of both new and existing products are recognized as expenses in the income statement, as future earnings of this is uncertain.

Subsequent events

No events have occurred subsequent to the end of the reporting year, which could significantly affect the financial statements at 31 December 2015.

Corporate social responsibility

Flexa4Dreams Group strives to continuously meet the laws and regulations of the countries and communities, where the Group operates.

No policy is adopted on social responsibility. Therefore no separate statement on social responsibility is prepared.

The underrepresented sex

The Group's policy for recruitment is to attract and hire the most competent leadership. The goal for female representation is a minimum of 20% in 2018. Females are currently represented by 20% in the management team, while no females are represented in the board.

The Group's policy is to encourage a greater share of female representation in leadership roles.

Financial statements

Accounting policies

The annual report of Flexa4Dreams Holding A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies applied remain unchanged from last year, and financial statements for 2015 are presented in DKK.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Flexa4Dreams Holding A/S, and subsidiaries in which Flexa4Dreams Holding A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are translated at the rate at the transaction date.

Financial statements

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place and that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases, and depreciation of production plant.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns etc. during the year are recognised as distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Other operating income and expenses

Other operating income comprises items secondary to the principal activities of the enterprise.

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Tax on profit/loss for the year

The company is covered by the Danish rules on compulsory joint taxation.

Flexa4Dreams Holding A/S is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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Balance sheet

Intangible assets

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience. Goodwill is amortised on a straight-line basis over the amortisation period.

The amortisation period is 10 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

The carrying amount of goodwill is assessed regularly and written down to the recoverable amount over the income statement if the carrying amount exceeds forecast future net income from the activities to which goodwill relates.

Property, plant and equipment

Leasehold improvements represent the renovation of storage facilities for continuous use and leasehold improvements of concept shops.

Leasehold improvements recognised in the balance sheet are measured at cost less accumulated depreciation or recoverable amount if this is lower.

Recognised costs of renovation are depreciated on a straight-line basis over the residual term of leases.

Other property, plant and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers, and wages and salaries.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	3-5 years
Buildings	15-20 years
Plant and machinery	4-7 years
Fixtures and fittings, tools and equipment	3-10 years

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leases

Leases in terms of which the group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments cumputed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the fixed assets of the group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the income statement until the date of disposal.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity - dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

Corporation tax and deferred tax

According to the joint taxation rules, the subsidiaries' liability for their own corporation tax payments to the tax authorities is settled concurrently with payment of the joint taxation contribution to the administrative company, Flexa4Dreams Holding

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Provisions

Provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, etc. Provisions are recognised when, as a result of past events, the group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Segment information

Segment information is based on the group's accounting policies, risks and internal financial management. Information is provided on geographical markets, because the group only has one business segment.

Cash flow statement

The cash flow statement shows the group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term operating credits.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin:

$$\frac{\text{Profit/loss from ordinary activities x 100}}{\text{Net sales}}$$

Return on invested capital:

$$\frac{\text{Profit/loss from ordinary activities x 100}}{\text{Average invested capital}}$$

Invested capital:

Operating intangible and property, plant and equipment and net working capital

Gross margin

$$\frac{\text{Gross profit/loss x 100}}{\text{Net sales}}$$

Solvency ratio:

$$\frac{\text{Equity, at the end of year x 100}}{\text{Total equity and liabilities, at the end of year}}$$

Solvency ratio incl. subordinated loan capital:

$$\frac{\text{Equity incl. subordinated loan capital, at the end of year x 100}}{\text{Total equity and liabilities, at the end of year}}$$

Financial statements

Income statement

	Note	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2014 DKK '000	Parent company 2014 DKK '000
Revenue	2	346.579	0	293.032	0
Production costs		-232.608	0	-200.954	0
Gross profit		113.971	0	92.078	0
Distribution costs		-75.201	0	-63.335	0
Administrative expenses		-45.021	-373	-44.593	-226
Ordinary operating profit/loss		-6.250	-373	-15.850	-226
Other operating income	3	66	0	141	0
Other operating expenses	4	-8.609	0	-4.019	-3.431
Operating profit/loss		-14.793	-373	-19.728	-3.657
Profit/loss from investments	9	0	-21.066	0	-20.670
Financial expenses		-9.081	-2.560	-7.302	-3.037
Profit/loss from ordinary activities before income taxes		-23.874	-23.999	-27.030	-27.364
Tax on profit/loss from ordinary activities	5	-125	0	-334	0
Profit/loss for the year		-23.999	-23.999	-27.364	-27.364
Proposed distribution of loss					
Retained earnings			-23.999		-27.364
			-23.999		-27.364

Financial statements

Balance sheet

	Note	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2014 DKK '000	Parent company 2014 DKK '000
ASSETS					
Non-current assets					
Intangible assets	6				
Goodwill		4.167	0	5.167	0
Property, plant and equipment	7				
Leasehold improvements		1.957	0	2.181	0
Land and buildings		24.666	0	27.202	0
Plant and machinery		7.380	0	10.691	0
Fixtures and fitting, tools and equipment		2.635	0	3.138	0
		36.638	0	43.213	0
Investments					
Investments in subsidiaries	9	0	19.297	0	29.337
Total non-current assets		40.805	19.297	48.379	29.337

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Balance sheet

	Note	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2014 DKK '000	Parent company 2014 DKK '000
Current assets					
Inventories					
Raw materials and consumables		13.354	0	18.025	0
Work in progress		9.241	0	9.855	0
Finished goods and goods for resale		34.564	0	33.584	0
		57.159	0	61.464	0
Receivables					
Trade receivables		46.002	0	42.016	0
Deferred tax asset	10	0	0	0	0
Other receivables		4.662	0	7.890	0
Prepayments		2.955	83	3.438	75
		53.618	83	53.343	75
Cash at bank and in hand		7.029	0	7.855	0
Total current assets		117.806	83	122.662	75
TOTAL ASSETS		158.611	19.380	171.042	29.412

Financial statements

Balance sheet

	Note	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2014 DKK '000	Parent company 2014 DKK '000
EQUITY AND LIABILITIES					
Equity					
Share capital	11	1.000	1.000	1.000	1.000
Retained earnings		-60.982	-60.982	-39.404	-39.404
Total equity	8	-59.982	-59.982	-38.404	-38.404
Provisions					
Provisions, subsidiary	9	0	18.027	0	9.422
Other provisions	12	3.429	0	2.900	0
		3.429	18.027	2.900	9.422
Liabilities other than provisions					
Non-current liabilities other than provisions					
Subordinated loan capital	8	40.000	40.000	40.000	40.000
Bank loans	13	0	0	156	0
		40.000	40.000	40.156	40.000

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Balance sheet

	Note	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2014 DKK '000	Parent company 2014 DKK '000
Current liabilities other than provisions					
Current portion of non-current liabilities other than provisions	13	157	0	290	0
Bank loans and overdraft		131.419	9.898	114.899	9.936
Trade payables		15.397	0	30.195	0
Amounts owed to affiliated companies		0	8.093	0	4.427
Corporation tax		0	0	332	0
Other payables	14	28.190	3.343	20.673	4.032
		175.163	21.335	166.389	18.394
Total liabilities other than provisions		215.163	61.335	206.545	58.394
TOTAL EQUITY AND LIABILITIES		158.611	19.380	171.042	29.412

Contingent liabilities and collateral	15
Related parties	16
Notes without reference	17-19

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Statement of changes in equity

Parent company
DKK '000

	Share capital 2015 DKK '000	Retained earnings 2015 DKK '000	Total 2015 DKK '000
Equity at 1 January	1.000	-39.404	-38.404
Foreign exchange adjustments of foreign subsidiaries	0	2.421	2.421
Disposal for the year	0	-23.999	-23.999
Equity at 31 December	1.000	-60.982	-59.982

Subordinated loan capital of 40 mill. DKK has been established in supplement to equity, see note 8.

Consolidated
DKK '000

	Share capital 2015 DKK '000	Retained earnings 2015 DKK '000	Total 2015 DKK '000
Equity at 1 January	1.000	-39.404	-38.404
Foreign exchange adjustments of foreign subsidiaries	0	2.421	2.421
Disposal for the year	0	-23.999	-23.999
Equity at 31 December	1.000	-60.982	-59.982

Subordinated loan capital of 40 mill. DKK has been established in supplement to equity, see note 8.

Financial statements

Cash flow statement

	Note	**Consolidated** 2015 DKK '000
Revenue		346.579
Expenses		-349.741
Cash generated from operations (operating activities) before changes in working capital		-3.161
Change in working capital	20	-1.499
Cash generated from operations (ordinary activities)		-4.660
Financial income and expenses, net		-9.081
Taxes paid		-457
Cash flows from operating activities		-14.198
Purchase of intangible assets and property, plant and equipment		-2.555
Sales of intangible assets and property, plant and equipment		-304
Cash flows from investing activities		-2.859
Repayment of long-term debt		-289
Cash flows from financing activities		-289
Net cash flows form operating, investing and financing activities		-17.346

Financial statements

Cash flow statement (continued)

	Note	**Consolidated**
		2015
		DKK '000
Net cash flows form operating, investing and financing activities		-17.346
Cash and cash equivalents at 1 January		-147.044
Cash and cash equivalents at 31 December		-164.390
Cash and cash equivalents at 31 December		
Cash and cash equivalents		7.029
Bank loans and overdraft		-131.419
Subordinated loan capital		-40.000
Cash and cash equivalents at 31 December		-164.390

The cash flow statement cannot be derived directly from the accounting records.

Financial statements

Notes

1 Going concern and capital resources

The Company's and the Group's equity at 31 December 2015 is negative by 60.0 mill. DKK. Together with the subordinated loan of 40.0 mill. DKK, the capital base of the Group is negative by 20.0 mill. DKK.

The financial position of the Company and the Group has been strained for a number of years, and historically the required liquidity has been provided through agreements with the Group's bankers, Nordea and Danske Bank.

A budget for 2016 has been prepared on which follow-up is made on a current basis with the Group's bankers. The budget shows that the Company can manage within existing credit lines with its bankers in connection with its activities. Nordea and Danske Bank have promised to finance this liquidity need; however, Management is aware that there is, in the nature of things, no certainty as to the realisation of the budget for 2016. If variations to the budget are realised, which will involve an increase of the need for financing, and this need cannot be covered by Danske Bank and Nordea or through other liquidity improving initiatives, material uncertainty will exist about the Company's and the Group's ability to continue as a going concern.

Although Management expects that it will be possible to realise the budget and thus to obtain the required financing and therefore prepares the Financial Statements on a going concern assumption, the above matters indicate however that material uncertainty exists which may give rise to material doubt as to the Company's ability to continue as a going concern.

	Consolidated 2015 DKK '000	Consolidated 2014 DKK '000
2 Revenue		
Geographical markets		
Europe	293.531	241.416
America	2.921	1.739
Asia	50.128	49.877
Total	346.579	293.032

3 Other operating income

Other operating income includes profit from the sale of non-core items and fixed assets.

Notes

4 Other operating expenses

Other operating expenses include costs related to restructuring initiatives in a subsidiary and to evaluation of strategic alternatives for the group

5 Tax on profit/loss from ordinary activities	**Consolidated** 2015 DKK '000	**Parent company** 2015 DKK '000	**Consolidated** 2014 DKK '000	**Parent company** 2014 DKK '000
Current tax for the year	125	0	334	0
	125	0	334	0

6 Intangible assets	**Consolidated** 2015 DKK '000	**Consolidated** 2014 DKK '000
Goodwill		
Cost at 1 January	10.000	10.035
Disposal	0	-35
Cost at 31 December	10.000	10.000
Amortisation and impairment losses at 1 January	4.833	3.863
Amortisation	1.000	1.000
Reversed depreciation on disposal	0	-30
Amortisation and impairment losses at 31 December	5.833	4.833
Carrying amount at 31 December	4.167	5.167

Notes

7 Property, plant and equipment
Consolidated

DKK '000	Leasehold improvements	Land and buildings	Plant and machinery	Fixtures and fittings, tools, etc.
Cost at 1 January	3.190	45.198	24.830	5.444
Foreign exchange adjustments	132	1.155	403	30
Addition	0	431	1.292	832
Disposal	0	0	-1.556	-369
Cost at 31 December	3.322	46.785	24.969	5.937
Amortisation and impairment losses at 1 January	1.009	17.996	14.139	2.306
Foreign exchange adjustments	15	324	252	-69
Depreciation	342	3.798	4.964	1.434
Depreciation of assets sold	0	0	-1.766	-369
Depreciation and impairment losses at 31 December	1.365	22.118	17.589	3.302
Carrying amount at 31 December	1.957	24.666	7.380	2.635
Finance lease included in above figures	0	0	0	506

8 Capital

	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2014 DKK '000	Parent company 2014 DKK '000
Equity	-59.982	-59.982	-38.404	-38.404
Subordinated loan capital	40.000	40.000	40.000	40.000
Total capital	-19.982	-19.982	1.596	1.596

Special terms related to the subordinated loan capital:
Subordinated loan capital is subordinated to other creditors and falls due at 31 December 2016 and in case of change of control.

Notes

		Parent Company 2015 DKK '000	Parent Company 2014 DKK '000
9	**Investments in subsidiaries**		
	Cost at 1 January	144.765	143.908
	Addition	0	857
	Cost at 31 December	144.765	144.765
	Value adjustments at 1 January	-124.851	-106.852
	Foreign exchange adjustments	2.421	2.672
	Share of profit/loss for the year	-21.066	-20.670
	Value adjustments at 31 December	-143.496	-124.851
	Negative equity value included in receivable at associated entities		
	Provision, subsidiary	18.027	9.422
	Carrying amount at 31 December	19.297	29.337

Notes

9 Investment in subsidiaries (cont.)

Name	Domicile	Stake	Share capital	Equity share DKK '000	Profit/loss after tax DKK '000
Flexa4Dreams A/S	Hornsyld, DK	100%	1.000 thDKK	-18.027	-8.579
Flexa Eesti AS	EE	100%	51,1 thEUR	4.020	3.122
Dream Slats OÜ	EE	100%	2,5 thEUR	173	-57
Flexa (Suzhou) Furniture Products Ltd.	CN	100%	18.375 thRMB	290	-10.370
Flexa (Shanghai) Int. Trading Ltd.	CN	100%	1.655 thRMB	17.214	-4.743
				3.670	-20.626
Intra-group profit on inventories, at the end of year				-2.400	-440
Negative net asset value transferred to provisions				18.027	0
Carrying amount at 31 December				19.297	-21.066

Notes

	Consolidated 2015 DKK '000	Consolidated 2014 DKK '000
10 Deferred tax asset		
Deferred taxes at 1 January	0	0
	0	0
Deferred taxes include:		
Non-current assets	-3.475	-2.927
Current asssets	646	-1.663
Provisions	-754	-638
Tax loss carryforwards	-18.159	-12.467
	-21.742	-17.695
Write-down of calculated deferred taxes	21.742	17.695
	0	0

11 Share capital

Development in share capital

DKK '000	Parent company 2015 DKK '000	Parent company 2014 DKK '000
Share capital at 1 January	1.000	1.000
Share capital at 31 December	1.000	1.000

Share capital is in 2010 increased by 500 thDKK to 1,000 thDKK.

Notes

	Consolidated 2015 DKK '000	Consolidated 2014 DKK '000
12 Provisions		
Provisions at 1 January	2.900	2.750
Adjustments	529	150
Provisions at 31 December	3.429	2.900

13 Non-current liabilities

Credit institutions		
Total liabilities at 31 December	157	446
Instalments first year	157	290

14 Other payables

Staff-related liabilities	6.271	5.705
Other payables	21.920	14.967
	28.190	20.673

Notes

15 Contingent liabilities and collateral	Consolidated 2015 DKK '000	Parent company 2015 DKK '000	Consolidated 2015 DKK '000	Parent company 2015 DKK '000
Rent commitments	4.540	0	6.369	0
Operating lease liabilities	1.520	0	4.525	0

Collateral (Consolidated)

The following assets have been provided as collateral for Flexa4Dreams A/S and Flexa Eesti AS' agreements with banks and subordinated loan capital in Flexa4Dreams Holding A/S:

	Registered collateral DKK '000	Carrying amount at 31.12.2015 DKK '000
Company charge in operating equipment, goodwill, inventories and unsecured claims	70.000	95.764

Flexa Eesti AS has provided collateral of 2.7 Mdkk for other companies in the old Flexa Group.

Collateral (Parent company)

Suretyship provided to the following companies' bank engagements

	Nordea DKK '000	Danske Bank DKK '000
Flexa4Dreams A/S	35.845	26.993
Flexa Eesti AS	34.774	21.857

The shares in Flexa4Dreams A/S and Flexa Eesti AS are provided as collateral for commitments against credit institutions. The carrying amount of the shares was resp. DKK -18,027 thousand and DKK 4,020 thousand at 31 December.

Notes

Collateral (Parent company) (continued

The shares in Flexa4Dreams A/S are provided as collateral for commitments against credit institutions in FRX MHD A/S in bankruptcy. The carrying amount of the shares was DKK -18,027 thousand at 31 December.

16 Related parties

Transactions with related parties are made on market terms.

Control

The parent company's related parties exercising control include FRX MHD A/S in bankruptcy, parent company.

Notes

Notes without reference:

		Consolidated 2015	Consolidated 2014
17	**Staff costs**	DKK '000	DKK '000
	Wages and salaries	76.597	69.912
	Pensions	3.309	2.673
	Other social security costs	9.196	8.452
	Other staff costs	1.321	1.338
		90.423	82.375

In parent company, no remuneration has been paid to the Executive Board and the Board of Directors.

Staff costs are recognised in the financial statements as follows:

Production costs	42.776	38.594
Distribution costs	25.837	21.612
Administrative expenses	21.809	22.169
	90.423	82.375
Average number of employees	470	444

Notes

18 Depreciation, amortisation and impairment losses	**Consolidated** 2015 DKK '000	**Consolidated** 2014 DKK '000
Intangible assets	1.000	1.000
Property, plant and equipment	10.538	9.167
	11.538	10.167
Depreciation, amortisation and impairment losses are recognised as follows:		
Production costs	8.878	7.799
Distribution costs	225	226
Administrative expenses	2.435	2.142
	11.538	10.167

19 Auditors' fees

	Consolidated 2015 DKK '000	**Parent company** 2015 DKK '000	**Consolidated** 2014 DKK '000	**Parent company** 2014 DKK '000
Fees to the auditors appointed at the annual general meeting				
Statutory audit	596	176	442	62
Other assurance engagements, PricewaterhouseCoopers	3	0	3	0
Other assurance engagements, Suzhou Fangben CPAs	86	0	37	0
Other assistance	36	0	839	667
	720	176	1.322	729

Financial statements

Notes

		Consolidated 2015	Consolidated 2014
20	**Change in working capital**	DKK '000	DKK '000
	Other provisions	529	150
	Exchange adjustments booked on equity	2.421	2.672
	Of which related to fixed assets	-1.199	-1.427
	Inventories	4.304	-11.037
	Receivables	-274	-5.040
	Trade payables and other payables	-7.280	17.537
		-1.499	2.855