



Flexa4Dreams Holding A/S

**Hornsyld Industrivej 4
8783 Hornsyld**

Annual report 2019

Reg. No.: 32 77 56 83

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

3. April 2020

(chairman)

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Statement by the Executive Board and the Board of Directors

The Executive and the Board of Directors have today considered and adopted the Annual Report of Flexa4Dreams Holding A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hornslyd, 3. April 2020

Executive Board

Carsten Dan Madsen
CEO

Board of Directors

Mikael Hee
Chairman

Adrian Vanderspuy

Carsten Madsen

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Independent Auditor's Report

To the Shareholders of Flexa4Dreams Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Flexa4Dreams Holding A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 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.

Statements

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 Company's internal control.

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

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

Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Odense, 3. April 2020

Ernst & Young

Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

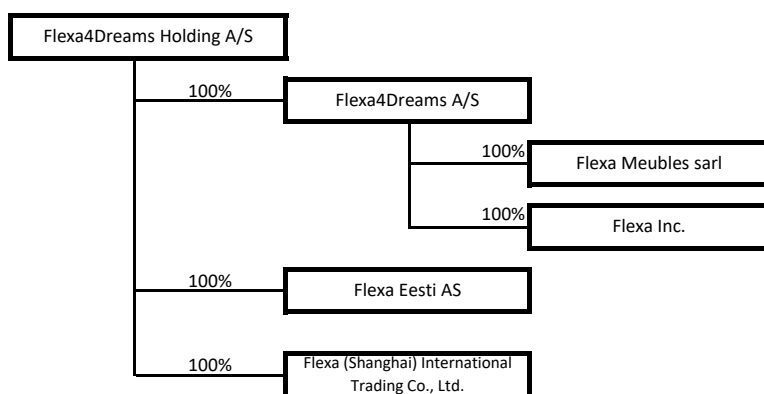
Brian Skovhus Jakobsen
State Authorised
Public Accountant
mne27701

Management's review

Company details

The Company	Flexa4Dreams Holding A/S Hornslyd Industrivej 4 8783 Hornslyd
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 Adrian Vanderspuy Carsten Dan Madsen
Executive Board	Carsten Dan Madsen
Auditors	ERNST & YOUNG Godkendt Revisionspartnerselskab Englandsgade 25 5100 Odense C
Annual general meeting	Annual general meeting is held on 3. April 2020

Group overview



Management's review

Financial highlights for the group

Key figures	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000
Revenue	344.140	378.655	356.482	355.843	346.579
Gross profit	106.958	119.709	122.998	125.226	113.971
EBITDA	10.015	7.268	17.098	27.848	-3.255
Adjusted EBITDA *)	12.088	8.242	14.098	22.678	-3.255
Ordinary operating profit	4.048	388	7.076	14.279	-6.250
Profit/loss from financial income and expenses	-7.855	-7.905	-6.869	-10.991	-9.081
Profit/loss for the year	-5.951	-7.989	3.205	8.036	-23.999
Non-current assets	24.696	26.334	25.174	25.734	40.805
Investment in property, plant and equipment	6.575	9.105	7.706	6.961	2.555
Current assets	103.593	125.289	129.169	159.107	117.806
Total assets	128.289	151.623	154.343	184.840	158.611
Total equity	2.797	8.483	16.609	13.208	-59.982
Total equity incl. subordinated loan capital	57.797	63.483	46.609	43.208	-19.982
Cash flows from operating activities	9.306	7.098	14.520	17.674	-14.198
Cash flows from investing activities	-6.359	-9.105	-7.706	-6.961	-2.859
Cash flows from financing activities	1.583	-1.224	-23.438	65.816	-289
Financial ratios					
Operating margin	1,2%	0,1%	2,0%	4,0%	-1,8%
Return on invested capital	4,6%	0,4%	7,2%	13,9%	-5,7%
Gross margin	31,1%	31,6%	34,5%	35,2%	32,9%
EBITDA ratio	2,9%	1,9%	4,8%	7,8%	-0,9%
Solvency ratio	2,2%	5,6%	10,8%	7,1%	-37,8%
Solvency ratio incl. subordinated loan capital	45,1%	41,9%	30,2%	23,4%	-12,6%
Average number of employees	335	371	387	425	470

*) In 2018 cost for severance pay in connection with restructuring the business has been adjusted. In 2016 & 2017 profit from divestment of production company in China has been adjusted, and in 2016 costs in connection with change of owners and reestablishment of the the equity has been adjusted.

Financial ratios

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

Operating margin:

$$\frac{\text{Ordinary operating profit} \times 100}{\text{Revenue}}$$

Return on invested capital:

$$\frac{\text{Ordinary operating profit} \times 100}{\text{Average capital invested}}$$

Invested capital:

Goodwill, property, plant and equipment and net working capital.

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

EBITDA ratio:

$$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$$

Solvency ratio:

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

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.

FLEXA Group has more than 150 specialist stores located in Europe, Asia, North Africa and Americas. Everyday our dedicated and knowledgeable partners around the world guide and advice parents to design the best possible room solutions for their kids.

Development in activities and financial position

The revenue in 2019 was 344.1 mill. DKK compared to 378.7 mill. DKK the year before. Ordinary result before depreciations and financial expenses (EBITDA) was 12.1 mill. DKK compared to 8.2 mill. DKK in 2018. The ordinary operating profit was 4.0 mill. DKK compared to 0.4 mill. DKK. Cash generated from operations was 9.2 mill. DKK compared with 7.1 mill. DKK in 2018.

The continuing weak business climate in the European retail markets in combination with deselecting a numbers of customers with poor margin has led to reduced activity level for 2019 with 10%. New product lines such as Popsicle as well as our strategic focus areas of Study and Play have generated growth, however these has not been enough to bridge the lost turnover in other areas.

Gross margin decreased to 31.1% compared to 31.6% the year before, mainly impacted by the sales mix.

Distribution- & Administration costs decreased by 16.4 mill. DKK to 102.9 mill. DKK.

Similar to many other retail segments the consumers of children's products are fast shifting their preferred channel towards online. FLEXA has in 2019 invested in the upgrade of its digital business platform and has launched a new webpage and e-commerce platform in summer 2019.

Net result for the year is -6.0 mill. DKK compared to -7.9 mill. DKK last year.

A cost of 2.1 mill DKK has been recognized as Other operating costs in the profit and loss. This relates to lawyer costs, costs related to previous year and severance pay to released employees.

In the annual report for 2018 we expected a decrease in turnover and reduced costs due to savings initiated at the end of 2018. Turnover developed overall as expected, but due to the sales mix the contribution did not develop as expected. Furthermore we have had other costs of 2.1 mill. DKK during 2019 which also had a significant impact on the result.

Capital resources

End of December 2019 equity amounts to 2.7 mill. DKK. The company has sufficient capital resources to execute its business plan.

During the year the Company has purchased 20,000 shares at a total nominal value of 20,000 DKK or 2.0% of the share capital to an amount of 200,000 DKK, and sold 20,000 shares at a total nominal value of 20,000 DKK or 2.0% of the share capital to an amount of 400,000 DKK. The portfolio of treasure shares comprises 10,000 shares to a nominal value of 10,000 DKK or 1.0% of the share capital. Treasure shares are primarily acquired for the Group's share programmes.

Management's review

Outlook

Due to the uncertainties created by Covid-19 and the uncertainty regarding the duration of the situation, it is expected that turnover will decrease in 2020 compared with 2019. The uncertainties also affects the expected earnings for 2020. But based on the current sales strategy, improvement of product portfolio and store concepts, the Group expects to gain further market share within its core segment: Branded products. At the same time we will on developing our e-commerce sales channel further and together with establishing a flagship store in Aarhus this will bring us closer to the end consumers. We furthermore expect to see positive effects on earnings from the savings initiated at the end of 2019.

The Company continue investments in the Digital platform. Apart from that we do not expect any single major investment in 2020, 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

FLEXA is exposed to currency risk on three levels. First of all there is currency risks relating to investments in foreign subsidiaries. These risks 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. Secondly, there is a risk in relation to the current cash flow. The Group hedges currency risks on estimated cash flows 6-12 months forward. Finally, there is currency risk in relation to translation of intra-group debts in foreign currency at the balance sheet date. Such translation comprises an exchange rate adjustment which is not hedged.

Interest rate risks

The Group's interest bearing net debt, calculated as subordinated loans, other loans and bank debt less cash, amounted 31. December 2019 to 78.9 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.

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.

Management's review

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.

Corporate social responsibility

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

FLEXA develops, produces and markets Scandinavian interior solutions for kids. All FLEXA products are designed to create a safe and stimulating environment, which adapts, grows and transforms to meet children's ongoing developmental needs. We use our knowledge of children to create the world's best functional, playful and sustainable room solutions at affordable prices.

We produce beds and storage products in pine, birch and MDF, but we also have textiles, toys, metal and oak-veneered furniture.

Human rights:

At FLEXA, we are committed to support and respect internationally declared human rights, and to not be complicit in any human rights abuse. Our products are distributed all over the world, sold via e-commerce or through specialist stores and studios located in Europe, Asia, North Africa and America. But most of our products are produced in our own factories in Estonia where we have more than 200 dedicated and skilled employees. We do also supply products from external suppliers, among others in Eastern Europe and Asia.

As a global manufacturer and distributor of Scandinavian interior solutions for kids, FLEXA has to comply with a number of standards in terms of product safety and environment. It is therefore essential for us that all our main suppliers adhere to the same standards as we do. These standards are based on the overall principles of the UN Global Compact and cover areas such as:

Child labour, discrimination, forced labour, working environment, working hours and salary, the right to organise and collective bargaining, right to privacy, environment (pollution prevention and resource reduction, chemicals and hazardous materials, air emissions, waste water and solid waste, recycling and reuse of materials and products), and corruption.

When making new contracts, the supplier must confirm and commit to complying with these standards. In 2020 we will continue to expand the number of suppliers following these standards.

Article 31 (Leisure, play and culture):

Children have the right to relax and play, and to join in a wide range of cultural, artistic and other recreational activities. (UN Convention on the Rights of the Child)

Through our business activity, FLEXA supports the UN's Convention on the Rights of the Child. Every day our products encourage and enable children to play and be active, which has a beneficial impact on their development in terms of motor coordination, intellect and social skills. FLEXA wishes to develop products that help improve children's physique in fun, safe surroundings.

Every detail in Flexa's furniture is carefully designed to support a safe environment in the child's room. All beds launched in 2019 with a sleeping height of more than 60 cm are safety tested by TÜV and meet EU standard EN747:2012 + A1:2015

Management's review

Labour standards

For FLEXA's own activities, we aim to ensure that we provide our employees with a safe working environment, whether in the headquarters in Hornsyld, Denmark, or in the factories in Estonia, as well as in our sales company in China. Occupational health and safety is an equivalent and integral part of all FLEXA's activities and one of our permanent top priorities. Our Health and Safety policy focuses on preventing injuries and illness, ensuring that we comply with all legal regulations, and that we efficiently and actively involve our employees in this area. As an important step in this direction, our factory in Estonia is certified according to ISO 14001. This implies that the operating practices are up to date and in compliance with health and safety requirements. It further enables our organisation to control and gain knowledge of all relevant risks and hazards, and consequently improves our performance.

Our factories in Estonia are also audited against the SMETA 2 pillar ethical audit. SMETA ethical audit results confirm that factories comply with Labour standards as well as Health and Safety requirements.

We will continue to pursue a structured and managed approach to work actively for a safe and healthy working environment for our employees in 2020. We will continue to focus particularly on work safety around complex machinery, where the exposure to injuries is higher. Over the past two years, we have reduced the number of accidents by 20%, but we remain focused on continuous improvements and on halving this figure.

Environment:

As a manufacturer of Scandinavian interior solutions for kids, FLEXA has an integrated approach to environmental considerations. FLEXA aims to produce sustainable products with a long lifespan, which require a low level of maintenance. We aim to use materials and technologies that have minimal impact on the environment, and to use PEFC™ and FSC-certified sources where possible.

We have optimised the use of wood in all our production and we recycle tree stumps, wood shavings and even sawdust at the factories.

Playing and sleeping should be absolutely free from chemicals and other harmful substances. That's why we use eco-friendly UV-lacquer, which is free from solvents and toxic colorants. All Flexa's furniture is tested according to and complies with strict international safety standards, such as EN71-3, DIN717 and DIN 53160, to ensure non-toxic furniture.

Flexa textiles and mattresses are Standard 100 by Oeko-tex certified. The Oeko-tex label guarantees that the products meet stringent requirements for chemical and harmful substances. Our mattress covers are washable for optimal hygiene and convenience.

We want to take Flexa's responsibility a step further in 2020, as we plan to get our textiles GOTS (global organic textile standard) certified.

GOTS is the strictest and most comprehensive textile certification, addressing the whole value chain of a textile product. GOTS ensures an environmentally friendly approach from start to end product. The certification provides a credible, traceable, and documented guarantee for environmentally friendly, organic and chemical-free textiles, produced under strict social criteria, to ensure better working conditions for the people producing the textiles.

FLEXA's production plants in Estonia are ISO 9001 and ISO 14001 certified, which implies a specific and structured management approach to environmental issues. The plants have also implemented control systems that work towards compliance with requirements on active substances in accessible components, and independent third-party tests are being run.

In the years to come, FLEXA will focus even more on how to minimise the waste of resources and reduce environmental hazards.

Management's review

Climate:

FLEXA has not identified any material risks, but the products we produce are mainly produced from pinewood. By use of pinewood we continuously contribute to the reduction of Co2 in the atmosphere as the Co2 is captured in the trees as they are growing. FLEXA designs furniture for children – and we want them to grow up in a green world. That's why we recycle all remaining wood from our preparation process. We collect continuously everything, even sawdust, and send it to a sawmill, where it is compressed to wood pellets. The wood pellets are free from additives and lacquer, which makes them environmentally friendly and CO2-neutral. These wood pellets have a long combustion and offer a real alternative to other less environmentally friendly forms of energy.

Anti-corruption:

Corruption and bribery are recognised as barriers to sustainable development and free trade. At FLEXA, we do not accept these practices and therefore do not accept any kind of undue payment in any of our business transactions. It is our policy that all elements of our supply chain and sales must be completely transparent for everyone interested in knowing more. Principles for working against anti-corruption are integrated in the valuation process when finding new suppliers.

Anti-corruption is still a relatively new area for FLEXA in terms of working actively with the issue in our own activities. All new employees in the HQ in Hornsyld are, as part of the employee handbook, introduced to our policies around bribery, facilitation payments, gifts/entertainment, political contributions and charity contributions.

In FLEXA we will continue to develop our focus on compliance issues in the future.

Report on the Gender Composition in Management, cf. Section 99 b of the Danish Financial Statements Act

The Group's policy for recruitment is to attract and hire the most competent leadership. The goal for female representation in the Board and in the Management team is a minimum of 25% in 2021. In the current financial year, the Board has consisted of the 3 persons who are the main owners of the company. The owners have not found it relevant to extend or change the seat of the Board. The 3 persons are all males. The stated objective has therefore not yet been met. The Board of Directors will, as far as possible, appoint a suitable female candidate to the Board. In the current financial year, the management team has consisted of 27% females. In order to meet the above objective of more female leaders, FLEXA has launched a number of initiatives that can promote the development and support of female leaders, a.o. in connection with recruitment to management posts, where the objective is to have male as well as female candidates.

Financial statements

Income statement

	Note	Consolidated 2019 DKK '000	Parent company 2019 DKK '000	Consolidated 2018 DKK '000	Parent company 2018 DKK '000
Revenue	2	344.140	0	378.655	0
Production costs	3	<u>-237.182</u>	<u>0</u>	<u>-258.946</u>	<u>0</u>
Gross profit		106.958	0	119.709	0
Distribution costs	3	-59.196	0	-75.354	0
Administrative expenses	3	<u>-43.714</u>	<u>-131</u>	<u>-43.968</u>	<u>-178</u>
Ordinary operating profit/loss		4.048	-131	388	-178
Other operating income	4	2.146	0	0	0
Other operating expenses	5	-4.219	0	-974	0
Exceptional items		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating profit/loss		1.974	-131	-587	-178
Profit/loss from investments	11	0	680	0	-2.417
Financial income	6	0	0	2	4
Financial expenses	7	<u>-7.855</u>	<u>-6.500</u>	<u>-7.907</u>	<u>-5.398</u>
Profit/loss from ordinary activities before income taxes		-5.880	-5.951	-8.492	-7.989
Tax on profit/loss from ordinary activities	8	<u>-71</u>	<u>0</u>	<u>503</u>	<u>0</u>
Profit/loss for the year		<u><u>-5.951</u></u>	<u><u>-5.951</u></u>	<u><u>-7.989</u></u>	<u><u>-7.989</u></u>
Proposed distribution of loss					
Reserve for nettoopskrivning efter den indre værdis metode			0		
Retained earnings			<u>-5.951</u>		<u>-23.999</u>
			<u><u>-5.951</u></u>		<u><u>-23.999</u></u>

Financial statements

Balance sheet

	Note	Consolidated 2019 DKK '000	Parent company 2019 DKK '000	Consolidated 2018 DKK '000	Parent company 2018 DKK '000
ASSETS					
Non-current assets					
Intangible assets					
	9				
Goodwill		<u>167</u>	<u>0</u>	<u>1.167</u>	<u>0</u>
Property, plant and equipment					
	10				
Leasehold improvements		1.141	0	828	0
Land and buildings		6.496	0	6.331	0
Plant and machinery		11.482	0	14.751	0
Fixtures and fitting, tools and equipment		<u>5.410</u>	<u>0</u>	<u>3.257</u>	<u>0</u>
		<u>24.529</u>	<u>0</u>	<u>25.167</u>	<u>0</u>
Investments					
	11				
Investments in subsidiaries		<u>0</u>	<u>58.509</u>	<u>0</u>	<u>57.764</u>
Total non-current assets		<u>24.696</u>	<u>58.509</u>	<u>26.334</u>	<u>57.764</u>

Financial statements

Balance sheet

	Note	Consolidated 2019 DKK '000	Parent company 2019 DKK '000	Consolidated 2018 DKK '000	Parent company 2018 DKK '000
Current assets					
Inventories					
Raw materials and consumables		7.628	0	10.114	0
Work in progress		9.189	0	9.359	0
Finished goods and goods for resale		<u>42.422</u>	<u>0</u>	<u>50.182</u>	<u>0</u>
		<u>59.239</u>	<u>0</u>	<u>69.655</u>	<u>0</u>
Receivables					
Trade receivables		26.795	0	41.742	0
Amounts owed by affiliated companies		0	7.172	0	14.356
Deferred tax asset	12	0	0	0	0
Other receivables		5.140	0	5.055	0
Prepayments		<u>3.576</u>	<u>123</u>	<u>4.490</u>	<u>184</u>
		<u>35.511</u>	<u>7.294</u>	<u>51.287</u>	<u>14.540</u>
Cash at bank and in hand		<u>8.844</u>	<u>5</u>	<u>4.347</u>	<u>6</u>
Total current assets		<u>103.593</u>	<u>7.300</u>	<u>125.289</u>	<u>14.546</u>
TOTAL ASSETS		<u><u>128.289</u></u>	<u><u>65.808</u></u>	<u><u>151.623</u></u>	<u><u>72.310</u></u>

Financial statements

Balance sheet

	Note	Consolidated 2019 DKK '000	Parent company 2019 DKK '000	Consolidated 2018 DKK '000	Parent company 2018 DKK '000
EQUITY AND LIABILITIES					
Equity					
Share capital	13	1.045	1.045	1.045	1.045
Retained earnings		<u>1.752</u>	<u>1.752</u>	<u>7.438</u>	<u>7.438</u>
Total equity	14	<u>2.797</u>	<u>2.797</u>	<u>8.483</u>	<u>8.483</u>
Provisions					
Provisions, subsidiary	11	0	0	0	0
Other provisions	15	<u>2.503</u>	<u>0</u>	<u>2.379</u>	<u>0</u>
		<u>2.503</u>	<u>0</u>	<u>2.379</u>	<u>0</u>
Liabilities other than provisions					
Non-current liabilities other than provisions					
Subordinated loan capital	14	55.000	55.000	55.000	55.000
Other loans	16	<u>7.943</u>	<u>7.943</u>	<u>7.551</u>	<u>7.551</u>
		<u>62.943</u>	<u>62.943</u>	<u>62.551</u>	<u>62.551</u>

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Balance sheet

	Note	Consolidated 2019 DKK '000	Parent company 2019 DKK '000	Consolidated 2018 DKK '000	Parent company 2018 DKK '000
Current liabilities other than provisions					
Current portion of non-current liabilities other than provisions	16	0	0	0	0
Bank loans and overdraft		24.843	0	23.852	0
Prepayments from customers		370	0	3.990	0
Trade payables		28.510	0	30.105	0
Amounts owed to affiliated companies		0	0	0	1.184
Corporation tax		71	0	0	0
Other payables	17	6.253	69	20.264	92
Deferred income		0	0	0	0
		<u>60.047</u>	<u>69</u>	<u>78.211</u>	<u>1.276</u>
Total liabilities other than provisions		<u>122.989</u>	<u>63.012</u>	<u>140.762</u>	<u>63.827</u>
TOTAL EQUITY AND LIABILITIES		<u>128.289</u>	<u>65.808</u>	<u>151.623</u>	<u>72.310</u>
Contingent liabilities and collateral	18				
Related parties	19				
Subsequent events	20				
Notes without reference	21-22				

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Statement of changes in equity

Parent company

DKK '000

	Share capital 2019	Retained earnings 2019	Total 2019
	DKK '000	DKK '000	DKK '000
Equity at 1 January	1.045	7.438	8.483
Purchase of own shares	0	-200	-200
Sale of own shares	0	400	400
Foreign exchange adjustments of foreign subsidiaries etc.	0	65	65
Disposal for the year	0	-5.951	-5.951
Equity at 31 December	<u>1.045</u>	<u>1.752</u>	<u>2.797</u>

Subordinated loan capital of 55 mill. DKK has been established in supplement to equity, see note 14.

Consolidated

DKK '000

	Share capital 2019	Retained earnings 2019	Total 2019
	DKK '000	DKK '000	DKK '000
Equity at 1 January	1.045	7.438	8.483
Capital increase	0	0	0
Purchase of own shares	0	-200	-200
Sale of own shares	0	400	400
Foreign exchange adjustments of foreign subsidiaries etc.	0	65	65
Disposal for the year	0	-5.951	-5.951
Equity at 31 December	<u>1.045</u>	<u>1.752</u>	<u>2.797</u>

Subordinated loan capital of 55 mill. DKK has been established in supplement to equity, see note 14.

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Cash flow statement - consolidated

	Note	Consolidated 2019 DKK '000	Consolidated 2018 DKK '000
Revenue		344.140	378.655
Expenses		<u>-334.125</u>	<u>-371.387</u>
Cash from operations before changes in working capital		10.015	7.268
Change in working capital	23	<u>7.145</u>	<u>7.233</u>
Cash generated from operations (ordinary activities)		17.160	14.501
Financial income and expenses, net		-7.855	-7.905
Taxes paid		<u>0</u>	<u>502</u>
Cash flows from operating activities		<u>9.306</u>	<u>7.098</u>
Purchase of intangible assets and property, plant and equipment		-6.575	-9.105
Sales of intangible assets and property, plant and equipment		217	0
Purchase of activities		<u> </u>	<u> </u>
Cash flows from investing activities		<u>-6.359</u>	<u>-9.105</u>
Capital owners:			
Share issue		<u>0</u>	<u>0</u>
Cash flows from the capital owners		<u>0</u>	<u>0</u>
Increase of long-term debt and bank overdrafts		1.383	-1.124
Trade of own shares		200	0
Capital increase, net		<u>0</u>	<u>-100</u>
Cash flows from financing activities		<u>1.583</u>	<u>-1.224</u>
Net cash flows form operating, investing and financing activities		4.530	-3.231
Cash and cash equivalents at 1 January		<u>4.347</u>	<u>7.579</u>
Cash and cash equivalents at 31 December		<u><u>8.878</u></u>	<u><u>4.347</u></u>

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

Financial statements

Notes

1. Accounting policies

The annual report of Flexa4Dreams Holding A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

There has been no changes to the Danish Financial Statements Act, consequently no influence to the Company's financial position at 31. December 2019.

The accounting policies applied remain unchanged from last year, and financial statements for 2019 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.

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Notes

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.

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.

Financial statements

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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.

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.

Financial statements

Notes

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.

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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 computed 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.

Financial statements

Notes

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.

Financial statements

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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 statements

Notes

	Consolidated 2019 DKK '000	Consolidated 2018 DKK '000
2 Revenue		
Geographical markets		
Europe	269.978	315.086
America	5.051	2.177
Asia	<u>69.111</u>	<u>61.392</u>
Total	<u><u>344.140</u></u>	<u><u>378.655</u></u>

3 Staff costs

Wages and salaries	71.057	75.066
Pensions	3.505	3.492
Other social security costs	9.415	9.929
Other staff costs	<u>1.585</u>	<u>1.660</u>
	<u><u>85.561</u></u>	<u><u>90.147</u></u>

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	42.100	44.431
Distribution costs	20.756	23.192
Administrative expenses	22.705	22.524
Exceptional items	<u>0</u>	<u>0</u>
	<u><u>85.561</u></u>	<u><u>90.147</u></u>
Average number of employees	<u><u>335</u></u>	<u><u>371</u></u>

4 Other operating income

Other operating income in 2019 relates to sale of electricity.

5 Other operating costs

Other operating costs in 2019 relates to the costs related to the other operating income, and lawyer costs, costs related to previous year and severance pay to released employees in connection with restructuring of business.

Financial statements

Notes	Consolidated	Parent	Consolidated	Parent
	2019	company	2018	company
	DKK '000	2019	DKK '000	2018
		DKK '000		DKK '000
6 Financial income				
Interest from affiliated companies	0	0	0	0
Other interest income	<u>0</u>	<u>0</u>	<u>2</u>	<u>4</u>
	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>2</u></u>	<u><u>4</u></u>
7 Financial expenses				
Interest from affiliated companies	0	0	0	0
Other interest expenses	<u>7.855</u>	<u>6.500</u>	<u>7.907</u>	<u>5.398</u>
	<u><u>7.855</u></u>	<u><u>6.500</u></u>	<u><u>7.907</u></u>	<u><u>5.398</u></u>
8 Tax on profit/loss from ordinary activities				
Current tax for the year	<u>71</u>	<u>0</u>	<u>-503</u>	<u>0</u>
	<u><u>71</u></u>	<u><u>0</u></u>	<u><u>-503</u></u>	<u><u>0</u></u>
9 Intangible assets				
Goodwill				
Cost at 1 January	10.000		10.000	
Exchange rate adjustments	0		0	
Increase upon the contribution of entity and purchase of subsidiaries	0		0	
Addition	0		0	
Disposal	<u>0</u>		<u>0</u>	
Cost at 31 December	<u>10.000</u>		<u>10.000</u>	
Amortisation and impairment losses at 1 January	8.833		7.833	
Amortisation	1.000		1.000	
Reversed depreciation on disposal	<u>0</u>		<u>0</u>	
Amortisation and impairment losses at 31 December	<u>9.833</u>		<u>8.833</u>	
Carrying amount at 31 December	<u><u>167</u></u>		<u><u>2.167</u></u>	

Financial statements

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10 Property, plant and equipment Consolidated

	<u>Leasehold improvements</u>	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings, tools, etc.</u>
DKK '000				
Cost at 1 January	2.329	27.134	34.843	7.376
Foreign exchange adjustments	2	9	15	1
Addition	686	1.811	208	3.870
Disposal	<u>0</u>	<u>-257</u>	<u>-31</u>	<u>-283</u>
Cost at 31 December	<u>3.017</u>	<u>28.698</u>	<u>35.035</u>	<u>10.963</u>
Amortisation and impairment losses at 1 January	1.500	20.582	20.236	4.162
Foreign exchange adjustments	1	7	9	0
Depreciation	375	1.648	3.339	1.668
Depreciations, devisted entities	0	0	0	0
Depreciation of assets sold	<u>0</u>	<u>-36</u>	<u>-31</u>	<u>-277</u>
Depreciation and impairment losses at 31 December	<u>1.876</u>	<u>22.201</u>	<u>23.553</u>	<u>5.553</u>
Carrying amount at 31 December	<u><u>1.141</u></u>	<u><u>6.496</u></u>	<u><u>11.482</u></u>	<u><u>5.410</u></u>
Finance lease included in above figures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Financial statements

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11 Investments in subsidiaries	Parent Company 2019	Parent Company 2018
	DKK '000	DKK '000
Cost at 1 January	173.886	143.886
Increase	<u>0</u>	<u>30.000</u>
Cost at 31 December	<u>173.886</u>	<u>173.886</u>
Value adjustments at 1 January	-116.122	-113.668
Foreign exchange adjustments etc.	65	-37
Disposal	0	0
Other adjustments, debt relief	0	0
Share of profit/loss for the year	<u>680</u>	<u>-2.417</u>
Value adjustments at 31 December	<u>-115.378</u>	<u>-116.122</u>
Negative equity value included in receivable at associated entities		
Provision, subsidiary	<u>0</u>	<u>0</u>
Carrying amount at 31 December	<u>58.508</u>	<u>57.764</u>

<u>Name</u>	<u>Domicile</u>	<u>Stake</u>	<u>Share capital</u>	<u>Equity share</u>	<u>Profit/loss</u>
				DKK '000	after tax DKK '000
Flexa4Dreams A/S	Horsens, DK	100%	1.000 thDKK	27.027	-5.143
Flexa Eesti AS	EE	100%	51,1 thEUR	24.492	4.592
Dream Slats OÜ (liquidated)	EE	0%	n.a.	0	0
Flexa (Shanghai) Int. Trading Ltd.	CN	100%	1.655 thRMB	<u>10.580</u>	<u>831</u>
				62.099	280
Intra-group profit on inventories				<u>-3.590</u>	<u>400</u>
Carrying amount at 31 December				<u>58.509</u>	<u>680</u>

Financial statements

Notes	Consolidated	Parent company	Consolidated	Parent company
	2019	2019	2018	2018
	DKK '000	DKK '000	DKK '000	DKK '000
12 Deferred tax asset				
Deferred taxes at 1 January	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred taxes include:				
Non-current assets	-5.194		-4.654	
Current assets	-72		-291	
Provisions	-551		-523	
Tax loss carryforwards	<u>-16.445</u>	<u>-3.635</u>	<u>-18.047</u>	<u>-2.270</u>
	-22.262	-3.635	-23.515	-2.270
Write-down of calculated deferred taxes	<u>22.262</u>	<u>3.635</u>	<u>23.515</u>	<u>2.270</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
13 Share capital and proposed distribution of profit				
Development in share capital				
Share capital at 1 January		1.045		1.045
Capital increase		<u>0</u>		<u>0</u>
Share capital at 31 December		<u>1.045</u>		<u>1.045</u>
Share capital in 2018 consist of nominal 1.045.105 shares				
Development in treasure shares				
Treasure shares at 1 January		10		5
Additions/disposals		<u>0</u>		<u>5</u>
Treasure shares at 31 December		<u>10</u>		<u>10</u>
The portfolio of treasure shares comprises 10,000 shares to a nominal value of 10,000 DKK or 1.0% of the share capital. During the year the Company has purchased 20,000 shares at a total nominal value of 20.000 DKK or 2.0% of the share capital to an amount of 200,000 DKK and sold 20,000 shares at a total nominal value of 20.000 DKK or 2.0% of the share capital to an amount of 400,000 DKK				
Proposed distribution of profit				
Retained earnings		<u>-5.951</u>		<u>3.205</u>

Financial statements

Notes	Consolidated	Parent	Consolidated	Parent
	2019	company	2018	company
	DKK '000	2019	DKK '000	2018
		DKK '000		DKK '000
14 Capital				
Equity	2.797	2.797	16.609	16.609
Subordinated loan capital	<u>55.000</u>	<u>55.000</u>	<u>30.000</u>	<u>30.000</u>
Total capital	<u><u>57.797</u></u>	<u><u>57.797</u></u>	<u><u>46.609</u></u>	<u><u>46.609</u></u>

Special terms related to the subordinated loan capital:

Subordinated loan capital is subordinated to bank debt and falls due as follows: 10m DKK in January 2021 and the remaining later but only if the liquidity of the company is adequate, and there is no debt to Sparekassen Kronjylland.

15 Provisions

Provisions at 1 January	2.379	2.245
Change in the year	<u>124</u>	<u>134</u>
Provisions at 31 December	<u><u>2.503</u></u>	<u><u>2.379</u></u>

Provision for agent commission obligation, based on average of last 5 year commissions.

16 Non-current liabilities

Other loans

Total liabilities at 31 December	<u>7.943</u>	<u>7.551</u>
Instalments first year	<u>0</u>	<u>0</u>

Included in Other loans an amount of 1,2m DKK consist of a convertible debt certificate. The conversion will take place at a price of 47,84 per share of a nominal value of DKK 1, which means the lender by converting the principal amount of the loan wil receive shares totalling a nominal amount of 24.545 DKK. The lender is entitled to exercise his right to convert the loan into shares until October 2021.

17 Other payables

Staff-related liabilities	6.203	7.517
Other payables	<u>50</u>	<u>12.747</u>
	<u><u>6.253</u></u>	<u><u>20.264</u></u>

Financial statements

Notes	Consolidated	Parent company	Consolidated	Parent company
	2019	2019	2018	2018
18 Contingent liabilities and collateral	DKK '000	DKK '000	DKK '000	DKK '000
Rent commitments	7.396	0	7.396	0
Operating lease liabilities	2.541	0	2.541	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	Carrying amount at 31.12.2019
	DKK '000	DKK '000
Company charge in operating equipment, goodwill, inventories and unsecured claims	80.831	112.556

Collateral (Parent company)

Suretyship provided to the following companies' bank engagements

	Midt Factoring	Sparekassen Kronjylland
	DKK '000	DKK '000
Flexa4Dreams A/S	13.926	10.272

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 27.027 thousand and DKK 24.492 thousand at 31. December 2019.

Other financial liabilities

Flexa4Dreams Holding A/S and its subsidiaries are parties to a few pending lawsuits. The outcome of these cases is not expected to materially effect the financial position of the Group, neither individually nor in the aggregate.

19 Related parties

Transactions with related parties are made on market terms.

Control

The parent company's related parties exercising control include the majority owner Adrian Vanderspuy.

20 Subsequent events

As stated above, Covid-19 has created uncertainty about the expectations and outlook for 2020. To mitigate the uncertainties, management has implemented the following initiatives:

During the Covid-19 outbreak employees of Flexa4Dreams has agreed to a working week of 2 days and 3 days on governmental paid unemployment aid

All initiatives from the government in the operational countries are being looked carefully into.

A tight cash monitoring system has been set up.

A temporary investment stop has been made

Credit lines with the banks has been renegotiated

Financial statements

Notes

Notes without reference:

	Consolidated	Parent	Consolidated	Parent
	2019	company	2018	company
	DKK '000	2019	DKK '000	2018
	DKK '000	DKK '000	DKK '000	DKK '000
21 Depreciation, amortisation and impairment losses				
Intangible assets	1.000		1.000	
Property, plant and equipment	<u>7.041</u>		<u>6.855</u>	
	<u><u>8.041</u></u>		<u><u>7.855</u></u>	
Depreciation, amortisation and impairment losses are recognised as follows:				
Production costs	4.828		5.419	
Distribution costs	107		78	
Administrative expenses	<u>3.105</u>		<u>2.358</u>	
	<u><u>8.041</u></u>		<u><u>7.855</u></u>	
22 Auditors' fees				
Fees to the auditors appointed at the annual general meeting				
Statutory audit	428	39	390	46
Other assurance engagements, Ernst & Young	42	5	5	0
Other assistance	<u>0</u>	<u>0</u>	<u>172</u>	<u>0</u>
	<u><u>470</u></u>	<u><u>44</u></u>	<u><u>567</u></u>	<u><u>46</u></u>
23 Change in working capital				
Other provisions	124		134	
Exchange adjustments booked on equity	65		-37	
Of which related to fixed assets	-10		-60	
Inventories	10.416		-3.640	
Receivables	15.775		4.439	
Prepayments from customers	-3.620		3.990	
Trade payables and other payables	<u>-15.605</u>		<u>2.407</u>	
	<u><u>7.145</u></u>		<u><u>7.233</u></u>	

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Carsten Dan Madsen

CEO

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Mikael Sigvarsen

Dirigent

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