FLEXA®

Flexa4Dreams A/S

Hornsyld Industrivej 4
8783 Hornsyld

Annual report 2016

Reg. No.: 32 77 57 05

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

on 30 May 2017

(chairman)

Statements

Management's review

Financial statements 1 January 2016 - 31 December 2016

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Statement by the Executive Board and the Board of Directors

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Flexa4Dreams A/S for the financial year 1 January 2016 - 31 December 2016.

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

In our opinion, the Financial Statement gives a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations and cash flow for 2016.

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

Hornsyld, 30 May 2017

Carsten Dan Madsen
CEO

Mikael Hee
Chairman

Adrian Vanderspuy

Carsten Dan Madsen

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Independent Auditor's Report

To the Shareholders of Flexa4Dreams A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Flexa4Dreams A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

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 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 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 Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trekantomraadet, 30 May 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

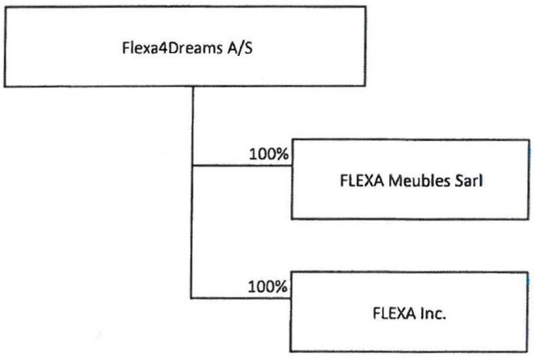
Arne Kristensen	John Lindholm Bode
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

Company details

The Company	Flexa4Dreams 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 57 05
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	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle
Annual general meeting	Annual general meeting is held on 30 May 2017.

Group overview



Financial highlights for the Company

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
Revenue	316.484	290.860	238.488	219.372	210.980
Gross profit	82.578	68.775	52.032	51.229	45.892
EBITDA	8.367	-2.191	-10.969	-4.008	-12.277
Operating profit	6.621	-4.682	-12.885	-6.499	-14.430
Profit/loss from financial income and expenses	-4.508	-3.897	-2.192	-1.806	-1.043
Profit/loss for the year	2.113	-8.579	-15.657	-14.555	-15.720
Non-current assets	21.290	5.209	6.977	8.701	9.860
Investment in property, plant and equipment	766	584	775	1.332	442
Current assets	97.550	94.697	87.171	69.573	73.100
Total assets	118.840	99.906	94.148	78.273	82.960
Total equity	-15.825	-18.029	-9.424	6.247	20.804
Cash flows from operating activities	-446	-10.920	-20.586	-1.561	-17.748
Cash flows from investing activities	36	-584	-775	-1.334	-250
Cash flows from financing activities	-17.425	-290	-820	-1.761	-570
Financial ratios					
Operating margin	2,1%	-1,6%	-5,4%	-3,0%	-6,8%
Return on invested capital	13,0%	-11,7%	-35,4%	-17,8%	-37,7%
Gross margin	26,1%	23,6%	21,8%	23,4%	21,8%
EBITDA ratio	2,6%	-0,8%	-4,6%	-1,8%	-5,8%
Solvency ratio	-13,3%	-18,0%	-10,0%	8,0%	24,9%
Average number of employees	75	71	73	69	73

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:

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

Invested capital:

Goodwill, property, plant and equipment and net working capital

Gross margin:

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

Solvency ratio:

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

Operating review

Principal activities of the Company

Flexa4Dreams' main activities are marketing and sale of furniture, interior and related products for children's rooms.

FLEXA Group today is the largest chain of stores dedicated to kids' room interior solutions. We have more than 140 specialist stores located in Europe, Asia, North Africa, South America and Hawaii. 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 fiancial position

The revenue for 2016 was 316.5 mill. DKK compared to 290.9 mill. DKK the year before. Ordinary result before depreciations and financial expenses (EBITDA) was 8.4 mill. DKK compared to -2.2 mill. DKK, and ordinary operating profit was 6.6 mill. DKK compared to -4.7 mill. DKK. Cash generated from operating activities was -0,4 mill. DKK.

Despite a continuing weak business climate in the European markets and negative currency impact from GBP, revenue for the year increased by 9%. This improvement is the result of a number of efforts during the year. Gaining new business and the continued positive effects of implementation of the new shop layout and concept. A significant growth in branded products has been achieved.

The new and revitalized product assortment launched in 2015 and 2016 contributed to the overall development. Of the total revenue for the year, 25% came from products designed and launched within the past 24 months.

Our production facilities and procurement department managed to reduce our cost prices bringing the gross margin up by 2.5% point to 26.1%.

Result from ordinary activities after taxes is 2.1 mill. DKK compared to -8.6 mill. DKK last year.

In the annual report for 2015 we stated an expectation for increase in turnover and earnings in 2016. The realized increase in turnover and the increase in net profit are assessed satisfactory based on the Company's current strategy.

Capital resources

In June 2016 FLEXA Group was bought by a group of dedicated long-term investors and the equity in the mother company: Flexa4Dreams Holding A/S was significantly strengthened. Flexa4Dreams A/S's equity at 31 December 2016 is negative by 15.8 mill. DKK, but the Group's equity at 31 December 2016 is positive by 16.2 mill. DKK.

Outlook

It is expected that the macro-economic situation remains unchanged in 2017. 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 Company expects to gain further market share, with which continued increased turnover and earnings are expected in 2017.

The Company expects no single major investment in 2017 but only minor investments in connection with the ongoing maintenance of the equipment.

Risks
General risks

The management of Flexa4Dreams assesses regularly the Company's risk exposure. Operational and strategic risks that may affect the Company's earnings and financial position are monitored and assessed regularly.

Financial risks

The Company is due to its operating, investing and financing exposed to fluctuations in exchange and interest rates. The Company's policy is not actively to speculate in financial risks. The Company'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 Company'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 Company's interest bearing net debt, calculated as bank debt less cash and part of other debt, amounted 31 December 2016 to 76.8 mill. DKK.

The Company'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 Company has no material risks relating to a single customer or partner. The Company'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 company, which operates from a united set of values. Based on the shared values the Company can realise its vision to be the preferred supplier of furniture and interior for the children's room.

Environmental issues

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

The Company 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 strives to continuously meet the laws and regulations of the countries and communities, where the Company operates.

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

The underrepresented sex

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

Financial statements

Income statement

	Notes	2016 DKK '000	2015 DKK '000
Revenue		316.484	290.860
Production costs	2	-233.906	-222.085
Gross profit		82.578	68.775
Distribution costs	2	-54.048	-53.679
Administrative expenses	2	-21.909	-19.778
Operating profit/loss		6.621	-4.682
Profit/loss from investments		777	-285
Financial income	3	531	672
Financial expenses	4	-5.815	-4.283
Profit/loss from ordinary activities before income taxes		2.113	-8.579
Tax on profit/loss from ordinary activities	5	0	0
Profit/loss for the year		2.113	-8.579

Balance sheet

	Note	2016 DKK '000	2015 DKK '000
ASSETS			
Non-current assets			
Intangible assets	6		
Goodwill		3.167	4.167
		3.167	4.167
Property, plant and equipment	7		
Leasehold improvements		243	98
Plant and machinery		0	29
Fixtures and fitting, tools and equipment		609	776
		852	903
Investments			
Investments in subsidiaries	8	0	139
Amounts owed by affiliated companies	9	17.270	0
		17.270	139
Total non-current assets		21.290	5.209
Current assets			
Inventories			
Finished goods and goods for resale		25.195	22.352
		25.195	22.352

Balance sheet (continued)

	Note	2016 DKK '000	2015 DKK '000
Receivables			
Trade receivables		41.468	44.817
Amounts owed by affiliated companies		26.722	21.927
Other receivables		1.414	1.459
Deferred tax asset	10	0	0
Prepayments		2.544	2.468
		72.148	70.671
Cash at bank and in hand		207	1.674
Total current assets		97.550	94.697
TOTAL ASSETS		118.840	99.906

Balance sheet (continued)

	Note	2016 DKK '000	2015 DKK '000
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1.000	1.000
Retained earnings		-16.825	-19.029
Total equity		-15.825	-18.029
Provisions	12		
Other provisions		1.735	3.429
		1.735	3.429
Liabilities other than provisions			
Current liabilities other than provisions			
Current portion of non-current liabilities other than provisions	13	2	157
Bank loans and overdraft		77.041	60.671
Trade payables		6.807	5.048
Amounts owed to affiliated companies		31.065	33.114
Other payables		18.017	15.517
		132.931	114.506
Total liabilities other than provisions		132.931	114.506
TOTAL EQUITY AND LIABILITIES		118.840	99.906
Contingent liabilities and collateral	14		
Related parties	15		
Subsequent events	16		

Statement of changes in equity
DKK '000

	Share capital	Retained earnings	Total
Equity at 1 January	1.000	-19.029	-18.029
Profit for the year	0	2.113	2.113
Foreign exchange adjustments of foreign subsidiaries etc.	0	90	90
Equity at 31 December	1.000	-16.825	-15.825

Financial statements

Cash flow statement	Note	2016 DKK '000	2015 DKK '000
Revenue		316.484	290.860
Expenses		-308.117	-293.051
Cash from operations before changes in working capital		8.367	-2.191
Change in working capital	17	-3.529	-5.118
Cash generated from operations (ordinary activities)		4.838	-7.309
Financial income and expenses, net		-5.285	-3.611
Cash flows from operating activities		-446	-10.920
Purchase of intangible assets and property, plant and equipment		-694	-584
Purchase/sale of activities		730	0
Cash flows from investing activities		36	-584
Change in long-term receivables/debt		-17.425	-290
Cash flows from financing activities		-17.425	-290
Net cash flows form operating, investing and financing activities		-17.835	-11.794
Cash and cash equivalents at 1 January		-58.997	-47.203
Cash and cash equivalents at 31 December		-76.832	-58.997
Cash and cash equivalents		207	1.674
Bank loans and overdraft		-77.041	-60.671
Cash and cash equivalents at 31 December		-76.833	-58.997

The cash flow statement cannot be derived directly from the accounts.

Notes

1. Accounting policies

The annual report of Flexa4Dreams A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C medium large enterprises under the Danish Financial Statements Act.

The company has implemented the changes to the Danish Financial Statements Act which had come into force at 1 January 2016 cf. Act no. 738 of 1 June 2015.

Changes to the Danish Financial Statements Act, which had come into force at 1 January 2016, have not influenced the Group or the Parent Company's financial position at 31 December 2016, but have only resulted in further information in the Annual Report.

The accounting policies applied remain unchanged from last year, and financial statements for 2016 are presented in DKK.

According to section 112(1) of the Danish Financial Statements Act no consolidated financial statements is prepared. The financial statements of Flexa4Dreams A/S and subsidiaries are included in the consolidated financial statements of the parent company, Flexa4Dreams Holding A/S, Hornsyld

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company 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.

Income statement

Revenue

Income from the sale of goods for resale and finished goods, which comprises sale of furniture products, 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.

Financial statements

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Production costs also include research- and development costs, which do not fulfill the conditions for capitalisation.

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 company 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 payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

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.

Notes

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 and is based on the acquired activities strong market position and longterm earning profile.

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.

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
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 and tangible 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.

Notes

Leases

Leases in terms of which the company 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 company.

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.

Notes

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 A/S.

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 are recognised when the company as a result of a past event has a legal or constructive obligation or intention to undertake a commitment, and it is likely that the obligation will result in an outflow of economic resources.

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.

Notes

Deferred income

Deferred income comprises payments received concerning income in subsequent 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.

Cash flow statement

The cash flow statement shows the company'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 company'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 company'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 company'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.

Notes

		2016 DKK '000	2015 DKK '000
2	**Staff costs**		
	Wages and salaries	37.561	32.751
	Pensions	2.291	2.294
	Other social security costs	538	514
	Other staff costs	149	222
		40.540	35.781
	Remuneration to the Executive Board and the Board of Directors	4.524	4.183
	Staff costs are recognised in the financial statements as follows:		
	Production costs	12.969	10.895
	Distribution costs	18.715	17.401
	Administrative expenses	8.855	7.484
		40.540	35.781
	Average number of employees	75	71
3	**Financial income**		
	Foreign exchange gain, net	0	672
	Interest from affiliated companies	390	0
	Other interest income	141	0
		531	672
4	**Financial expenses**		
	Foreign exchange loss, net	2.301	0
	Interest to affiliated companies	95	0
	Other interest expenses	3.419	4.283
		5.815	4.283
5	**Tax on profit/loss from ordinary activities**		
	Adjustment of deferred tax for the year	0	0
		0	0

Notes

6 Intangible assets

Goodwill	2016 DKK '000	2015 DKK '000
Cost at 1 January	10.000	10.000
Cost at 31 December	10.000	10.000
Amortisation and impairment losses at 1 January	5.833	4.833
Depreciation	1.000	1.000
Amortisation and impairment losses at 31 December	6.833	5.833
Carrying amount at 31 December	3.167	4.167

Depreciation over 10 years

Depreciations are included in the financial statement under distribution costs.

7 Property, plant and equipment

2016
DKK '000

	Leasehold improve-ments	Plant and machinery	Fixtures and fittings, tools, etc.	Total
Cost at 1 January	1.084	2.795	3.469	7.348
Addition	234	51	481	766
Disposal	0	-145	-19	-164
Cost at 31 December	1.318	2.701	3.931	7.950
Depreciation and impairment losses at 1 January	986	2.766	2.693	6.445
Depreciation	90	24	632	746
Depreciation of assets sold	0	-88	-4	-92
Depreciation and impairment losses at 31 December	1.075	2.701	3.321	7.098
Carrying amount at 31 December	243	0	609	852
Finance lease included in above figures	0	0	195	195

Notes

		2016 DKK '000	2015 DKK '000
7	**Property, plant and equipment (continued)**		
	Depreciation, amortisation and impairment losses are recognised as follows:		
	Production costs	53	540
	Distribution costs	62	225
	Administrative expenses	630	725
		746	1.491
8	**Investment in subsidiaries**		
	Cost at 1 January	5.589	4.762
	Disposal for the year	-1.903	0
	Debt conversion	0	827
	Cost at 31 December	3.686	5.589
	Value adjustments at 1 January	-6.291	-5.980
	Disposal for the year	1.288	0
	Foreign exchange adjustments	-116	-26
	Share of profit/loss for the year	777	-285
	Value adjustments at 31 December	-4.342	-6.291
	Book value at 31 December	-656	-702
	Negative equity value set off against receivables from group enterprises	656	841
	Carrying amount at 31 December	0	139

Name and domicile	Stake	Share capital	Equity share	Profit/loss after tax	Carrying amount
Flexa Meubles Sarl, Frankrig	100%	8 tEUR	-258	382	-258
Flexa Iberia slu., Spanien	0%	0 tEUR	0	476	0
Flexa Inc., USA	100%	1 tUSD	-398	-81	-398
Book value at 31 December			-656	777	-656

Notes

		2016 DKK '000	2015 DKK '000
9	**Amounts owed by affiliated companies**		
	Cost at 1 January	0	0
	Addition for the year	17.270	0
	Cost at 31 December	17.270	0
10	**Deferred tax asset**		
	Deferred taxes at 1 January	0	0
	Deferred taxes for the year, recognised in the income statement	0	0
		0	0
	Deferred taxes include:		
	Non-current assets	-3.859	-3475
	Current asssets	-526	-613
	Provisions	-382	-754
	Tax loss carryforwards	-14.505	-15.119
		-19.272	-19.961
	Write-down of calculated deferred taxes	19.272	19.961
		0	0
11	**Share capital and proposed distribution of profit**		
	Development in share capital		
	Share capital, at the beginning of year	1.000	1.000
	Share capital, at the end of year	1.000	1.000
	Share capital consist of 10.000 shares of 100 DKK each.		
	Proposed distribution of profit		
	Retained earnings	2.113	-8.579
12	**Provisions**		
	Provisions at 1 January	3.429	2.900
	Adjustments for the year	-1.694	529
	Provisions at 31 December	1.735	3.429

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

Notes

13 Non-current liabilities

	Total liabilities 1/1 2016	Total liabilities 31/12 2016	Instalments first year	Non-current liabilities	Outstanding after 5 years
Bank loans	157	2	2	0	0
	157	2	2	0	0

14 Contingent liabilities and collateral

	2016 DKK '000	2015
Rent commitments	1.849	1.832
Operating lease liabilities	988	1.189

Collateral
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 31.12.2016 DKK '000
Company charge in operating equipment, goodwill, inventories and unsecured claims	70.000	116.089

Suretyship provided to the following companies' bank engagements:

15 Related parties

Transactions with related parties are made on market terms.

Control

The company's related parties exercising control include Flexa4Dreams Holding A/S, Hornsyld, parent company.

Flexa4Dreams A/S is included in the consolidated accounts for Flexa4Dreams Holding A/S

16 Subsequent events

No events have occured subsequent to the end of the reporting year, which could significantly affect the financial statements at 31 December 2016

Notes

17	Change in working capital	2016 DKK '000	2015 DKK '000
	Inventories	-2.843	-1.184
	Receivables	-1.292	-6.254
	Trade payables and other payables	606	2.320
		-3.529	-5.118