



Flexa4Dreams A/S

**Fredensgade 36
8000 Aarhus C**

Annual report 2020

Reg. No.: 32 77 57 05

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

24 February 2021

(chairman)

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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 - 31 December 2020.

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 2020 of the Company and of the results of the Company operations and cash flow for 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the result for the year and of the Company's financial position.

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

Aarhus, 24 February 2021

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

We have audited the financial statements of Flexa4Dreams A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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.

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.

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Independent auditor's report

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.

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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 24 February 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR No. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

Katrine Gybel
State Authorised
Public Accountant
mne45848

Management's review

Company details

The Company	Flexa4Dreams A/S Fredensgade 36 8000 Aarhus C
Telephone	+45 76 68 80 55
E-mail	flexa@flexa.dk
Registration No.	32 77 57 05
Established	23 February 2010
Registered office	Aarhus Kommune
Financial year	1 January - 31 December

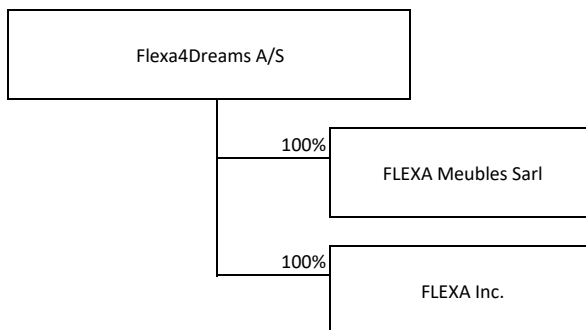
Board of Directors	Mikael Hee, chairman Adrian Vanderspuy Carsten Dan Madsen
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Executive Board	Carsten Dan Madsen
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Auditors	KPMG Statsautoriseret Revisionspartnerselskab Bredskifte Allé 13 8210 Aarhus V Denmark
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Annual general meeting	Annual general meeting is held on 24 February 2021.
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Group overview



Management's review

Financial highlights for the Company					
	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Revenue	278.689	307.535	338.055	332.676	316.484
Gross profit	66.092	62.898	71.388	79.133	82.578
EBITDA	13.510	-2.142	-5.773	4.637	8.367
Operating profit	10.681	-4.749	-7.694	2.949	6.621
Profit/loss from financial income and expenses	-629	-394	-1.596	-596	-4.508
Profit/loss for the year	17.452	-5.143	-9.291	2.352	2.113

Non-current assets	3.620	5.322	4.496	11.755	21.290
Investment in property, plant and equipment	1.127	3.439	2.976	1.219	766
Current assets	73.206	69.176	89.133	103.019	97.550
Total assets	76.826	74.499	93.628	114.774	118.840
Total equity	44.478	27.027	32.169	11.480	-15.825

Cash flows from operating activities	19.071	2.408	12.837	-3.219	-447
Cash flows from investing activities	-962	-3.433	-2.866	-1.219	36
Cash flows from financing activities	0	1.032	-11.539	5.837	-17.425

Financial ratios

Operating margin	3,8%	-1,5%	-2,3%	0,9%	2,1%
Return on invested capital	23,9%	-10,1%	-13,1%	4,6%	13,0%
Gross margin	23,7%	20,5%	21,1%	23,8%	26,1%
EBITDA ratio	4,8%	-0,7%	-1,7%	1,4%	2,6%
Solvency ratio	57,9%	36,3%	34,4%	10,0%	-13,3%

Average number of employees	58	70	78	79	75
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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:

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

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 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 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 for 2020 was 278.7 mill. DKK compared to 307.5 mill. DKK the year before. Ordinary result before depreciations and financial expenses (EBITDA) was 13.5 mill. DKK compared to -2.1 mill. DKK, and operating profit was 10.7 mill. DKK compared to -4.7 mill. DKK. Cash generated from operating activities was 19.1 mill. DKK compared to 2.4 mill DKK.

The business climate caused by Covid-19 in the European retail markets in combination with deselecting a numbers of customers with poor margin has led to reduced activity level for 2020 with 9%. The activity level was in line with the expectations.

The gross margin increased by 3.2% point to 23.7%, being positively impacted by the sales mix. Distribution costs decreased by 2.2%-point or 10.4 mill. DKK to 34.8 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 2020 invested in the upgrade of its digital business platform and has launched webshop in more contries.

Profit for the year is 17.5 mill. DKK compared to -5.1 mill. DKK last year.

In the annual report for 2019 we expected a decrease in turnover and reduced costs due to savings initiated at the end of 2019. We also saw big uncertainties caused by Covid-19. Turnover developed overall as expected, but due to the sales mix the contribution developed better than expected. Furthermore we also managed a tight cost control which lead to reduced costs primarily on travel expenses, which also had a significant impact on the result.

Capital resources

Equity end of December 2020 amounts to 44.4 mill. DKK compared to 27 mill. DKK the year before. The company has sufficient capital resources to execute its business plan.

Management's review

Outlook

Despite the uncertainties created by Covid-19 and the uncertainty regarding the duration of the situation, it is expected that turnover will at least will be on the same level in 2021 compared with 2020. 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 continue developing our e-commerce sales channel further, this will bring us closer to the end consumers. Resultwise we expect a result on the same level or slightly higher in 2021.

The Company continue investments in the Digital platform. Apart from that we do not expect any single major investment in 2021, but only minor investments in connection with the ongoing maintenance of the production units. The investments in the Digital platform is expected to increase the turnover and profitability on this channel.

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

The Company 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 Company's interest bearing net debt, calculated as bank debt less cash and part of other debt, amounted 31 December 2019 to -0.8 mill. DKK compared to 17.3 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.

Management's review

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.

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.

Financial statements

Income statement	Notes	2020	2019
		<u>DKK '000</u>	<u>DKK '000</u>
Revenue		278.689	307.535
Production costs	2	<u>-212.597</u>	<u>-244.637</u>
Gross profit		66.092	62.898
Distribution costs	2	-34.832	-45.244
Administrative expenses	2	-20.580	-20.261
Other operating expenses	3	<u>0</u>	<u>-2.142</u>
Operating profit/loss		10.681	-4.749
Profit/loss from investments		0	0
Financial income	4	373	704
Financial expenses	5	<u>-1.003</u>	<u>-1.098</u>
Profit/loss before taxes		10.052	-5.143
Tax on profit/loss	6	<u>7.400</u>	<u>0</u>
Profit/loss for the year		<u><u>17.452</u></u>	<u><u>-5.143</u></u>

Financial statements

Balance sheet	Note	<u>2020</u>	<u>2019</u>
		DKK '000	DKK '000
ASSETS			
Non-current assets			
Intangible assets	7		
Goodwill		<u>0</u>	<u>167</u>
		<u>0</u>	<u>167</u>
Property, plant and equipment	8		
Leasehold improvements		280	622
Plant and machinery		0	0
Fixtures and fitting, tools and equipment		<u>3.340</u>	<u>4.533</u>
		<u>3.620</u>	<u>5.155</u>
Investments			
Investments in subsidiaries	9	<u>0</u>	<u>0</u>
Total non-current assets		<u>3.620</u>	<u>5.322</u>
Current assets			
Inventories			
Finished goods and goods for resale		<u>20.591</u>	<u>26.953</u>
		<u>20.591</u>	<u>26.953</u>

Financial statements

Balance sheet (continued)	Note	<u>2020</u>	<u>2019</u>
		<u>DKK '000</u>	<u>DKK '000</u>
Receivables			
Trade receivables		22.638	27.275
Amounts owed by affiliated companies		11.091	10.468
Other receivables		2.605	2.024
Deferred tax asset	10	7.400	0
Prepayments		<u>3.340</u>	<u>2.411</u>
		47.073	42.177
Cash at bank and in hand		<u>5.541</u>	<u>46</u>
Total current assets		<u>73.206</u>	<u>69.176</u>
TOTAL ASSETS		<u><u>76.826</u></u>	<u><u>74.499</u></u>

Financial statements

Balance sheet (continued)	Note	<u>2020</u>	<u>2019</u>
		DKK '000	DKK '000
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1.000	1.000
Retained earnings		<u>43.478</u>	<u>26.027</u>
Total equity		<u>44.478</u>	<u>27.027</u>
Provisions			
Other provisions	12	<u>2.751</u>	<u>2.503</u>
		<u>2.751</u>	<u>2.503</u>
Current liabilities other than provisions			
Bank loans and overdraft		4.758	17.374
Prepayments from customers		1.029	370
Trade payables		8.622	10.634
Amounts owed to affiliated companies		5.736	11.095
Other payables		<u>9.451</u>	<u>5.497</u>
		<u>29.596</u>	<u>44.969</u>
Total liabilities other than provisions		<u>29.596</u>	<u>44.969</u>
TOTAL EQUITY AND LIABILITIES		<u><u>76.826</u></u>	<u><u>74.499</u></u>
Contingent liabilities and collateral	13		
Related parties	14		
Subsequent events	15		

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Statement of changes in equity

DKK '000

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January	1.000	26.027	27.027
Profit for the year	0	17.452	17.452
Foreign exchange adjustments of foreign subsidiaries etc.	<u>0</u>	<u>0</u>	<u>0</u>
Equity at 31 December	<u><u>1.000</u></u>	<u><u>43.478</u></u>	<u><u>44.478</u></u>

Financial statements

Cash flow statement		2020	2019
		DKK '000	DKK '000
Revenue		278.689	307.535
Expenses		<u>-265.345</u>	<u>-309.677</u>
Cash from operations before changes in working capital		13.345	-2.142
Change in working capital	16	<u>6.356</u>	<u>4.944</u>
Cash generated from operations (ordinary activities)		19.701	2.802
Financial income and expenses, net		-629	-394
Taxes paid		<u>0</u>	<u>0</u>
Cash flows from operating activities		<u>19.071</u>	<u>2.408</u>
Purchase of intangible assets and property, plant and equipment		<u>-962</u>	<u>-3.433</u>
Cash flows from investing activities		<u>-962</u>	<u>-3.433</u>
Capital contribution		0	0
Repayment of long-term debt and bank overdrafts		<u>0</u>	<u>0</u>
Cash flows from financing activities		<u>0</u>	<u>1.032</u>
Net cash flows form operating, investing and financing activities		<u>18.109</u>	<u>8</u>
Cash and cash equivalents at 1 January		<u>-17.327</u>	<u>-16.302</u>
Cash and cash equivalents at 31 December		<u><u>782</u></u>	<u><u>-17.327</u></u>

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

Financial statements

Notes

1. Accounting policies

The annual report of Flexa4Dreams A/S for 2020 has been prepared in accordance with the provisions applying to reporting class C medium large enterprises under the Danish Financial Statements Act.

The accounting policies applied remain unchanged from last year, and financial statements for 2020 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, Aarhus.

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.

Other operating income

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

Tilføj hvordan dette forventes at påvirke årets resultat o

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.

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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.

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Balance sheet

Intangible assets

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

The amortisation period is 10 years 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

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.

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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 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 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.

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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

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

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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.

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	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
2 Staff costs		
Wages and salaries	30.504	33.965
Pensions	2.073	2.435
Other social security costs	369	549
Other staff costs	<u>155</u>	<u>181</u>
	<u>33.101</u>	<u>37.130</u>
Remuneration to the Executive Board and the Board of Directors	<u>1.960</u>	<u>3.071</u>
Staff costs are recognised in the financial statements as follows:		
Production costs	9.157	10.412
Distribution costs	14.410	17.028
Administrative expenses	9.534	9.609
Other operating expences	<u>0</u>	<u>81</u>
	<u>33.101</u>	<u>37.130</u>
Average number of employees	<u>58</u>	<u>70</u>
3 Other operating expences		
Other operating costs in 2019 relates primarily to costs to lawyers for cases started in earlier years.		
4 Financial income		
Foreign exchange gain, net	0	59
Interest from affiliated companies	373	644
Other interest income	<u>0</u>	<u>1</u>
	<u>373</u>	<u>704</u>
5 Financial expenses		
Foreign exchange loss, net	566	0
Interest to affiliated companies	0	0
Other interest expenses	<u>437</u>	<u>1.098</u>
	<u>1.003</u>	<u>1.098</u>
6 Tax on profit/loss		
Adjustment of deferred tax for the year	<u>7.400</u>	<u>0</u>
	<u>7.400</u>	<u>0</u>

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7 Intangible assets

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
Goodwill		
Cost at 1 January	10.000	10.000
Cost at 31 December	<u>10.000</u>	<u>10.000</u>
Amortisation and impairment losses at 1 January	9.833	8.833
Depreciation	<u>167</u>	<u>1.000</u>
Amortisation and impairment losses at 31 December	<u>10.000</u>	<u>9.833</u>
Carrying amount at 31 December	<u><u>0</u></u>	<u><u>167</u></u>

Depreciation over 10 years

Depreciations are included in the financial statement under distribution costs.

8 Property, plant and equipment

	<u>2020</u>			
	DKK '000			
	Leasehold improve- ments	Plant and machinery	Fixtures and fittings, tools, etc.	Total
Cost at 1 January	2.021	2.982	9.795	14.797
Addition	0	0	1.127	1.127
Disposal	<u>-1.262</u>	<u>0</u>	<u>-84</u>	<u>-1.347</u>
Cost at 31 December	<u>758</u>	<u>2.982</u>	<u>10.838</u>	<u>14.578</u>
Depreciation and impairment losses at 1 January	1.398	2.982	5.269	9.649
Depreciation	175	7	2.308	2.490
Depreciation of assets sold	<u>-1.094</u>	<u>-7</u>	<u>-80</u>	<u>-1.181</u>
Depreciation and impairment losses at 31 December	<u>479</u>	<u>2.981</u>	<u>7.497</u>	<u>10.958</u>
Carrying amount at 31 December	<u><u>280</u></u>	<u><u>0</u></u>	<u><u>3.340</u></u>	<u><u>3.620</u></u>
Finance lease included in above figures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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	<u>2020</u>	<u>2019</u>			
	DKK '000	DKK '000			
8 Property, plant and equipment (continued)					
Depreciation, amortisation and impairment losses are recognised as follows:					
Production costs	0	60			
Distribution costs	107	107			
Administrative expenses	<u>2.555</u>	<u>1.440</u>			
	<u><u>2.662</u></u>	<u><u>1.607</u></u>			
9 Investment in subsidiaries					
Cost at 1 January	3.686	3.686			
Disposal for the year	<u>0</u>	<u>0</u>			
Cost at 31 December	<u>3.686</u>	<u>3.686</u>			
Value adjustments at 1 January	-3.686	-3.686			
Disposal for the year	0	0			
Foreign exchange adjustments	0	0			
Share of profit/loss for the year	<u>0</u>	<u>0</u>			
Value adjustments at 31 December	<u>-3.686</u>	<u>-3.686</u>			
Book value at 31 December	0	0			
Negative equity value set off against receivables from group enterprises	<u>0</u>	<u>0</u>			
Carrying amount at 31 December	<u><u>0</u></u>	<u><u>0</u></u>			
Name and domicile	<u>Stake</u>	<u>Share capital</u>	<u>Equity share</u>	<u>Profit/loss after tax</u>	<u>Carrying amount</u>
Flexa Meubles Sarl, Frankrig	100%	8 tEUR	0	0	0
Flexa Inc., USA	100%	1 tUSD	<u>0</u>	<u>0</u>	<u>0</u>
Book value at 31 December			<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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	<u>2020</u>	<u>2019</u>
10 Deferred tax asset		
Deferred taxes at 1 January	0	0
Deferred taxes for the year, recognised in the income statement	<u>7.400</u>	<u>0</u>
	<u>7.400</u>	<u>0</u>
Deferred taxes include:		
Non-current assets	-5.816	-5.194
Current assets	-44	-72
Provisions	-605	-551
Tax loss carryforwards	<u>-13.610</u>	<u>-16.434</u>
	-20.075	-22.251
Write-down of calculated deferred taxes	<u>12.675</u>	<u>22.251</u>
	<u>-7.400</u>	<u>0</u>
Deferred tax asset is recognised based on expected earnings in short term.		
11 Share capital and proposed distribution of profit		
Development in share capital		
Share capital, at the beginning of year	<u>1.000</u>	<u>1.000</u>
Share capital, at the end of year	<u>1.000</u>	<u>1.000</u>
Share capital consist of 10.001 shares of 100 DKK each.		
Proposed distribution of profit		
Retained earnings	<u>17.452</u>	<u>-5.143</u>
12 Provisions		
Provisions at 1 January	2.503	2.379
Adjustments for the year	<u>248</u>	<u>124</u>
Provisions at 31 December	<u>2.751</u>	<u>2.503</u>
Provision for agent commission obligation, based on average of last 5 year commissions.		

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13 Contingent liabilities and collateral

	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
Rent commitments	7.789	9.484
Operating lease liabilities	470	926

The Company's lease commitments have a remaining term of 6-53 months.

Collateral

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

	<u>Registered collateral</u>	<u>Carrying amount at 31.12.2020</u>
	DKK '000	DKK '000
Company charge in operating equipment, goodwill, inventories and unsecured claims	70.000	70.000

14 Related parties

Control

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

Flexa4Dreams A/S is included in the consolidated accounts for Flexa4Dreams Holding A/S, which is the smallest and largest group, in which the Company is included as a subsidiary.

	<u>2020</u>
	DKK '000
Related parties transactions	
Sale of goods to a group entity	26.632
Purchase of goods from a group entity	151.705

Remuneration to the Company's Executive Board and Board of Directors is disclosed in note 2.

Receivables from and payables to related parties are disclosed in the balance sheet, and interests received are disclosed in note 4.

15 Subsequent events

As stated above, Covid-19 has created uncertainty about the expectations and outlook for 2021. To mitigate the uncertainties, management has implemented the following initiatives:

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

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	<u>2020</u>	<u>2019</u>
	DKK '000	DKK '000
16 Change in working capital		
Inventories	6.362	4.135
Receivables	2.504	15.829
Prepayments from customers	659	-367
Trade payables and other payables	<u>-3.168</u>	<u>-14.652</u>
	<u>6.356</u>	<u>4.944</u>