

Reform Furniture ApS

Otto Busses Vej 5
2450 Copenhagen SV
Business Registration No
36397888

Annual report 2018

The Annual General Meeting adopted the annual report on 31.05.2019

Chairman of the General Meeting

Name: Michael Andersen

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Entity details

Entity

Reform Furniture ApS
Otto Busses Vej 5
2450 Copenhagen SV

Central Business Registration No (CVR): 36397888
Registered in: Copenhagen
Financial year: 01.01.2018 - 31.12.2018

Executive Board

Jeppe Christensen, Director
Michael Andersen, Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
PO Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of Reform Furniture ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 31.05.2019

Executive Board

Jeppe Christensen
Director

Michael Andersen
Director

Independent auditor's report

To the shareholder of Reform Furniture ApS

Opinion

We have audited the financial statements of Reform Furniture ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 31.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Claus Jorch Andersen
State-Authorised Public Accountant
Identification No (MNE) mne33712

Management commentary

Primary activities

The Company’s activities are furniture manufacturing as well as import and sale of kitchens and other related activities.

Development in activities and finances

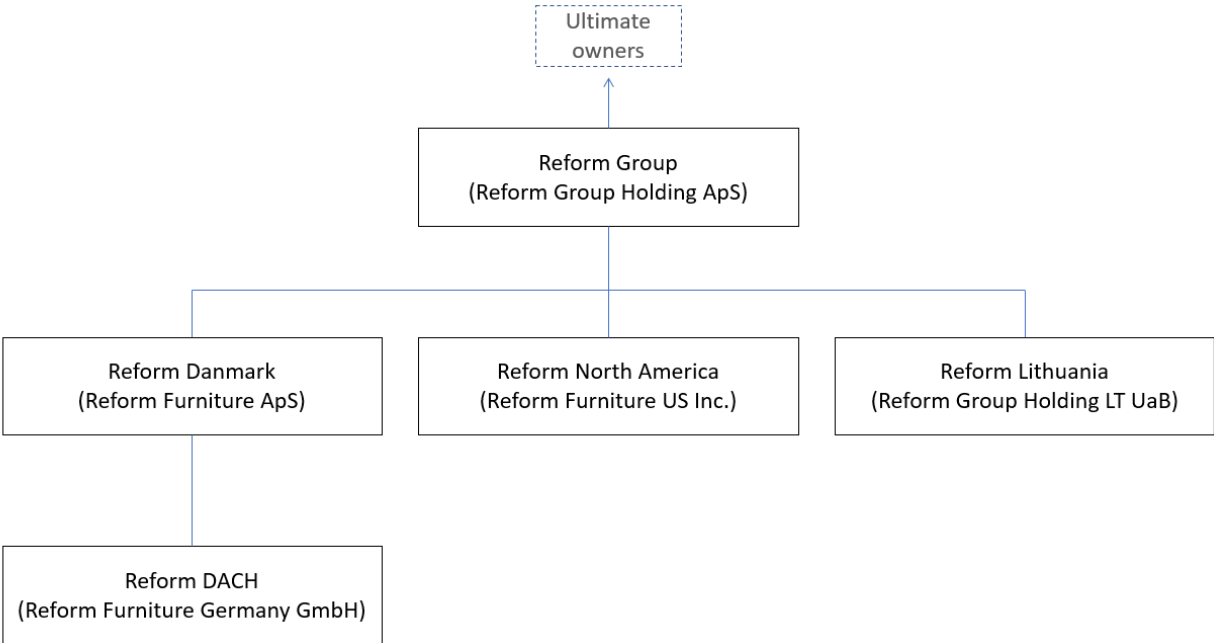
Management finds the performance for 2018 satisfactory. During a year with significant focus on investments, growth and scalability Reform Furniture ApS has managed to deliver a positive EBITDA and a minor loss in Earnings.

A significant contribution to this has been a constant focus on, and performance improve of, gross profit. This has been achieved through leveraging consolidation of activities which has enabled a more efficient cost structure.

Focus for 2019 will be to further improve gross profit by expanding the product portfolio, rapid growth in international sales, increasing the awareness of Reform as brand and expanding the reach of existing and future showrooms.

Management projects that Reform Furniture ApS now has a platform for sustained growth which is expected to deliver further improvement of EBITDA performance in 2019 and 2020. Management expects to achieve positive retained earnings for 2019 for Reform Furniture ApS and positive retained earnings on group level as of 2018.

Management notes that Reform Furniture ApS in addition to it’s sales functions supports Reform Furniture DACH and Reform Furniture US with marketing activities, and hence still in the years to come is expected to deliver a lower Operating Profit/Loss than the two other sales entities.



Management commentary

Capital and cash situation

The Company has lost more than 50% of its share capital. As a result, the Company now falls within the provisions of section 119 of the Danish Companies Act governing loss of capital. Management expects the Company to realise positive and satisfactory results in 2019 and in future. Accordingly, the share capital is expected to be re-established through earnings in the next few years.

Material errors in previous years

During the financial year, the Company found a material error concerning revenue recognition. The error has had a positive effect on the income statement of DKK 1,278 thousand and a negative effect on equity of DKK 1,278 thousand. The balance sheet total has been affected by DKK 0.

Events after the balance sheet date

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

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit		9.346.208	3.468.464
Staff costs	1	(8.727.105)	(6.344.818)
Depreciation, amortisation and impairment losses	2	<u>(427.951)</u>	<u>(175.487)</u>
Operating profit/loss		191.152	(3.051.841)
Other financial income	3	136.265	74.428
Other financial expenses	4	<u>(340.082)</u>	<u>(250.552)</u>
Profit/loss before tax		(12.665)	(3.227.965)
Tax on profit/loss for the year	5	<u>0</u>	<u>75.000</u>
Profit/loss for the year		<u>(12.665)</u>	<u>(3.152.965)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(12.665)</u>	<u>(3.152.965)</u>
		<u>(12.665)</u>	<u>(3.152.965)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		117.367	38.763
Leasehold improvements		<u>1.992.870</u>	<u>1.028.024</u>
Property, plant and equipment	6	<u>2.110.237</u>	<u>1.066.787</u>
Investments in group enterprises		185.928	185.928
Deposits		<u>135.000</u>	<u>105.726</u>
Fixed asset investments	7	<u>320.928</u>	<u>291.654</u>
Fixed assets		<u>2.431.165</u>	<u>1.358.441</u>
Manufactured goods and goods for resale		<u>99.169</u>	<u>33.833</u>
Inventories		<u>99.169</u>	<u>33.833</u>
Trade receivables		68.889	321.124
Receivables from group enterprises		1.589.194	845.732
Income tax receivable		0	75.000
Prepayments		<u>3.000</u>	<u>7.935</u>
Receivables		<u>1.661.083</u>	<u>1.249.791</u>
Cash		<u>2.807.440</u>	<u>1.494.581</u>
Current assets		<u>4.567.692</u>	<u>2.778.205</u>
Assets		<u>6.998.857</u>	<u>4.136.646</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		58.824	58.824
Retained earnings		<u>(3.592.903)</u>	<u>(3.580.238)</u>
Equity		<u>(3.534.079)</u>	<u>(3.521.414)</u>
Other payables		<u>2.186.519</u>	<u>2.100.000</u>
Non-current liabilities other than provisions	8	<u>2.186.519</u>	<u>2.100.000</u>
Current portion of long-term liabilities other than provisions	8	81.374	400.000
Bank loans		180.572	152.641
Prepayments received from customers		3.921.809	2.831.487
Trade payables		707.844	880.337
Payables to group enterprises		414.311	2.000
Payables to shareholders and management		34.652	34.652
Other payables		<u>3.005.855</u>	<u>1.256.943</u>
Current liabilities other than provisions		<u>8.346.417</u>	<u>5.558.060</u>
Liabilities other than provisions		<u>10.532.936</u>	<u>7.658.060</u>
Equity and liabilities		<u>6.998.857</u>	<u>4.136.646</u>
Contingent assets	9		
Contingent liabilities	10		
Assets charged and collateral	11		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	58.824	(2.302.165)	(2.243.341)
Corrections of material errors	<u> 0</u>	<u> (1.278.073)</u>	<u> (1.278.073)</u>
Adjusted equity, beginning of year	58.824	(3.580.238)	(3.521.414)
Profit/loss for the year	<u> 0</u>	<u> (12.665)</u>	<u> (12.665)</u>
Equity end of year	<u>58.824</u>	<u>(3.592.903)</u>	<u>(3.534.079)</u>

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	8.169.524	5.815.958
Other social security costs	106.282	78.033
Other staff costs	451.299	450.827
	8.727.105	6.344.818
Average number of employees	19	
	2018	2017
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	427.951	175.487
	427.951	175.487
	2018	2017
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	130.447	62.680
Other interest income	0	(20)
Exchange rate adjustments	5.818	11.768
	136.265	74.428
	2018	2017
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	55.235	0
Other interest expenses	257.116	220.434
Exchange rate adjustments	22.058	20.676
Other financial expenses	5.673	9.442
	340.082	250.552
	2018	2017
	DKK	DKK
5. Tax on profit/loss for the year		
Change in deferred tax	0	(75.000)
	0	(75.000)

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
6. Property, plant and equipment		
Cost beginning of year	118.064	1.168.826
Additions	<u>116.946</u>	<u>1.354.455</u>
Cost end of year	<u>235.010</u>	<u>2.523.281</u>
Depreciation and impairment losses beginning of year	(79.301)	(140.802)
Depreciation for the year	<u>(38.342)</u>	<u>(389.609)</u>
Depreciation and impairment losses end of year	<u>(117.643)</u>	<u>(530.411)</u>
Carrying amount end of year	<u>117.367</u>	<u>1.992.870</u>

7. Fixed asset investments

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Reform Furniture GmbH	Berlin	GmbH	100,0

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK
8. Liabilities other than provisions			
Other payables	<u>81.374</u>	<u>400.000</u>	<u>2.186.519</u>
	<u>81.374</u>	<u>400.000</u>	<u>2.186.519</u>

9. Contingent assets

The Company has non-recognised tax assets of DKK 1,456 thousand.

Notes

10. Contingent liabilities

In connection with the sale of kitchens, the Company has provided standard guarantee commitments.

The Entity participates in a Danish joint taxation arrangement in which Reform Group Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

11. Assets charged and collateral

Other long-term debt of DKK 1.8 million and debt instruments of DKK 0.5 million are secured by way of a company charge on operating equipment, intellectual property rights and unsecured claims. The carrying amount of assets covered by the charge amounts to DKK 2.4 million at 31 December 2018.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Material errors in previous years

During the financial year, the Company found a material error concerning revenue recognition. The error has had a positive effect on the income statement of DKK 1,278 thousand and a negative effect on equity of DKK 1,278 thousand. The balance sheet total has been affected by DKK 0.

As a result, the comparative figures in the financial statements have been restated.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and other external expenses.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise depreciation and impairment losses for the financial year, as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 years
Leasehold improvements	3 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Receivables

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

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.