

# **BoConcept Holding A/S**

Mørupvej 16  
DK-7400 Herning

**CVR no. 37 76 02 50**

## **Annual Report for 2019/20**

**The Annual Report was presented and adopted  
at the Annual General Meeting of the Company on:  
20-08-2020**

**Chairman**

Jens Chr. Hesse Rasmussen

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## Key Figures

	2019/20	2018/19	2017/18	2016/17 (10 mth)
<b>Financial Highlights in DKK million for the Group</b>				
<b>Income Statement</b>				
Revenue	1.187	1.310	1.264	1.028
Contribution margin	602	648	633	510
Earnings before interest, taxes, depreciation and amortization	111	159	144	72
Net financials	(9)	(4)	(16)	(21)
Profit/loss before tax	27	112	87	14
Profit/loss for the year	14	83	65	(5)
<b>Balance Sheet</b>				
Non-current assets	1.681	1.533	1.536	1.545
Current assets	462	496	428	468
Balance sheet total	2.143	2.029	1.963	2.013
Equity	1.066	1.197	1.112	1.154
Interest bearing debt	377	327	383	387
<b>Cash Flows</b>				
Operating activities	126	138	89	51
Investing activities	(29)	(35)	(36)	(1.341)
Hereof acquisition of tangible assets	(11)	(16)	(21)	(8)
Financing activities	(77)	(44)	(119)	1.472
<b>Employees</b>				
Average number of employees	491	539	539	533
<b>Key Ratios</b>				
Operating margin (EBIT%)*	3%	9%	8%	3%
Cash flows before financing activity as a % of revenue*	8%	8%	4%	143%
Return on equity*	1%	7%	6%	-1%
Equity ratio*	50%	59%	57%	57%

\*The financial ratios are defined as

Operating margin (EBIT%) = EBIT/Revenue

Cash flows before financing activity as a % of revenue = Cash flow before financing activities/Revenue

Return on equity (%) = Profit/loss after tax/(Equity last year + Equity financial year)/2

Equity ratio (%) = Equity/Balance sheet total

The financial highlights for 2019/20 are affected by the implementation of IFRS 16 Leases as of 1 May 2019. Comparison figures for 2018/19, 2017/18 and 2016/17 have not been restated due to the use of the modified retrospective approach. The implementation of IFRS 16 Leases in 2019/20 has a positive impact on EBITDA of 36 millions. EBIT and key ratios have not been significantly impacted by the implementation. Implementation of IFRS 16 Leases is described in note 2 and 14.

## **Company Information**

### **Company**

BoConcept Holding A/S  
Mørupvej 16  
DK-7400 Herning  
Central Business Registration no. 37 76 02 50

### **Board of Directors**

Sanna Mari Suvanto-Harsaae, Chairman  
Boris Tobias Kawohl, Deputy chairman  
Sanne Ruijter  
Anders Christer Moberg

### **Executive Board**

Peter Raupach Linnet

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus

## Management's Review

### Main activities

BoConcept Holding A/S is a truly global brand and an international furniture franchise chain in the 'affordable premium' segment. The furniture and accessories collection is sold through a franchise chain of more than 280 brand stores worldwide, across more than 60 different countries with BoConcept as designer, business developer, exclusive supplier and international distributor.

### Highlights from the 2019/20 financial year

#### *Development and results for the year*

In the 2019/20 financial year, BoConcept Holding A/S realised a net revenue of DKK 1,187 million (2018/19: DKK 1,310 million). A 9% year on year decline.

A gross profit of 51% was realised (2018/19: 49%). This gain in margin was driven by a combination of sales price increases and cost of goods improvements.

EBITDA in 2019/20 was DKK 111 million (2018/19: DKK 159 million). A material decline driven entirely by the impact of COVID-19 on the final 4 months of the year.

After taxes of DKK 13 million, the profit for the year was DKK 14 million (2018/19: DKK 83 million).

BoConcept is a strong cash generating business and generated a positive cash flow of DKK 97 million (2018/19: DKK 103 million) before financing activities despite the heavy pull on cash during the COVID-19 situation.

### Expectations

Before the COVID-19 outbreak, management expected high single digit revenue and EBITDA growth, continuing the trend of recent years.

As a global company trading across many markets, the impact of COVID-19 was felt early, starting in the Asian markets. There has been no supply chain issues, but the franchisee stores were shut down, preventing them from selling products to their customers and preventing them from both receiving and delivering their orders during the lock down period.

At the present time, the franchise network remains robust. Since reopening trading has been positive. But there is still much uncertainty regarding a second wave of the virus. Management is monitoring developments closely. It is however too early to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020/21. Management does however expect a negative but moderate impact on the Group's short term outlook.

This will be signified by a continued slowdown at the beginning of the year before signs of recovery in the final quarter of the financial year. New store openings globally are still key to growth and expansion of the store network remains a priority. Gross margins are expected to remain in line with pre-COVID-19 levels.

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

At present, 1 out of 4 general assembly elected members of the Board of Directors is a woman. The company has therefore obtained equal distribution on gender and hence no new target figure has been set.

At other management levels, it is the company's objective to ensure a gender distribution that is representative for the BoConcept A/S group's organisation.

Activities for increasing the underrepresented gender include having both genders invited to job interviews, wherever possible. We encourage current employees to seek management positions within the company on an ongoing basis.

At present, the underrepresented gender share is 33% in other management compared to 42% in the total organisation. This compares to an underrepresented gender share in other management of 30% and 47% in the total organisation last year. We acknowledge that women currently are underrepresented in the other management segment and we are working on a more equal distribution of gender.

### Corporate social responsibility

BoConcept became a signatory to the UN Global Compact in 2009, so the group's CSR policy, which forms the framework for the group's initiatives and priorities in this area, is based on the ten principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

For a detailed review of BoConcept's operational initiatives with respect to corporate social responsibility in the 2019/20 financial year and an introduction to initiatives, objectives and expectations for the future, please see the progress report BoConcept submitted to the UN Global Compact. BoConcept is including the progress report in its corporate social responsibility statement; as specified in section 99 a of the Danish Financial Statements Act. The progress report is available from the company's website at <https://www.boconcept.com/da-dk/aboutboconcept/corporate-responsibility> and is part of and covers the same period as BoConcept's 2019/20 annual report.

## Management's Statement

The Board of Directors and Executive Board have today considered and adopted the Annual Report of BoConcept Holding A/S for the financial year 1 May 2019 – 30 April 2020.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 30 April 2020 of the Group and the Parent Company and of the results of the Group and Parent Company operations and the Group cash flows for 2019/20.

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

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

Herning, 8 July 2020

### Executive Board

Peter Raupach Linnet  
CEO

### Board of Directors

Sanna Mari Suvanto-Harsaae  
Chairman

Sanne Ruijter

Boris Tobias Kawohl  
Deputy chairman

Anders Christer Moberg

## Independent Auditor's Report

To the Shareholders of BoConcept Holding A/S

### Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 30 April 2020 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 May 2019 – 30 April 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of BoConcept Holding A/S for the financial year 1 May 2019 – 30 April 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as cash flow statement for the Group ("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 Group 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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 8 July 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR no. 33 77 12 31*

Claus Lindholm Jacobsen  
State Authorised Public Accountant  
mne23328

Claus Lyngsø Sørensen  
State Authorised Public Accountant  
mne34539



## Consolidated Statement of Profit and Loss Group

	Note	2019/20 kDKK	2018/19 kDKK
Revenue	5	1.187.090	1.310.091
Cost of goods sold	6	(585.587)	(662.175)
<b>Contribution margin</b>		<b>601.503</b>	<b>647.916</b>
Transportation expenses		(67.787)	(60.567)
Employee related costs	6	(239.117)	(237.500)
Marketing expenses		(45.278)	(42.924)
Rent and maintenance expenses		(29.962)	(72.107)
IT and Consultancy expenses	7	(70.325)	(57.133)
Others		(38.313)	(19.143)
<b>Operating profit (EBITDA)</b>		<b>110.721</b>	<b>158.542</b>
Depreciations	8	(75.115)	(42.405)
<b>Profit/loss from operating activities (EBIT)</b>		<b>35.606</b>	<b>116.137</b>
Financial income	10	16.220	12.580
Financial expenses	11	(25.227)	(16.476)
<b>Profit/loss before tax</b>		<b>26.599</b>	<b>112.241</b>
Tax on profit/loss for the year	12	(12.752)	(29.473)
<b>Profit/loss for the year</b>		<b>13.847</b>	<b>82.768</b>
<b>Profit/loss for the year is attributable to:</b>			
Shareholders of BoConcept Holding A/S		13.847	82.768

### Consolidated Statement of Comprehensive Income

	2019/20 kDKK	2018/19 kDKK
Profit/loss for for the year	13.847	82.768
<i>Items that later can be recirculated to income statement</i>		
Revaluation of hedging instruments before tax	1.737	(1.792)
Foreign currency translation, foreign units	4.112	3.648
Tax on total income items	(382)	0
<b>Total comprehensive income for the year</b>	<b>19.314</b>	<b>84.624</b>
<b>Broken down as follows:</b>		
Shareholders of BoConcept Holding A/S	19.314	84.624

## Consolidated Balance Sheet Group

	Note	30-04-2020 kDKK	30-04-2019 kDKK
Goodwill		533.939	533.960
Master rights		36.600	36.600
Franchise network		154.003	167.743
Brand and concept		571.000	571.000
Software		49.859	31.911
Intangible assets in progress		7.530	20.469
<b>Total intangible assets</b>	13	<b>1.352.931</b>	<b>1.361.683</b>
Right-of-use-assets	14	165.855	0
Land and buildings		90.463	96.862
Leasehold improvements		22.130	15.712
Plant and machinery		11.000	13.577
Fixtures and operating equipment		3.834	3.937
Property, plant and equipment in progress		3.765	4.026
<b>Total tangible assets</b>	15	<b>297.047</b>	<b>134.114</b>
Deferred tax	16	5.477	5.014
Other financial assets	17	25.832	32.003
<b>Total other non-current assets</b>		<b>31.309</b>	<b>37.017</b>
<b>Total non-current assets</b>		<b>1.681.287</b>	<b>1.532.814</b>
Inventories	18	153.250	151.852
Trade receivables	19	82.140	139.526
Other receivables	20	32.860	31.270
Cash and cash equivalents		193.479	173.539
<b>Total current assets</b>		<b>461.729</b>	<b>496.187</b>
<b>Total assets</b>		<b>2.143.016</b>	<b>2.029.001</b>

## Consolidated Balance Sheet Group

	Note	30-04-2020 kDKK	30-04-2019 kDKK
Share capital	21	1.000	1.000
Translation reserve		3.583	(529)
Hedging reserve		(2.255)	(3.610)
Retained earnings		1.063.667	1.049.820
Proposed dividend for the year		0	150.000
Equity share, BoConcept Holding A/S shareholders		1.065.995	1.196.681
<b>Total equity</b>		<b>1.065.995</b>	<b>1.196.681</b>
Lease liabilities	14	129.049	0
Deferred tax	16	187.542	186.509
Other provisions	22	9.536	7.439
Mortgage credit institutions and banks	23, 28	288.246	320.412
<b>Total non-current liabilities</b>		<b>614.373</b>	<b>514.360</b>
Lease liabilities	14	38.356	0
Mortgage credit institutions and banks	23, 28	88.693	6.746
Trade payables		70.941	146.416
Payables, parent company		60.653	0
Prepayment from customers		43.622	40.677
Income tax payables	24	17.643	31.618
Other payables		142.740	92.503
<b>Total current liabilities</b>		<b>462.648</b>	<b>317.960</b>
<b>Total liabilities</b>		<b>1.077.021</b>	<b>832.320</b>
<b>Total equity and liabilities</b>		<b>2.143.016</b>	<b>2.029.001</b>

## Consolidated Statement of Changes in Equity Group

	Share capital	Hedging reserve	Translation reserve	Retained earnings	Dividend proposed	Total
	kDKK	kDKK	kDKK	kDKK	kDKK	kDKK
<b>Equity at 30.04.2018</b>	<b>1.000</b>	<b>106</b>	<b>(4.177)</b>	<b>1.115.128</b>	<b>0</b>	<b>1.112.057</b>
Dividend distributed	0	0	0	0	0	0
Profit/loss for the year	0	0	0	82.768	0	82.768
Reserve for exchange rate adjustments	0	0	3.648	0	0	3.648
Revaluation of hedging instruments	0	(3.716)	0	1.924	0	(1.792)
Dividend proposed	0	0	0	(150.000)	150.000	0
<b>Equity at 30.04.2019</b>	<b>1.000</b>	<b>(3.610)</b>	<b>(529)</b>	<b>1.049.820</b>	<b>150.000</b>	<b>1.196.681</b>
Dividend distributed	0	0	0	0	(150.000)	(150.000)
Profit/loss for the year	0	0	0	13.847	0	13.847
Reserve for exchange rate adjustments	0	0	4.112	0	0	4.112
Revaluation of hedging instruments	0	1.355	0	0	0	1.355
<b>Equity at 30.04.2020</b>	<b>1.000</b>	<b>(2.255)</b>	<b>3.583</b>	<b>1.063.667</b>	<b>0</b>	<b>1.065.995</b>

## Consolidated Cash Flow Statement Group

	Notes	2019/20 kDKK	2018/19 kDKK
<b>Profit/loss from operating activities (EBIT)</b>		35.606	116.137
Adjustments for non-cash items	26	88.273	44.821
Changes in working capital	27	42.803	9.153
<b>Cash flow from operating activities before financial items</b>		<b>166.682</b>	<b>170.111</b>
Interest income etc.		10.451	3.376
Interest paid		(19.704)	(15.159)
Income taxes paid		(31.618)	(20.171)
<b>Net cash flow from operating activities</b>		<b>125.811</b>	<b>138.157</b>
Acquisition of intangible assets		(18.173)	(22.256)
Acquisition of tangible assets		(11.498)	(15.590)
Sale of tangible assets		875	2.612
<b>Net cash flow from investing activities</b>		<b>(28.796)</b>	<b>(35.234)</b>
<b>Cash flow before financing activities</b>		<b>97.015</b>	<b>102.923</b>
Increase in and instalments on mortgage credit institutions and banks		53.284	(42.424)
Addition/disposals, financial assets		6.171	(1.385)
Repayment of leasing debt		(36.530)	0
Dividend paid		(100.000)	0
<b>Cash flow from financing activities</b>		<b>(77.075)</b>	<b>(43.809)</b>
Cash inflow/outflow for the year		19.940	59.114
Cash and cash equivalents, beginning of the year		173.539	114.425
<b>Cash and cash equivalents at end of the year</b>		<b>193.479</b>	<b>173.539</b>
<b>The amount may be broken down as follows:</b>			
Cash without restrictions		193.479	173.539

## Notes Group

1. Accounting policies
2. New accounting regulation
3. COVID-19 impact – liquidity position and outlook
4. Critical accounting estimates and judgements
5. Revenue
6. Costs
7. Fee to auditors appointed at the annual General Meeting
8. Amortisation, depreciation, write-downs and impairment losses
9. Development costs
10. Financial income
11. Financial expenses
12. Tax on profit/loss for the year
13. Intangible assets
14. Leases
15. Tangible assets
16. Deferred tax
17. Other financial assets and deposits
18. Inventories
19. Trade receivables
20. Other receivables
21. Share capital
22. Other provisions
23. Amounts owed to credit institutions
24. Income tax payable
25. Contingent liabilities and security
26. Adjustment for non-cash items
27. Changes in working capital
28. Financial risk management
29. Transactions with related parties

## Notes Group

### 1. Accounting policies

The consolidated financial statements for the period 1 May 2019 to 30 April 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Further, the annual report has been prepared in accordance with the additional Danish disclosure requirements for annual reports.

The annual report has been prepared under the historical cost method, except for the derivative financial instruments for hedging purposes, recognised at fair value.

Apart from the changes due to the implementation of new standards as described in note 2, accounting policies are unchanged from last year.

The annual report is presented in DKK 000, which is the functional and presentation currency of the company.

#### *Consolidated financial statements and business combinations*

The consolidated financial statements include the parent, BoConcept Holding A/S, as well as subsidiaries and enterprises in which BoConcept Holding A/S holds more than 50 per cent of the votes, directly or indirectly, or in any other way exercises a controlling influence (subsidiaries). BoConcept Holding A/S and the subsidiaries are collectively referred to as the group.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements by consolidating accounting items of a similar nature and subsequently eliminating intra-group income and expenses, shareholdings, intra-group accounts and dividends as well as unrealised gains and losses on transactions between the consolidated enterprises. The consolidated financial statements have been prepared in compliance with the accounting policies applicable to the BoConcept Holding group.

In the consolidated financial statements the accounting items of the subsidiaries are recognised in full.

#### *Acquisition and disposal of entities*

##### *Accounting policies*

When accounting for business combinations, the acquisition method is applied in accordance with IFRS 3.

Acquirees are recognized in the consolidated financial statements from the date of acquisition. The date of acquisition is the date on which BoConcept Holding A/S obtains control of the company.

The consideration transferred as payment for the acquiree consists of the fair value of assets transferred, liabilities incurred to former owners of the acquiree and equity instruments issued. Contingent considerations dependent on future events or the performance of contractual obligations are also recognized at fair value and form part of the total consideration transferred. Fair value changes in contingent considerations are recognised in the income statement until final settlement.

Identifiable assets, liabilities and contingent liabilities of the acquiree are measured at fair value at the date of acquisition by applying relevant valuation methods. Identifiable intangibles are recognised if they are separable or arise from a contractual right. Deferred tax is recognised for identifiable tax benefits existing at the date of acquisition.

The excess of the total consideration transferred, value of non-controlling interests and the fair value of any equity investments previously held in the acquiree over the total identifiable net assets measured at fair value are recognized as goodwill.

If measurement of the identifiable net assets is uncertain at the date of acquisition, initial recognition is done based on provisional amounts. Measurement period adjustments to the provisional amounts may be done for up to 12 months following the date of acquisition. The effects of crossperiod measurement period adjustments are recognised in equity at the beginning of the financial year, and comparative figures are restated. After the end of the period, goodwill is no longer adjusted.

Transaction costs inherent from the acquisition are recognized in the income statement when incurred.

Other than cross-period measurement period adjustments, comparative figures are not adjusted when acquiring or disposing entities.

## Notes Group

### *Foreign currency translation*

The group fixes a functional currency for each of the reporting enterprises. The functional currency is the currency which is applied in the primary economic environment in which the individual reporting unit operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the transaction date. Any exchange differences between the rate prevailing at the transaction date and the rate prevailing at the date of settlement on receivables, payables and other monetary items are taken to the income statement as financial items.

Receivables, debts and other monetary items in foreign currencies are converted at the exchange rate prevailing at the balance sheet date. The difference between the rate prevailing at the balance sheet date and the rate prevailing at the time when the receivable or payable item arose is included in the income statement under financial income and expenses.

On recognition in the consolidated financial statements of enterprises with a functional currency other than Danish kroner the income statements of such enterprises are translated to the rate prevailing at the transaction date, and the balance sheet items are translated to the rate prevailing at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of the equity of such enterprises at the exchange rates prevailing at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised in other comprehensive income and classified in equity under a separate translation reserve.

### *Derivative financial instruments*

Derivative financial instruments are initially and subsequently recognised at fair value in the balance sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is only made when the company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are calculated on the basis of current market data and generally accepted valuation methods.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge are recognised in other comprehensive income and classified under a separate hedging reserve in equity. Once the hedged transaction is realised, gains or losses incidental to such hedging transactions are transferred from the equity and recognised with the hedged item.

## INCOME STATEMENT

### *Revenue*

The group manufactures and sells a range of furniture to a number of franchisees. Sales are recognised when control of the products has transferred, being when the products are delivered to the franchisee, the franchisee has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the franchisee's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the franchisee, and either the franchisee has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The furniture is sometimes sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with standard credit terms, which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### *Cost of goods sold*

Cost of goods sold include cost related to the production and purchasing of materials and direct salaries paid to generate revenue for the year.

### *Employee related cost*

Employee related cost include indirect salaries and personnel related cost.

### *Marketing*

Marketing expenses includes cost related to marketing campaigns.

### *Transportation*

Transportation cost includes cost related to distribute goods related to generating revenue for the year.

### *Depreciations*

Depreciations is related to amortization and depreciations of intangible and tangible assets for the year.



## Notes Group

### *Rent and Maintenance*

Rent and maintenance cost include cost related to rental of stores and offices and maintenance of production facilities and buildings.

### *IT and Consultancy*

IT and Consultancy cost include cost related to IT equipment and communication, consultancy, audit, legal advisory and insurances.

### *Others*

Others is cost that is not included in the above.

### *Financial income and expenses*

Financial income and expenses include interest income and expenses, exchange adjustments relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities and surcharges and allowances under the advance-payment-of-tax scheme etc.

Furthermore, realised and unrealised gains and losses relating to derivative financial instruments which do not qualify as hedging contracts are also recognised.

### *Tax on profit for the year*

Tax for the year, which comprises current income taxes, the joint taxation contribution for the year relating to the use or refund of tax losses and changes in deferred tax for the year, for instance as a result of changes in the tax rate, is recognised in the income statement with the proportion attributable to the profit for the year and is recognised directly in other comprehensive income and equity respectively as regards the portion attributable to amount included in other comprehensive income or items under the equity.

The current Danish income tax is allocated among the jointly taxed companies in the form of settlement of joint tax contributions in proportion to their taxable income. In this connection Danish companies with tax losses receive joint tax contributions from companies that have been able to utilise these losses to reduce their own taxable profits.

## BALANCE SHEET

### *Intangible assets*

#### Goodwill

Goodwill is initially recognised in the balance sheet at cost as described under 'The Consolidated Financial Statements and Business Combinations'. Subsequently goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the group's cash-generating units at the acquisition date. The identification of cash-generating units is based on management structure and internal financial control. Management estimates that the smallest cash-generating units to which the carrying amount of goodwill can be allocated is the collective group of subsidiaries.

At least once a year the carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which goodwill is allocated.

#### Master rights

Master rights acquired to run and start up new BoConcept Brand Stores on a specific market are recognised in the balance sheet.

Master rights are of indefinite duration as it is a general access to run and start up BoConcept Brand Stores on specific markets. The characteristics of the acquired rights are in fact comparable to goodwill.

Master rights are measured at cost. No amortisation is made in respect of these as their useful lives cannot be determined, but they are subject to an annual impairment test.

#### Brand and concept

BoConcept is an international franchise concept owner with a full product range of furniture and accessories. BoConcept is positioned in the 'affordable premium' segment, which entails strong reliance on its brand/concept image.

The rights are of indefinite duration, and the characteristics of the acquired rights are in fact comparable to goodwill.

Brand and concept are measured at cost. No amortisation is made in respect of these as their useful lives cannot be determined, but they are subject to an annual impairment test.

#### Franchise network

Furniture and accessories collections are sold through the BoConcept franchise chain worldwide. BoConcept Holding A/S and the franchisee have a long-term contractual agreement. Franchise network is amortised over 15 years.

## Notes Group

### Development costs

The company conducts no research. New products and product innovations are developed in consultation with external consultants. Development costs are not included in the balance sheet, since these cannot be stated dependably, in addition to which these are often related to product replacements.

### Software

Software is acquired externally and is measured at cost less accumulated amortisation. Software is written down to the recoverable amount or to the carrying amount, whichever is the lower. Amortisation is charged over three to eight years.

### ***Tangible assets***

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the cost of acquisition as well as costs directly attributable to the acquisition until such time when the asset is put into service.

The cost of assets held under finance leases is stated at the lower of the fair value of the assets and the present value of the future minimum lease payments. For the calculation of the present value, the interest rate implicit in the lease or an approximation thereof is used as the discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the group. The replaced components are removed from the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, applying the following useful lives:

Buildings	10-25 years
Plant and machinery	5-9 years
Fixtures and fittings, other plant and equipment	3-7 years
Leasehold improvements	3-10 years

Land is not depreciated.

Depreciation is calculated on the basis of the residual value less impairment losses. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement on a separate line.

### ***Leases***

The right-of-use asset and corresponding lease liability will be recognised at the commencement date, i.e. the date the underlying asset is available for use. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Right-of-use assets are measured at cost corresponding to the lease liability recognised, adjusted for any lease incentives received, initial direct costs and estimated restoration costs. Depreciations are done following the straight-line method over the lease term or the useful life of the right-of-use assets, whichever is shortest.

The lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the incremental borrowing rate. The lease payments include fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If the contract holds an option to purchase, extend or terminate a lease and it is reasonably certain to be exercised by BoConcept Holding A/S, the lease payments will include those. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The discount rate used for assessment of the leasing payments in accordance with IFRS 16 has been set by obtaining a market evaluation of the interest rate on which BoConcept would have been able to obtain financing should we have bought the assets instead of leasing. Thus the interest rate used for discounting the leasing payments shall be seen as the market rate at the relevant time.

For all classes of assets, non-lease components, i.e. service elements, will be separated from the lease components and thereby not form part of the right-of-use asset and financial lease liability recognised in the balance sheet.

Right-of-use assets have the following lease terms:

Buildings	1-15 years.
Vehicles	1-5 years.
Other assets	1-4 years.

## Notes Group

### *Impairment of non-current assets*

Goodwill, master rights and brand and concept are subject to annual impairment tests, or where there seems to be a need for testing, initially before the end of the acquisition year.

The carrying amounts of goodwill, master rights and brand and concept are subject to an impairment test together with the other non-current assets in the cash-generating unit to which goodwill, master rights and brand and concept have been allocated, and the said assets are written down to the recoverable amount via the income statement if this is lower than the carrying amount. The recoverable amount is generally computed as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which goodwill or the master rights are allocated.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs, distribution costs and administrative expenses respectively.

Impairment of goodwill is not reversed. Impairment of other assets is only reversed in connection with changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation had the asset not been impaired.

### *Other financial assets*

Securities are recognised at fair value.

### *Inventories*

Inventories are measured at cost according to the FIFO method. Where the net realisable value is lower than the cost, the item is written down to the former lower value.

The cost of goods for resale, raw materials and consumables includes the purchase price and delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct wages and production overheads. Production overheads include indirect materials and wages as well as maintenance and depreciation of the machinery, plant and equipment applied in the production process as well as the cost of factory administration and management.

The net realisable value of inventories is calculated as the selling price 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 price, which is equal to the nominal value less loss allowance. The Group applies the IFRS 9 simplified approach to measuring the expected credit losses.

Receivables are initially recognised at fair value and subsequently measured at amortised cost less write-down for losses. Provisions for losses are made by applying the expected loss impairment model and provisions are made based on an objective indicator if an individual receivable or a portfolio of receivables are impaired.

### *Prepayments*

Prepayments measured at cost price and recognised under assets include costs paid relating to subsequent financial years.

## EQUITY

### *Dividend*

The dividend proposed is recognised as a liability at the time of approval by the general meeting. Dividend which is expected to be distributed for the year is shown as a separate item under the equity. Interim dividend is recognised as a liability at the date when the decision to pay interim dividend is made.

### *Translation reserve*

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign enterprises from their functional currencies to the presentation currency of the BoConcept Holding group (Danish kroner). On full or partial realisation of the net investment the foreign exchange adjustments are recognised in the income statement.

### *Hedging transaction reserve*

Hedging instruments are recognised at fair value, and fair value adjustments are effected in the equity for unsettled instruments.

## Notes Group

### LIABILITIES

#### *Income taxes and deferred tax*

In pursuance of the joint taxation provisions Layout Holdco A/S in its capacity of administration company takes over the liability for the income taxes of the subsidiaries vis-à-vis the tax authorities as the subsidiaries make their joint tax contributions.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured according to the balance sheet liability method of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill.

In cases where the tax base may be measured according to alternative tax regulations, deferred tax is measured on the basis of the use of the asset or liability planned by the management.

Deferred tax assets are subject to an annual impairment test and are amortised if it is deemed probable that the deferred tax asset cannot be eliminated against tax on future earnings or offset against deferred tax liabilities within the same legal tax entity or jurisdiction. In the assessment importance is attached to the type and nature of the recognised deferred tax asset, the expected time limit for eliminating the deferred tax asset, tax planning possibilities etc.

Deferred tax will be adjusted to account for the elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### *Provisions*

Provisions are recognised when, as a result of events arising before or at the balance sheet date, the group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. The amount recognised as a provision is management's best estimate of the expenses required to settle the obligation.

Restructuring costs are recognised as a liability when the persons affected by it have been notified of a detailed, formal restructuring plan not later than at the balance sheet date.

#### *Financial liabilities*

Payables to mortgage credit institutions and banks are recognised in the amount of the proceeds after deducting transaction costs when the loan is raised. In subsequent periods the financial liabilities are recognised at amortised cost using the 'effective rate of interest method' thus that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan. Financial liabilities also include the capitalised residual obligation under finance leases. Other liabilities are measured at the nominal value which corresponds to the amortised cost for current payables.

#### *Prepayments from customers*

Prepayments from customers recognised under liabilities are measured at cost and include prepayments received concerning ordered, but not yet delivered, furniture.

### CASH FLOW

#### *Cash flow statement*

The cash flow statement shows the group's cash flow divided into operating, investing and financing activities, the change in cash and cash equivalents during the year and the group's cash and cash equivalents at the beginning of the year and at year-end.

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 acquisition date. Cash flows from disposals of enterprises are recognised up until the date of disposal.

#### *Cash flow from operating activities*

Cash flows from operating activities are recognised indirectly as the profit before tax for non-cash operating items, changes in working capital, interest paid and income taxes paid.

#### *Cash flow from investing activities*

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

## Notes

### Group

#### *Cash flow from financing activities*

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of long-term interest-bearing debt, acquisition and disposal of treasury shares and payment of dividend to shareholders.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

## 2. New accounting regulation

All amended standards and interpretations issued by IASB and endorsed by the EU effective as of 1 May 2019 have been adopted by BoConcept Holding A/S. From 1 May 2019, BoConcept Holding A/S has adopted the following new standards:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

### **IFRS 16 - Leases**

#### *Description*

IFRS 16 has been implemented as of 1 May 2019. The standard supersedes existing leases guidance in IAS 17 Leases and related interpretations.

Previously, lease contracts for a lessee were classified as either operating or finance leases. IFRS 16 requires the majority of operating leases to be recognised as lease assets with related lease liability, similar to the previous accounting of finance leases.

The lease payments, previously accounted for as operating expenses, have been split into an interest cost and a repayment of the lease liability. The right-of-use assets are depreciated over the term of the lease contract. Reported operating profit has increased, as previous operating lease expenses included under cost have been replaced by depreciations and financial expenses. The impact on profit is neutral over time, but a minor timing effect does occur due to frontloading of interest expenses.

Reported cash flow from operating activities has increased but is offset by an increased cash outflow from financing activities. Accordingly, total cash flow for the year is unchanged.

#### *Implementation*

BoConcept Holding A/S adopted IFRS 16 using the modified retrospective approach according to which comparative figures are not restated but presented in accordance with the previous IFRS standard on leases (IAS 17) as disclosed in the Annual Report 2018/19. Right-of-use assets have been presented as a separate line-item in the balance sheet and specified further in note 14 Leases.

For existing leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate at 1 May 2019.

For existing leases classified as finance leases under IAS 17, the carrying amount of lease liabilities and right-of-use assets at 1 May 2019 equals the carrying amount of lease liabilities and lease assets at 30 April 2019.

The following practical expedients have been applied in implementing the standard:

- Contracts not previously determined to contain a lease in accordance with IAS 17 and IFRIC 4 have not been reassessed at the commencement date.
- Right-of-use assets and related lease liabilities for existing leases ending within 12 months of 1 May 2019 or leases considered to be low value are not recognised, but expensed directly in profit and loss.
- A single discount rate has been applied to appropriate groups of leases with similar characteristics.
- Existing assessments of whether leases are onerous have been applied.
- The use of hindsight, such as in determining the lease term if the contracts contain options to extend or terminate the lease.

No other practical expedients beyond above have been applied.

## Notes Group

### Impact

The operating lease commitments at 30 April 2019 disclosed in the Annual Report and lease liabilities recognised in the opening balance at 1 May 2019 in accordance with IFRS 16 can be specified as follows:

### kDKK

Operating lease commitments (not discounted) disclosed in the notes at 30 April 2019	201.110
Other adjustments	(25.999)
<b>Undiscounted lease liability</b>	<b>175.111</b>
Discounting effect	(23.523)
Finance lease liabilities recognised in the balance sheet at 30 April 2019	3.502
<b>Lease liability recognised at 1 May 2019</b>	<b>155.090</b>

The weighted average incremental borrowing rate applied to the lease liabilities at 1 May 2019 was 2,55%.

The right-of-use assets established at 1 May 2019 in the balance sheet were kDKK 151.588.

Other adjustments mainly relate to currency and reevaluation of expenses included as commitments. As well as short-term leases and low value assets.

### IFRIC 23

The implementation of the guidelines in IFRIC 23 for accounting for uncertain income tax positions has not resulted in any change to the net amount of tax positions.

## 3. COVID-19 impact – liquidity position and outlook

As a result of COVID-19, the Group has experienced a decline in revenue and earnings in the last part of the financial year compared to 2018/19. This is due to many governments having decided to shut down stores around the world leading to a decrease in demand and a cool-down of the world economy in general. This has affected the valuation of the accounts receivables where Management assess an increased risk of bankruptcy amongst some of the company's customers.

Due to this and the uncertain conditions Management has revisited the budget and cash flow forecast for 2020/21. Management expects a decrease in activities in 2020/21, however with cost saving initiatives the EBITDA margin is expected to be within the same level as for 2019/20. Based on this and the forecasted cash flows, Management assess that the Group is still in a solid liquidity position during 2020/21. After 2020/21 Management expects the Group to be back in a growth position.

## 4. Critical accounting estimates and judgements

### Estimation uncertainty

Determining the carrying amounts of certain assets and liabilities requires estimation of the effects of future events on the carrying amounts of these assets and liabilities at the balance sheet date. Estimates that are material for the financial reporting are made, among other things, by computing amortisation, depreciation, write-downs and impairment losses, provisions as well as contingent liabilities and assets. The estimates applied are based on assumptions which are sound, in the management's opinion but which by their very nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the company is subject to risks and uncertainties that may cause the actual results to differ from these estimates.

The notes provide information on bases and assumptions, on the future and other estimation uncertainties at the balance sheet date where there is a considerable risk of changes that may lead to a significant adjustment of the carrying amounts of assets or liabilities within the next financial year.

For BoConcept Holding A/S the measurement of goodwill DKK 534 million, master rights DKK 37 million, franchise network DKK 154 million, brand & concept DKK 571 million, trade receivables DKK 82 million and inventory DKK 153 million may be significantly affected by major changes in the estimates and underlying assumptions of the calculations. For a description of impairment tests for intangible assets reference is made to note 13, where the amounts are also stated.

Trade receivables are measured at amortised cost or net realisable value in the balance sheet, corresponding to the nominal value less write-downs for bad debt and doubtful debt. Write-downs to provide for losses are determined on the basis of an individual assessment of each receivable and the specific risk of the debtor being unable to pay. Collective write-downs in respect of other franchisees are determined on the basis of a general assessment of the risk that the group of debtors is unable to pay in the light of the company's experience from previous years. The determination is therefore to some extent based on estimates.

Inventory consists of; finished goods, raw materials and work in progress, valued at either the standard production cost (own production) or after FIFO accounting principles, minus provisions for obsolescence. The provision for obsolescence is based upon the company's internal write-down policy, which in turn is evaluated based upon a combination of Product Life Cycle status and product turnover rates.

## Notes Group

### Material judgements

In applying the acquisition method of accounting, estimates are an integral part of assessing fair values of several identifiable assets acquired and liabilities assumed as observable market prices are typically not available.

Valuation techniques where estimates are applied typically relate to determining the present value of future uncertain cash flows or assessing other events in which the outcome is uncertain at the date of acquisition.

More significant estimates are applied in accounting for brand and concept, franchise network, property, plant and equipment, inventories and deferred tax.

Master rights acquired to run and start up new BoConcept brand stores in specific markets are recognised in the balance sheet. The rights have no fixed term and have the characteristics of goodwill. Upon acquisition of enterprises and activities, management will evaluate whether such acquisition is deemed to constitute an enterprise or individual assets, including master rights and liabilities. Where no staff members, key net assets, are acquired, and where other contractual conditions otherwise support this position, management will deem the acquisition to consist of individual assets, typically including master rights. The Franchise Network which is the deemed value of the global franchise operators to BoConcept are depreciated over the determined useful lifetime, which is impacted by material judgement. Goodwill and the Brand and Concept, which is the value attached to the IP of the BoConcept business model, was valued at acquisition in 2016 and are annually assessed using a discounted cashflow impairment testing approach, which is impacted by significant assumptions made.

Due to COVID-19 Management has also assessed possible rent reductions on certain lease contracts, also driven by the trends on more consumer sales moving towards internet sales, and hence are renegotiating contracts. Management has assessed it more likely than not that the renegotiations will result successfully, and hence that no impairments exist.

### 5. Revenue

*Revenue coming from sale of furniture*

	2019/20	2018/19
	kDKK	kDKK
EMEA	673.626	760.270
Americas	151.464	166.220
APAC	362.000	383.601
	<u>1.187.090</u>	<u>1.310.091</u>

### 6. Costs

#### Staff Costs

Wages and salaries	(210.640)	(231.232)
Pensions	(9.775)	(10.271)
Termination payments	(7.838)	0
Other social security costs	(1.314)	(1.728)
Other staff costs	(10.008)	(9.168)
	<u>(239.575)</u>	<u>(252.399)</u>

Average number of employees	<u>491</u>	<u>539</u>
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#### Including Key Management Personnel (Executive management team\*):

Wages and salaries	(11.487)	(14.359)
Termination benefits, and other one-offs	(5.100)	2.147
Short-term incentive plan (Bonus)	(400)	(2.682)
Pensions	(660)	(847)
	<u>(17.647)</u>	<u>(15.741)</u>

\*The Executive Management team has 5 members at the end of the financial year 2019/2020 (9 members in 2018/19). Average number of members during the year is 6 (8 average members in 2018/2019). Remuneration of the Executive Board was kDKK 5.535 and the remuneration of the Board of Directors was kDKK 1.290 in 2019/2020. Since the Executive Board in 2018/2019 only consisted of one member, the total remuneration of kDKK 4.411 to the Chief Executive Officer and the Board of Directors was disclosed collectively with references to §98b(3) of the Danish Financial Statement Act.

## Notes Group

### 7. Fee to auditors appointed at the annual General Meeting

	2019/20	2018/19
	kDKK	kDKK
Audit	(704)	(624)
Other assurance engagements	0	(44)
Other services	(637)	(384)
Tax consultancy	(1.050)	(399)
	<u>(2.391)</u>	<u>(1.451)</u>

### 8. Amortisation, depreciation, write-downs and impairment losses

Amortisation of intangible assets	(26.240)	(23.704)
Depreciation of tangible assets	(15.158)	(18.701)
Depreciation of right-of-use assets	(33.717)	0
	<u>(75.115)</u>	<u>(42.405)</u>

### 9. Development costs

Development costs paid during the year	<u>(7.710)</u>	<u>(7.334)</u>
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### 10. Financial income

Interest income, other	10.451	3.377
Foreign exchange rate adjustments	5.769	9.203
	<u>16.220</u>	<u>12.580</u>

### 11. Financial expenses

Interest expenses, lease liabilities	(5.011)	0
Interest expenses, other	(19.704)	(15.924)
Settlement of hedging instruments	(512)	(552)
	<u>(25.227)</u>	<u>(16.476)</u>

### 12. Tax on profit/loss for the year

Tax on profit for the year	(12.752)	(29.473)
Tax on other comprehensive income	0	0
	<u>(12.752)</u>	<u>(29.473)</u>

*Tax on profit/loss for the year may be subdivided as follows:*

Current tax	(14.739)	(24.588)
Deferred tax	(570)	(4.788)
Adjustment previous years' taxes	2.557	(97)
	<u>(12.752)</u>	<u>(29.473)</u>

*Tax on profit/loss for the year may be explained as follows:*

Calculated 22% tax on profit/loss for the year before tax	(5.852)	(24.435)
Withholding tax	(571)	(886)

*The tax effect of:*

Deferred tax asset not recognised on losses arising in the year	(3.291)	0
Reversal of tax provisions	(1.791)	(2.796)
Non-taxable income and non-deductible costs	(3.804)	(1.258)
Adjustment of tax related to previous years	2.557	(97)
	<u>(12.752)</u>	<u>(29.473)</u>

Effective tax rate	47,9%	26,3%
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## Notes

### Group

#### 13. Intangible assets

<i>k</i> DKK	2019/20						Total
	Goodwill	Master rights	Franchise network	Brand and concept	Software	Intangible assets in progress	
Acquisition cost, beg.year	533.960	42.039	206.100	571.000	114.022	20.469	1.487.590
Adjustment to previous years	0	0	0	0	0	(463)	(463)
Foreign exchange rate adjustments	(21)	0	0	0	91	0	70
Additions	0	0	0	0	434	17.739	18.173
Transfers	0	0	0	0	30.215	(30.215)	0
Disposals for the year	0	0	0	0	(1.714)	0	(1.714)
Acquisition cost, year-end	<u>533.939</u>	<u>42.039</u>	<u>206.100</u>	<u>571.000</u>	<u>143.048</u>	<u>7.530</u>	<u>1.503.656</u>
Amortisation and impairment losses, beg.year	0	(5.439)	(38.357)	0	(82.111)	0	(125.907)
Foreign exchange rate adjustments	0	0	0	0	(92)	0	(92)
Write-downs for the year	0	0	0	0	0	0	0
Amortisation for the year	0	0	(13.740)	0	(12.500)	0	(26.240)
Disposals for the year	0	0	0	0	1.514	0	1.514
Amortisation and impairment losses, year-end	<u>0</u>	<u>(5.439)</u>	<u>(52.097)</u>	<u>0</u>	<u>(93.189)</u>	<u>0</u>	<u>(150.725)</u>
Carrying amount, year-end	<u>533.939</u>	<u>36.600</u>	<u>154.003</u>	<u>571.000</u>	<u>49.859</u>	<u>7.530</u>	<u>1.352.931</u>
<i>Depreciated over a period of</i>			<i>15 years</i>		<i>3-8 years</i>		

Master rights relate to acquisition of master rights in China, the UK, Spain, Sweden, Portugal and Denmark.

An impairment test of the carrying amounts of goodwill, master rights and brand & concepts has been carried out at 30 April 2020.

The carrying amount of master rights is based on cash flow generating stores in Denmark, the USA, the UK, Spain, Portugal, Sweden and China.

<i>Master rights:</i>	2019/20	2018/19
	<i>k</i> DKK	<i>k</i> DKK
China	8.278	8.278
Denmark	4.483	4.483
Portugal	2.226	2.226
Spain	8.871	8.871
Sweden	4.760	4.760
UK	7.982	7.982
Total	<u>36.600</u>	<u>36.600</u>

Goodwill is based on the cashflow generating regions in EMEA, AMERICAS and APAC

<i>Goodwill:</i>	2019/20	2018/19
EMEA	314.329	314.329
AMERICAS	41.143	41.143
APAC	178.467	178.488
Total	<u>533.939</u>	<u>533.960</u>

## Notes Group

Brand and concepts is based on cashflow generating regions in EMEA, AMERICAS and APAC

	2019/20	2018/19
	kDKK	kDKK
<i>Brand and concepts:</i>		
EMEA	336.108	336.108
AMERICAS	43.993	43.993
APAC	190.899	190.899
Total	<u>571.000</u>	<u>571.000</u>

The main factors in the determination of the recoverable amount are revenue and contribution margin which both affect the free cash flow. Furthermore the discount rate is a main assumption.

The recoverable amounts of goodwill, master rights and brand and concepts are based on the capital value, which is determined by applying expected cash flows based on the budget for the next year and an estimated projection for the next four years at an annual growth rate related to expected revenue growth from increased same-store-sales and opening of new stores followed by the calculation of a terminal value without annual growth and with an unchanged free cash flow. Free cash flow is based on past performance/management expectation of market developments etc. and is expected to be around DKK 66 million in average over the next 5 years, and DKK 135 million in the terminal period (last year 175 million). All amounts have been discounted at 9,62% pre-tax (8,53% last year).

The calculated recoverable amounts of the remaining values are significantly higher than the carrying amounts.

	2018/19						
kDKK	Goodwill	Master rights	Franchise network	Brand and concept	Software	Intangible assets in progress	Total
Acquisition cost, beg.year	533.755	42.039	206.100	571.000	97.796	12.276	1.462.966
Foreign exchange rate adjustments	205	0	0	0	78	2	285
Additions	0	0	0	0	0	22.256	22.256
Transfers	0	0	0	0	17.010	(14.065)	2.945
Disposals for the year	0	0	0	0	(862)	0	(862)
Acquisition cost, year-end	<u>533.960</u>	<u>42.039</u>	<u>206.100</u>	<u>571.000</u>	<u>114.022</u>	<u>20.469</u>	<u>1.487.590</u>
Amortisation and impairment losses, beg.year	0	(5.439)	(24.617)	0	(72.930)	0	(102.986)
Foreign exchange rate adjustments	0	0	0	0	(79)	0	(79)
Write-downs for the year	0	0	0	0	0	0	0
Amortisation for the year	0	0	(13.740)	0	(9.964)	0	(23.704)
Disposals for the year	0	0	0	0	862	0	862
Amortisation and impairment losses, year-end	<u>0</u>	<u>(5.439)</u>	<u>(38.357)</u>	<u>0</u>	<u>(82.111)</u>	<u>0</u>	<u>(125.907)</u>
Carrying amount, year-end	<u>533.960</u>	<u>36.600</u>	<u>167.743</u>	<u>571.000</u>	<u>31.911</u>	<u>20.469</u>	<u>1.361.683</u>
<i>Depreciated over a period of</i>			<i>15 years</i>		<i>3-8 years</i>		

## 14. Leases

This note provides information for leases where the group is a lessee.

### *Amounts recognised in the balance sheet*

#### *Right-of-use-assets*

<i>kDKK</i>	2019/20			Total
	Buildings	Vehicles	Other	
Acquisition cost, beg.year	0	0	0	0
Change in accounting policy	144.444	4.993	2.151	151.588
Reclassification of financial leases	0	0	9.874	9.874
Additions	50.159	968	0	51.127
Disposals for the year	(9.162)	(148)	0	(9.310)
Acquisition cost, year-end	<u>185.441</u>	<u>5.813</u>	<u>12.025</u>	<u>203.279</u>
Depreciation, beg.year	0	0	0	0
Reclassification of financial leases	0	0	(6.606)	(6.606)
Depreciation for the year	(29.670)	(2.203)	(1.844)	(33.717)
Disposals for the year	2.847	52	0	2.899
Depreciation, year-end	<u>(26.823)</u>	<u>(2.151)</u>	<u>(8.450)</u>	<u>(37.424)</u>
Carrying amount, year-end	<u>158.618</u>	<u>3.662</u>	<u>3.575</u>	<u>165.855</u>
<i>Depreciated over a period of</i>	<i>1-15 years</i>	<i>1-5 years</i>	<i>1-4 years</i>	

#### *Lease liabilities (kDKK)*

	2019/20
Within 1 year	38.356
Between 1 and 5 years	80.980
After 5 years	48.069
	<u>167.405</u>

*In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17.*

### *Amounts recognised in the Profit and Loss, other than depreciation (kDKK)*

Interest expenses related to lease liabilities	5.011
Expense relating to short-term leases	786
	<u>5.797</u>

*Total cash outflow for leases is specified in the cash flow statement.*



## Notes Group

### 16. Deferred tax

	2019/20	2018/19
	kDKK	kDKK
Deferred tax, beg.year	(181.495)	(186.283)
Deferred tax for the year	(570)	4.788
Deferred tax, year-end	<u>(182.065)</u>	<u>(181.495)</u>

*Deferred tax is recognised in the balance sheet as follows*

Deferred tax (asset)	5.477	5.014
Deferred tax (liability)	<u>(187.542)</u>	<u>(186.509)</u>
Net deferred tax, year-end	<u>(182.065)</u>	<u>(181.495)</u>

*Deferred tax relates to:*

Intangible assets	(189.240)	(175.979)
Tangible assets	1.402	(14.577)
Current assets	5.070	14.069
Current liabilities	703	(5.008)
	<u>(182.065)</u>	<u>(181.495)</u>

*Layout Holdco A/S is the administrator of joint taxation scheme, and in the capacity it settles all payments of incoming taxes with the tax authorities.*

### 17. Other financial assets and deposits

	Deposits		Other financial assets	
	2019/20	2018/19	2019/20	2018/19
	kDKK	kDKK	kDKK	kDKK
Acquisition cost, beg.year	19.685	15.202	12.318	15.381
Foreign exchange rate adjustments	335	673	17	35
Additions	3.248	3.830	0	0
Disposals for the year	(479)	(20)	(9.292)	(3.098)
Acquisition cost, year-end	<u>22.789</u>	<u>19.685</u>	<u>3.043</u>	<u>12.318</u>

### 18. Inventories

Raw materials and consumables	12.353	13.017
Goods in progress	5.947	10.154
Manufactured goods and goods for resale	<u>134.950</u>	<u>128.681</u>
	<u>153.250</u>	<u>151.852</u>
Cost of sales for the year which is included in production costs	719.054	701.805
Write-down of inventories	(12.340)	(1.991)
Reversal of write-downs for the year	792	1.736

## Notes Group

### 19. Trade receivables

	2019/20 kDKK	2018/19 kDKK
Trade receivables	82.140	139.526
<i>Provisions for losses have been recognised in the above items as follows:</i>		
Provisions, beg.year	(81.768)	(126.581)
Change in provision for the year	(46.290)	11.792
Losses recognised for the year	0	31.209
Transferred to loan	61.000	0
Exchange rate adjustments for the year	0	1.812
Provisions, year-end	(67.058)	(81.768)

BoConcept Holding A/S has agreed with some of its debtors to convert their older overdue receivables into loans. Each loan has been negotiated individually with the debtors and installments have been agreed to match the creditworthiness of the individual debtor. The conversion was made in order to find the best commercial solution for both BoConcept and the debtors, and to support that the individual debtor could still exist as a franchisee.

Receivables with a total gross amount of DKK 61 million and a carrying amount of DKK 0 have been converted into loans. Consequently, an equal amount has been transferred from provision for losses on trade receivables to provisions for losses on loans to customers as the collectability of the loans is more uncertain. The loans have a maturity of 3-5 years.

#### *Gross receivables before provision for losses*

Not due	93.380	144.865
Overdue in 0-30 days	25.618	21.099
Overdue in 31-60 days	10.721	4.855
Overdue in > 60 days	19.479	50.475
	<u>149.198</u>	<u>221.294</u>

#### *Write-down distribution*

Not due	(21.663)	(10.549)
Overdue in 0-30 days	(15.195)	(15.890)
Overdue in 31-60 days	(10.721)	(4.855)
Overdue in > 60 days	(19.479)	(50.474)
	<u>(67.058)</u>	<u>(81.768)</u>

### 20. Other receivables

Other receivables	20.612	17.940
Prepayments	12.248	13.330
Total other receivables	<u>32.860</u>	<u>31.270</u>

### 21. Share capital

	2019/20		2018/19	
	Number of shares	Nominal value (kDKK)	Number of shares	Nominal value (kDKK)
The share capital comprise:				
A shares	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>

*Each share represents 1 vote*

### 22. Other provisions

Acquisition cost, beg.year	7.439	8.986
Foreign rate adjustments	480	388
Additions for the year	1.708	2.025
Disposals for the year	(91)	(3.960)
	<u>9.536</u>	<u>7.439</u>

*Other provisions relate to re-establishment of leaseholds.*

## Notes Group

### 23. Amounts owed to credit institutions

	2019/20	2018/19
	kDKK	kDKK
<i>Mortgage credit institutions</i>		
Within 1 year	4.632	5.145
Between 1 and 5 years	15.507	15.997
After 5 years	11.076	15.245
	<u>31.215</u>	<u>36.387</u>
<i>Credit institutions</i>		
After 5 years	221.000	0
Between 1 and 5 years	44.625	294.843
Long-term part	<u>265.625</u>	<u>294.843</u>
Within 1 year	54.543	1.601
Overdraft facility	29.518	0
	<u>84.061</u>	<u>1.601</u>
Amortised loan costs	<u>(3.962)</u>	<u>(5.673)</u>

### 24. Income tax payable

Corporation tax, due at the beginning	31.618	20.171
Paid corporation tax	(31.618)	(20.171)
Adjustment previous years' taxes	2.904	(97)
Tax of the year	14.739	31.715
Tax payable at year end	<u>17.643</u>	<u>31.618</u>

### 25. Contingent liabilities and security

#### Securities

##### *Security in the following BoConcept A/S assets:*

Land and buildings recognised at:	35.594	38.915
Production, plant and machinery recognised at:	11.001	12.678
Are charged in addition to the mortgage debt of:	<u>31.215</u>	<u>36.384</u>

##### Subject to letter of indemnity of:

	<u>50.000</u>	<u>50.000</u>
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##### *Security in the following BoConcept A/S assets:*

Goodwill, domain names and various rights	36.600	36.600
Plant, operating equipment and machinery	11.354	13.133
Inventory value	109.636	130.636
Receivables and location involvement	65.992	120.213
Total	<u>223.582</u>	<u>300.582</u>

##### Registered value of company security

	<u>125.000</u>	<u>125.000</u>
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BoConcept A/S has provided guarantee for franchisees' landlords for rent of DKK 34 million (last year DKK 36.6 million).

BoConcept A/S has provided guarantee for bank loans raised by franchisees of DKK 2.4 million (last year DKK 4 million).

BoConcept A/S has provided guarantee for franchisee's electronic payments towards third party of DKK 3.7 million (last year DKK 3.7 million).

BoConcept A/S has provided guarantee for bank arrangement with shares in subsidiary with a booked value of DKK 38.4 million

BoConcept A/S has some ongoing legal cases which in managements opinion, are unlikely to resolve in any material impact to the company.

BoConcept Holding A/S has provided guarantee for bank arrangement with shares in subsidiary with a booked value of DKK 1.392.726 million.

BoConcept Holding A/S has provided a joint and several guarantee (or surety) for a bank arrangement in BoConcept A/S.

## Notes Group

### 26. Adjustment for non-cash items

	2019/20 kDKK	2018/19 kDKK
Depreciation and impairment losses for the year	75.115	42.405
Provisions for re-establishment of leaseholds	2.097	(1.547)
Other adjustments	11.061	3.963
	<u>88.273</u>	<u>44.821</u>

### 27. Changes in working capital

Change receivables	55.842	(10.010)
Change inventories	(1.398)	(12.649)
Change trade payables, etc.	(11.641)	31.812
	<u>42.803</u>	<u>9.153</u>

### 28. Financial risk management

#### *The company's policy for financial risk management*

On account of its operations, investments and financing the BoConcept Holding group is exposed to a number of foreign exchange and interest rate fluctuations.

The management identifies the scope and concentration of risks and puts in place policies for addressing such risks on the basis of an ongoing review of the business. In addition, the group is subject to credit and liquidity risk. It is the group's policy not to speculate actively in financial risks. The sole purpose of the group's financial management is therefore to manage or eliminate financial risks associated with the group's operations and financing.

The group's policy for financial risk management is unchanged from last year and appears from management. As a result, the carrying amount of financial instruments approx. corresponds to the fair value.

#### *Market risk*

In BoConcept Holding's case, market risks associated with financial instruments consist of foreign exchange risks and interest rate risks.

#### *Foreign exchange risks*

Foreign currencies	Pre- payment/ maturity	2019/20		Hedged by forward exchange contracts	Net position
		Receivables	Liabilities other than provisions		
PLN	< 1 year	206	(30)	0	176
	> 1 year	0	0	0	0
GBP	< 1 year	12.250	(1.287)	(37.829)	(26.866)
	> 1 year	0	0	0	0
JPY	< 1 year	18.440	(3.494)	(39.980)	(25.034)
	> 1 year	0	0	0	0
SEK	< 1 year	1.443	0	(7.000)	(5.557)
	> 1 year	0	0	0	0
USD	< 1 year	19.780	(19.460)	(57.372)	(57.052)
	> 1 year	0	0	0	0
EUR	< 1 year	128.782	(30.829)	0	97.953
	> 1 year	0	0	0	0
CNY	< 1 year	8.429	(6.018)	15.658	18.069
	> 1 year	0	0	0	0
Other	< 1 year	2.768	0	0	2.768
	> 1 year	0	0	0	0
		<u>192.098</u>	<u>(61.118)</u>	<u>(126.523)</u>	<u>4.457</u>
Sale/purchase of currencies in accordance with agreements				<u>126.523</u>	
Unrealised net loss				<u>0</u>	



## Notes Group

Foreign currencies	Pre-payment/ maturity	2018/19		Hedged by forward exchange contracts	Net position
		Receivables	Liabilities other than provisions		
PLN	< 1 year	1.400	(32)	0	1.368
	> 1 year	0	0	0	0
GBP	< 1 year	11.634	943	(56.607)	(44.030)
	> 1 year	0	0	0	0
JPY	< 1 year	22.418	(31.622)	(51.960)	(61.164)
	> 1 year	16.428	0	0	16.428
SEK	< 1 year	1.428	194	(6.956)	(5.334)
	> 1 year	932	0	0	932
USD	< 1 year	33.681	(11.479)	(93.460)	(71.258)
	> 1 year	3.027	0	0	3.027
EUR	< 1 year	116.704	(14.000)	0	102.704
	> 1 year	3.689	0	0	3.689
CNY	< 1 year	4.000	(29.989)	24.561	(1.428)
	> 1 year	2.804	0	0	2.804
Other	< 1 year	0	(1.582)	0	(1.582)
	> 1 year	0	0	0	0
		<u>218.145</u>	<u>(87.567)</u>	<u>(184.422)</u>	<u>(53.844)</u>
Sale/purchase of currencies in accordance with agreements				<u>184.422</u>	
Unrealised net loss				<u>0</u>	

99% (last year 98%) of revenue is realised abroad. This figure is not indicative of the foreign exchange risk since, under the group's purchasing policy, purchasing and selling currencies are matched whenever possible.

The group has net inflows denominated in EUR, GBP, JPY, SEK and USD, while the major exposure on the outflow side is denominated in CNY.

Foreign exchange risks are managed centrally, and the most important and volatile currencies are hedged by means of foreign exchange contracts and option contracts with a maximum term of 12 months. Foreign currency translation adjustments of investments in group enterprises with a functional currency different from that of the parent company are recognised directly in equity. Associated foreign exchange risks are not hedged since the group takes the view that ongoing hedging of such long-term investments would not be the best policy based on an overall evaluation of the risks and costs involved.

The isolated effects of a 5% increase in the foreign exchange rate at 30 April vis-a-vis DKK by translation of assets and obligations may be broken down as follows:

	2019/20	2018/19
	kDKK	kDKK
USD		
Equity	(2.853)	3.562
Profit for the year	16	3.562
GBP		
Equity	(1.343)	2.201
Profit for the year	548	2.201
CNY		
Equity	903	71
Profit for the year	121	71
JPY		
Equity	(1.252)	3.058
Profit for the year	747	3.058

## Notes Group

The below table states the EBIT effect of 5% foreign exchange increase compared with the average exchange rate realised per financial year.

	<b>2019/20</b>	<b>2018/19</b>
	<b>kDKK</b>	<b>kDKK</b>
USD EBIT effect	3.950	6.839
JPY EBIT effect	4.764	3.222
GBP EBIT effect	3.900	4.187
CNY EBIT effect	<u>(607)</u>	<u>(914)</u>

Particulars of the currencies having the greatest impact on the equity and profit for the year have been provided above. The above analysis is based on the assumption that all other variables, especially the interest rate, remain constant. The expectations are based on current market data. A corresponding drop in the exchange rates of the above currencies would have the same effect in reverse on the equity and profit/loss for the year.

### **Interest rate risk**

The groups's interest rate risk is related to interest rate fluctuations that may affect the group's cash flows related to interest receivable and interest payable as well as the fair value of financial instruments.

### **Analysis of sensitivity to interest rate risks**

BoConcept Holding A/S expects the level of interest rates in Denmark to be affected by the interest rates in the euro-zone and in the USA. Based on analyses in euro-zone and in the USA, BoConcept expects the level of interest rates to change by up to 1 percentage point either way. A rise in the level of interest rate of 1 percentage point would have the effect outlined below of the equity and loss for the year:

	<b>2019/20</b>	<b>2018/19</b>
	<b>kDKK</b>	<b>kDKK</b>
Equity	(24)	(28)
Loss for the year	<u>(312)</u>	<u>(399)</u>

Most of the debt to mortgage credit institutions and other bank loans takes the form of contracts carrying variable rates of interest, this year as well as last year. However, this year we have concluded an interest rate swap agreement with a total term of 5 years and a fixed rate of interest of 1,8%, covering 96,8% of our total debt to mortgage credit institutions. The weighted effective rate of interest measured at the balance sheet date, was 2.2%.

The market value of the interest rate swap agreement is negative before tax DKK 1,1 million (last year a negative value of DKK 0,6 million).

### **Capital management**

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders.

BoConcept Holding A/S (the Group's parent) is a holding company, and its primary assets are shares in BoConcept A/S. BoConcept Holding A/S have no revenue generating operations of its own, and therefore BoConcept Holding A/S's cash flow will primarily depend on the operating performance and financial condition of BoConcept A/S and its operating subsidiaries, and the receipt by BoConcept Holding A/S of funds from BoConcept A/S and its subsidiaries.

Financial income and expenses, net decreased to DKK -9 million. The increase was primarily the result unfavourable development in BoConcept Holding A/S's main currencies and the drawdown of the full Revolving Credit Facility (RCF) as a result of the global COVID-19 situation.

### **Credit risks**

The group's credit risk is primarily associated with receivables and bank deposits as well as derivative financial instruments.

Credit risks related to bank deposits are hedged by placing bank deposits in systemic banks. Credit risk associated with receivables arise when BoConcept Holding A/S and subsidiaries make sales that are not prepaid. By far the majority of receivables are payable by franchisees who have submitted opening budgets in advance.

61% of BoConcept Holding group's customers had not defaulted on the due dates at 30 April 2020 (2018/19: 63%). In the past the majority of our customers have been paying their debts by the due dates agreed upon. Receivables that are due more than 90 days after the normal due date have been written off in full.

	<b>2019/20</b>	<b>2018/19</b>
	<b>kDKK</b>	<b>kDKK</b>
The maximum credit risk without taking into account security provided for trade receivables	82.140	139.526
The maximum credit risk associated with bank deposit, securities and derivative financial instruments	193.479	173.539
The maximum credit risk associated with other receivables	32.860	31.270
	<u>308.479</u>	<u>344.335</u>

## Notes Group

### Liquidity risk

The liquidity risk means the risk that BoConcept Holding group may not be able to fulfil its obligations as a result of a failure to realise assets or obtain adequate financing. The company ensures to maintain the best possible liquidity in order that it can continue to fulfil its financial commitments, under normal as well extraordinary circumstances. Sufficient cash resources are maintained to fulfil expected operational and financial obligations as well as bearing unforeseeable operating costs. Refer to note 3 for further information regarding liquidity.

Unutilised credit facilities for BoConcept Holding A/S and BoConcept A/S amounted to DKK 2.3 million at the end of the financial year compared to DKK 59,8 million the year before. Cash amounted to DKK 193.5 million compared to DKK 173.6 million last year.

Below is a time table cash flows associated with financial liabilities and hedging instruments:

	Nominal value kDKK	Fair value kDKK	2019/20			Total kDKK
			Less than 1 year kDKK	Between 1 and 5 years kDKK	More than 5 years kDKK	
<b>Measured at amortised cost (loans and other commitments)</b>						
Amounts owed to mortgage credit institutions	31.215	31.286	4.632	15.507	11.076	31.215
Amounts owed to credit institutions	349.686	349.686	84.061	44.625	221.000	349.686
	<u>380.901</u>	<u>380.972</u>	<u>88.693</u>	<u>60.132</u>	<u>232.076</u>	<u>380.901</u>
Trade payables	70.941	70.941	70.941	0	0	70.941
Lease guarantees and guarantees provided for franchisees (contingent liabilities)	0	0	31.426	5.039	4.496	40.961
Other payables	142.740	142.740	142.740	0	0	142.740
	<u>213.681</u>	<u>213.681</u>	<u>245.107</u>	<u>5.039</u>	<u>4.496</u>	<u>254.642</u>
	<u>594.582</u>	<u>594.653</u>	<u>333.800</u>	<u>65.171</u>	<u>236.572</u>	<u>635.543</u>
<b>Total financial liabilities</b>						
<b>Measured at amortised cost (deposits and receivables)</b>						
Other financial assets	3.043	3.043	3.043	0	0	3.043
Trade receivables	82.140	82.140	82.140	0	0	82.140
Other receivables	32.860	32.860	32.860	0	0	32.860
Cash	193.479	193.479	193.479	0	0	193.479
	<u>311.522</u>	<u>311.522</u>	<u>311.522</u>	<u>0</u>	<u>0</u>	<u>311.522</u>
<b>Derivative financial instruments</b>						
Forward exchange contracts	0	0	(126.523)	0	0	(126.523)
	<u>0</u>	<u>0</u>	<u>(126.523)</u>	<u>0</u>	<u>0</u>	<u>(126.523)</u>
	<u>311.522</u>	<u>311.522</u>	<u>184.999</u>	<u>0</u>	<u>0</u>	<u>184.999</u>
<b>Total financial assets</b>						

## Notes Group

	Nominal value kDKK	Fair value kDKK	2018/19			Total kDKK
			Less than 1 year kDKK	Between 1 and 5 years kDKK	More than 5 years kDKK	
<b>Measured at amortised cost (loans and other commitments)</b>						
Amounts owed to mortgage credit institutions	36.387	36.671	5.145	15.994	15.245	36.384
Amounts owed to credit institutions	4.044	4.044	1.601	2.443	0	4.044
Bank loans	292.400	292.400	0	292.400	0	292.400
	<u>332.831</u>	<u>333.115</u>	<u>6.746</u>	<u>310.837</u>	<u>15.245</u>	<u>332.828</u>
Trade payables	146.416	146.416	146.416	0	0	146.416
Lease guarantees and guarantees provided for franchisees (contingent liabilities)	0	0	33.119	4.959	6.910	44.988
Other payables	99.990	99.990	99.990	0		99.990
	<u>246.406</u>	<u>246.406</u>	<u>279.525</u>	<u>4.959</u>	<u>6.910</u>	<u>291.394</u>
<b>Total financial liabilities</b>	<u>579.237</u>	<u>579.521</u>	<u>286.271</u>	<u>315.796</u>	<u>22.155</u>	<u>624.222</u>
<b>Measured at amortised cost (deposits and receivables)</b>						
Other financial assets	12.318	12.318	2.662	9.656	0	12.318
Trade receivables including intercompany	139.526	139.526	139.526	0	0	139.526
Other receivables	31.270	31.270	31.270	0	0	31.270
Cash	173.539	173.539	173.539	0	0	173.539
<b>Total</b>	<u>356.653</u>	<u>356.653</u>	<u>346.997</u>	<u>9.656</u>	<u>0</u>	<u>356.653</u>
<b>Derivative financial instruments</b>						
Forward exchange contracts	0	0	(184.422)	0	0	(184.422)
	<u>0</u>	<u>0</u>	<u>(184.422)</u>	<u>0</u>	<u>0</u>	<u>(184.422)</u>
<b>Total financial assets</b>	<u>356.653</u>	<u>356.653</u>	<u>162.575</u>	<u>9.656</u>	<u>0</u>	<u>172.231</u>

Cash flows for both the hedged assets and hedged liabilities as well as the hedging instruments are recognised in the income statement for the same period.

In the balance sheet, the value of derivative financial instruments is included in other receivables and other payables, respectively.

Generally, the fair value of financial liabilities and financial assets is determined in accordance with discounted cash flow models at the market rate of interest and subjects to the credit terms prevailing at the balance sheet date.

Financial instruments measured at fair value are categorised into the following levels of the fair value hierarchy:

Level 1: Observable market prices for identical instruments.

Level 2: Valuation techniques primarily based on observable prices or traded prices for comparable instruments.

Level 3: Valuation that are not based on observable market data.

The fair value of BoConcept Holding Group's forward exchange contracts of other derivative instruments (commodity instruments) and debt to mortgage debt institutions is measured according to level 2 as the fair value can be established directly based on exchange rates published and forward interest rates specified at the balance sheet date.

## **Notes**

### **Group**

#### **29. Transactions with related parties**

BoConcept Holding A/S Group's related parties with significant influence include the shareholder (Layout Holdco A/S) of the company, supervisory board, the executive board and executives as well as the said persons' family members. Related parties also include companies in which the above mentioned group of persons have considerable interests.

Furthermore, the related parties include group enterprises in which BoConcept Holding A/S has control or significant influence, cf. listing of subsidiaries on page 45.

Transactions conducted with the executive board only include normal management remuneration, cf. note 6.

## Statement of Profit and Loss Parent Company

	Note	2019/20 kDKK	2018/19 kDKK
<b>Contribution Margin</b>		<b>(1.000)</b>	<b>0</b>
Employee related expenses	2	(12.926)	(11.775)
Rent and maintenance expenses		(76)	(135)
IT and Consultancy expenses		(420)	(727)
Others	3	25.995	32.307
<b>Operating profit before depreciations and profit from Group enterprises</b>		<b>11.573</b>	<b>19.670</b>
Profit from group enterprises	4	17.521	79.593
<b>Profit/loss from operating activities (EBIT)</b>		<b>29.094</b>	<b>99.263</b>
Financial expenses	5	(11.978)	(13.051)
<b>Profit/loss before tax</b>		<b>17.116</b>	<b>86.211</b>
Tax on profit/loss for the year	6	(3.269)	(3.444)
<b>Profit/loss for the year</b>		<b>13.847</b>	<b>82.768</b>
<b>Profit/loss for the year is attributable to:</b>			
Shareholders of BoConcept Holding A/S		13.847	82.768
<b>Statement of comprehensive income</b>		<b>2019/20 kDKK</b>	<b>2018/19 kDKK</b>
Profit/loss for for the year		13.847	82.768
<i>Items that later can be recirculated to income statement</i>			
Revaluation of hedging instruments before tax		(140)	(52)
Equity movements in subsidiaries, net of tax		5.576	1.909
Tax on total income items		31	0
<b>Total comprehensive income for the year</b>		<b>19.314</b>	<b>84.625</b>
<b>Broken down as follows:</b>			
Shareholders of BoConcept Holding A/S		19.314	84.625

## Balance Sheet Parent Company

	Note	30-04-2020 kDKK	30-04-2019 kDKK
Deferred tax		0	571
Investment in group enterprises	4	1.392.726	1.518.831
Deposits		57	57
<b>Total other non-current assets</b>		<b>1.392.783</b>	<b>1.519.459</b>
<b>Total non-current assets</b>		<b>1.392.783</b>	<b>1.519.459</b>
Receivables, group enterprises		16.253	0
Other receivables	7	1.752	2.899
Cash and cash equivalents		33.751	1.258
<b>Total current assets</b>		<b>51.756</b>	<b>4.157</b>
<b>Total assets</b>		<b>1.444.539</b>	<b>1.523.616</b>
Share capital	9	1.000	1.000
Hedging reserve		3	112
Retained earnings		1.064.992	1.045.569
Proposed dividend for the year		0	150.000
Equity share, BoConcept Holding A/S shareholders		1.065.995	1.196.681
<b>Total equity</b>		<b>1.065.995</b>	<b>1.196.681</b>
Deferred tax		367	0
Mortgage credit institutions and banks	10	261.663	286.727
<b>Total non-current liabilities</b>		<b>262.030</b>	<b>286.727</b>
Mortgage credit institutions and banks	10	54.275	0
Payables, group enterprises		52.692	32.156
Income tax payables	8	2.339	3.444
Other payables		7.208	4.608
<b>Total current liabilities</b>		<b>116.514</b>	<b>40.208</b>
<b>Total liabilities</b>		<b>378.544</b>	<b>326.935</b>
<b>Total equity and liabilities</b>		<b>1.444.539</b>	<b>1.523.616</b>

## Statement of Changes in Equity Parent Company

	Share capital	Value of hedging	Retained earnings	Dividend proposed	Total
	kDKK	kDKK	kDKK	kDKK	kDKK
<b>Equity at 30.04.2018</b>	<b>1.000</b>	<b>164</b>	<b>1.110.892</b>	<b>0</b>	1.112.056
Profit/loss for the year	0	0	82.768	0	82.768
Equity movements in subsidiaries	0	0	1.909	0	1.909
Revaluation of hedging instruments	0	(52)	0	0	(52)
Dividend proposed	0	0	(150.000)	150.000	0
<b>Equity at 30.04.2019</b>	<b>1.000</b>	<b>112</b>	<b>1.045.569</b>	<b>150.000</b>	<b>1.196.681</b>
Dividend distributed	0	0	0	(150.000)	(150.000)
Profit/loss for the year	0	0	13.847	0	13.847
Equity movements in subsidiaries	0	0	5.576	0	5.576
Revaluation of hedging instruments	0	(109)	0	0	(109)
<b>Equity at 30.04.2020</b>	<b>1.000</b>	<b>3</b>	<b>1.064.992</b>	<b>0</b>	<b>1.065.995</b>



## **Notes**

### **Parent Company**

1. Accounting policies
2. Staff
3. Others
4. Investment in group enterprises
5. Financial expenses
6. Tax on profit/loss for the year
7. Other receivables
8. Income taxes
9. Share capital
10. Amounts owed to credit institutions
11. Transactions with related parties
12. Subsidiaries

## Notes

### Parent Company

#### 1. Accounting policies

The parent company financial statements for the period 1 May 2019 to 30 April 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Further, the annual report has been prepared in accordance with the additional Danish disclosure requirements for annual reports.

The annual report has been prepared under the historical cost method, except for the derivative financial instruments for hedging purposes, recognised at fair value.

The accounting policies as described below have been applied consistently over the financial year.

The annual report is presented in DKK 000, which is the functional and presentation currency of the company.

For accounting policies besides "Investment, group enterprises" please refer to accounting policies for the group financial statements.

#### Investment, group enterprises

The proportionate share of profit or loss from subsidiaries after tax after elimination of the proportionate share of intra-group gains and loss is recognised in the income statement.

Investment in subsidiaries are, at first recognition, measured at cost and subsequently at the proportionate share of the companies' net assets calculated in accordance with the parent company's accounting policies with deduction or addition of the proportionate share of unrealised intra-group gains and losses calculated to the acquisition method.

Investments in entities with negative net assets are recognised at DKK nil, and receivables and loans from the entities, if any, are written down corresponding to the parent company's share of the negative assets to the extent the amount is deemed irrecoverable. In case the negative accounting value of the net assets exceeds the receivable amounts the remaining amount is recognised as liability in case the parent company has a judicial or actual obligation to cover the negative balance.

The net revaluation of the investment in subsidiaries are transferred to the designated reserve under equity in case the carrying amount exceeds the acquisitions price. Recently acquired or established companies are recognised in the financial statement from the date of the acquisition. Sold or liquidated companies are likewise recognised until the date of the sale or liquidation

#### 2. Staff

##### Staff Costs

	2019/20 kDKK	2018/19 kDKK
Wages and salaries	(7.387)	(10.710)
Pensions	(450)	(536)
Termination payments	(4.500)	0
Other staff costs	(589)	(529)
	<u>(12.926)</u>	<u>(11.775)</u>
Average number of employees	<u>6</u>	<u>6</u>

##### Key Management Compensation (Executive management team\*):

Wages and salaries	(11.487)	(14.359)
Termination benefits, and other one-offs	(5.100)	2.147
Short-term incentive plan (Bonus)	(400)	(2.682)
Pensions	(660)	(847)
	<u>(17.647)</u>	<u>(15.741)</u>

\* The Executive Management team has 5 members at the end of the financial year 2019/2020 (9 members in 2018/19). Average number of members during the year is 6 (8 average members in 2018/2019). Remuneration of the Executive Board was kDKK 1.845 and the remuneration of the Board of Directors was kDKK 840 in 2019/2020. Since the Executive Board in 2018/2019 only consisted of one member, the total remuneration of kDKK 1.567 to the Chief Executive Officer and the Board of Directors was disclosed collectively with references to §98b(3) of the Danish Financial Statement Act.

## Notes

### Parent Company

#### 3. Others

	2019/20 kDKK	2018/19 kDKK
Management fee	32.400	32.400
Other	(6.405)	(93)
	<u>25.995</u>	<u>32.307</u>

#### 4. Investment in group enterprises

Cost, beg. year	1.452.958	1.452.958
Cost, year-end	<u>1.452.958</u>	<u>1.452.958</u>

##### Value adjustments:

Revaluations at the beginning of the year	65.873	(15.629)
Profit/loss for the year	31.110	95.824
Dividend from group enterprises	(150.000)	0
Income recognition of added values	(13.589)	(16.231)
Equity movements in group enterprises	<u>6.374</u>	<u>1.909</u>
Value adjustments at year-end	<u>(60.232)</u>	<u>65.873</u>
Booked value at the end of the year	<u>1.392.726</u>	<u>1.518.831</u>

	Ownership share	Share capital	Equity	Profit/ loss from ordinary activities before tax	Profit/loss for the year
BoConcept A/S	<u>100%</u>	<u>2.000</u>	<u>263.707</u>	<u>44.893</u>	<u>31.110</u>

The shares of BoConcept A/S have been pledged for security for engagement with a bank. For a description of security, please see the consolidated accounts.

Layout Holdco A/S is the parent company of BoConcept Holding A/S which is the parent company of BoConcept A/S.

#### 5. Financial expenses

Other interest expenses	(9.857)	(10.978)
Non-deductible fees	(2.121)	(2.073)
	<u>(11.978)</u>	<u>(13.051)</u>

#### 6. Tax on profit/loss for the year

Tax on profit for the year	(3.269)	(3.444)
Tax on other comprehensive income	31	17
	<u>(3.238)</u>	<u>(3.427)</u>

##### Tax on profit/loss for the year may be subdivided as follows:

Current tax	(2.339)	(3.718)
Deferred tax	(903)	177
Adjustment of tax related to previous years	<u>(27)</u>	<u>97</u>
	<u>(3.269)</u>	<u>(3.444)</u>

## Notes

### Parent Company

	2019/20 kDKK	2018/19 kDKK
<i>Tax on profit/loss for the year may be explained as follows:</i>		
Calculated 22% tax on profit/loss for the year before tax	89	(1.456)
<i>The tax effect of:</i>		
Non-taxable income and non-deductible costs	(3.331)	(2.085)
Adjustment of tax related to previous years	(27)	97
	<u>(3.269)</u>	<u>(3.444)</u>
Effective tax rate	807%	52%

### 7. Other receivables

Prepayments	1.752	2.899
Total other receivables	<u>1.752</u>	<u>2.899</u>

### 8. Income taxes

Income taxes receivable, beg. of the year	(3.444)	2.157
Tax settled	3.444	(2.157)
Current tax for the year	(2.339)	(3.444)
	<u>(2.339)</u>	<u>(3.444)</u>

### 9. Share capital

	Number of shares	Nominal value (TDKK)
<i>The share capital comprise:</i>		
A shares	<u>1.000</u>	<u>1.000</u>

### 10. Amounts owed to credit institutions

Credit institutions/leasing debt		
After 5 years	221.000	0
Between 1 and 5 years	44.625	292.400
	<u>265.625</u>	<u>292.400</u>
Witin 1 year	54.275	0
Other short-term debt	0	0
	<u>54.275</u>	<u>0</u>
Amortised loan costs	3.962	5.673

### 11. Transactions with related parties

BoConcept Holding A/S' related parties with significant influence include the shareholders (Layout Holdco A/S) of the company, Board of Directors, the executive board and executives as well as the said persons' family members. Related parties also include companies in which the above mentioned group of persons have considerable interests. There have been no transactions with shareholders.

Furthermore, the related parties include group enterprises in which BoConcept Holding A/S has control or significant influence, cf. list of subsidiaries in note 12.

Transactions conducted with the executive board only include normal management remuneration, cf. note 2 as well as the transactions shown below.

Transactions conducted with other executives include normal remuneration, cf. note 6 in the consolidated accounts.

	2019/20 kDKK	2018/19 kDKK
Management fee	<u>32.400</u>	<u>32.400</u>

## Notes

### Parent Company

#### 12. Subsidiaries

<b>Subsidiary</b>	<b>Domicile</b>	<b>Owner share</b>
BoConcept A/S	Ølgod, Denmark	100%
BoConcept Germany GmbH	Düsseldorf, Germany	100%
BoConcept France Sarl	Paris, France	100%
BoConcept Beaugrenelle Sarl	Paris, France	100%
BoConcept Ibericia SL	Madrid, Spain	100%
BoConcept Explotaciones Comerciale SL	Madrid, Spain	100%
BoConcept North America Inc.	Kansas, USA	100%
BoConcept USA Inc.	Delaware, USA	100%
BoConcept Franchise Inc.	Kansas, USA	100%
BoConcept Madison Inc.	New York, USA	100%
BoConcept Westchester NY, LLC.	New York, USA	100%
BoConcept Japan KK	Tokyo, Japan	100%
BC Design Holding Ltd.	Hong Kong, Hong Kong	100%
BoConcept Furniture Trading Co Ltd.	Shanghai, China	100%
BoConcept Retail China Ltd	Shanghai, China	100%
 <i>Non-active companies</i>		
BoConcept Hong Kong ltd	Hong Kong, Hong Kong	100%
BC Design Århus A/S	Ølgod, Denmark	100%