Sofaco Holding ApS

Selandia Park 1, 4100 Ringsted

CVR no. 38 38 00 01

Annual report 2018

Approved at the Company's annual general meeting on 4 June 2019

Chairman:

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Building a better
working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sofaco Holding ApS for the financial year 1 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Ringsted, 4 June 2019
Executive Board:

Henrik Andersen	René Buchardt Hansen

Board of Directors:

Torben Ballegaard Sørensen Chairman	Bo Magnus Dimert	Hans Stefan Rönn
Christian Rudolph-Christiansen	Yana Dinkova Augustsson	Mattias Feiff

Independent auditor's report

To the shareholders of Sofaco Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sofaco Holding ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

Copenhagen, 4 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Robert Christensen
State Authorised Public Accountant
mne16653

Management's review

Company details

Name	Sofaco Holding ApS
Address, Postal code, City	Selandia Park 1, 4100 Ringsted
CVR no.	38 38 00 01
Established	1 February 2017
Registered office	Ringsted
Financial year	1 January - 31 December
Board of Directors	Torben Ballegaard Sørensen, Chairman Bo Magnus Dimert Hans Stefan Rönn Christian Rudolph-Christiansen Yana Dinkova Augustsson Mattias Feiff
Executive Board	Henrik Andersen René Buchardt Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2018 12 months	2017 11 months
Key figures		
Gross margin	63,443	38,432
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	14,820	14,743
Net financials	-9,468	-7,746
Profit/loss for the year	**-11,762**	**-5,516**
Total assets	371,044	372,819
Equity	**218,039**	**227,587**
Cash flows from operating activities	-6,498	16,416
Net cash flows from investing activities	-10,345	-319,940
Investment in property, plant and equipment	-10,928	-3,761
Cash flows from financing activities	7,488	332,148
Total cash flows	**-9,355**	**28,624**
Financial ratios		
Return on assets	-0.4%	1.1%
Current ratio	200.6%	201.1%
Equity ratio	58.8%	61.0%
Return on equity	-5.3%	-2.4%
Average number of employees	**281**	**197**

For terms and definitions, please see the accounting policies.

Management's review

Business review

The Company's main activity is to invest in group entities and related activities. The group entities are engaged in the design and international wholesaling of furniture, etc.

Financial review

The income statement for 2018 shows a loss of DKK 11,762 thousand against a loss of DKK 5,516 thousand last year, and the group's balance sheet at 31 December 2018 shows equity of DKK 218,039 thousand.

The financial statements are affected by costs in the year relating to a considerable expansion and a strengthening of the organisation in general. An increase of average employees in the year from 197 to 281 is to ensure adequate resources for a realisation of the Group's expansion and growth plans.

Moreover, the Company has invested in the opening of 11 new showrooms in Europe and in increased marketing.
Furthermore, the Group has invested in the development and implementation of new IT systems, including a new ERP system and a newly developed webshop, which was launched in autumn of 2018.

Based on this the management considers the Group's financial performance in the year satisfactory.

Impact on the external environment

The Company and the Group strive to conduct its business in an environmentally friendly and sustainable way. There is no special impact on the external environment besides what is normal for the Group's line of business.

Research and development activities

The Company and the Group are neither engaged in nor dependent on special research and development activities or resources.

Events after the balance sheet date

No events materially affecting the Group's and the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Group's revenue for 2019 is expected to increase due to the continued growth in the company's core markets. The Group's profit for 2019 are expected to improve compared to 2018.
Expectations are based on the assumption that the exchange rates of the currencies to which the Company is exposed will remain unchanged.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK'000	Group 2018 12 months	Group 2017 11 months	Parent company 2018 12 months	Parent company 2017 11 months
	Gross margin	63,443	38,432	-128	-231
2	Staff costs	-48,083	-23,689	-121	-108
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-16,919	-10,646	0	0
	Other operating expenses	-540	0	0	0
	Profit/loss before net financials	-2,099	4,097	-249	-339
	Income from investments in group enterprises	0	0	-11,677	-5,178
	Income from investments in associates	802	177	0	0
3	Financial income	843	1,092	171	82
	Financial expenses	-10,311	-8,838	-19	-176
	Profit/loss before tax	-10,765	-3,472	-11,774	-5,611
4	Tax for the year	-997	-2,044	12	95
	Profit/loss for the year	-11,762	-5,516	-11,762	-5,516

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2018	2017	2018	2017
	ASSETS				
	Fixed assets				
5	**Intangible assets**				
	Software	5,928	0	0	0
	Goodwill	257,972	272,036	0	0
		263,900	272,036	0	0
6	**Property, plant and equipment**				
	Fixtures and fittings, other plant and equipment	6,484	3,899	0	0
	Leasehold improvements	3,534	3,974	0	0
		10,018	7,873	0	0
7	**Investments**				
	Investments in group enterprises	0	0	207,863	219,325
	Investments in associates	3,135	2,881	0	0
	Deposits, investments	974	1,009	0	0
		4,109	3,890	207,863	219,325
	Total fixed assets	278,027	283,799	207,863	219,325
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	35,730	27,950	0	0
	Prepayments for goods	1,460	4,512	0	0
		37,190	32,462	0	0
	Receivables				
	Trade receivables	28,433	21,007	0	0
	Receivables from group enterprises	0	0	10,270	1,840
	Receivables from associates	576	350	0	0
10	Deferred tax assets	1,262	496	6	0
	Corporation tax receivable, joint taxation	0	0	6	95
	Other receivables	3,265	4,044	0	0
8	Prepayments	1,385	2,037	0	0
		34,921	27,934	10,282	1,935
	Cash	20,906	28,624	35	6,465
	Total non-fixed assets	93,017	89,020	10,317	8,400
	TOTAL ASSETS	371,044	372,819	218,180	227,725

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
	EQUITY AND LIABILITIES				
	Equity				
9	Share capital	20,943	20,765	20,943	20,765
	Share premium account	0	0	0	0
	Retained earnings	197,096	206,822	197,096	206,822
	Total equity	218,039	227,587	218,039	227,587
	Provisions				
10	Deferred tax	50	0	0	0
	Total provisions	50	0	0	0
	Liabilities other than provisions				
11	**Non-current liabilities other than provisions**				
	Bank debt	127	0	0	0
	Other credit institutions	106,452	100,964	0	0
		106,579	100,964	0	0
	Current liabilities other than provisions				
	Bank debt	1,637	0	0	0
	Prepayments received from customers	9,078	7,721	0	0
	Trade payables	23,006	20,202	81	138
	Corporation tax payable	635	2,917	0	0
	Other payables	12,020	13,428	60	0
		46,376	44,268	141	138
	Total liabilities other than provisions	152,955	145,232	141	138
	TOTAL EQUITY AND LIABILITIES	371,044	372,819	218,180	227,725

1 Accounting policies
12 Contractual obligations and contingencies, etc.
13 Collateral
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Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group Share capital	Share premium account	Retained earnings	Total
	Equity at 1 January 2018	20,765	0	206,822	227,587
	Capital increase	178	1,822	0	2,000
	Transfer through appropriation of loss	0	0	-11,762	-11,762
	Transferred from share premium account	0	-1,822	1,822	0
	Adjustment of investments through foreign exchange adjustments	0	0	214	214
	Equity at 31 December 2018	20,943	0	197,096	218,039

Note	DKK'000	Parent company Share capital	Share premium account	Retained earnings	Total
	Equity at 1 January 2018	20,765	0	206,822	227,587
	Capital increase	178	1,822	0	2,000
15	Transfer, see "Appropriation of profit/loss"	0	0	-11,762	-11,762
	Transferred from share premium account	0	-1,822	1,822	0
	Adjustment of investments through foreign exchange adjustments	0	0	214	214
	Equity at 31 December 2018	20,943	0	197,096	218,039

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2018 12 months	Group 2017 11 months
	Profit/loss for the year	-11,762	-5,516
16	Adjustments	26,583	19,953
	Cash generated from operations (operating activities)	14,821	14,437
17	Changes in working capital	-7,856	14,564
	Cash generated from operations (operating activities)	6,965	29,001
	Interest received, etc.	843	1,092
	Interest paid, etc.	-10,311	-8,837
	Income taxes paid	-3,995	-4,840
	Cash flows from operating activities	-6,498	16,416
	Additions of software, property, plant and equipment	-10,928	-3,761
	Purchase of financial assets	583	-2,364
	Acquisition of companies	0	-313,815
	Cash flows to investing activities	-10,345	-319,940
	Contracting of other long-term liabilities	5,488	100,964
	Repayments, shareholder loan	0	-2,224
	Cash capital increase	2,000	233,408
	Cash flows from financing activities	7,488	332,148
	Net cash flow	-9,355	28,624
	Cash and cash equivalents at 1 January	28,624	0
18	**Cash and cash equivalents at 31 December**	19,269	28,624

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Sofaco Holding ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Significant influence

Entities over whose financial and operating policy decisions the group exercises significant influence are classified as associates. Significant influence is assumed to exist if the Parent Company directly or indirectly holds or controls 20% or more of the voting power of the investee, but does not control the investee.

The existence of potential voting rights which may presently be exercised or be converted into additional voting rights in considered when assessing if significant influence exists.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

External business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the group actually obtains control of the acquiree.

The acquisition method is applied to the acquisition of new entities of which the group obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional amounts. If it turns out subsequently that the identification or measurement of the consideration transferred, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from disposal of subsidiaries which result in loss of control are calculated as the difference between, on the one hand, the fair value of the selling price less selling expenses and, on the other hand, the carrying amount of net assets.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Software	5 years
Goodwill	20 years
Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	5 years

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Profit from investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

The item includes dividend received from subsidiaries and associates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

The Company's investment in subsidiaries and also the acquisition of activities in regional areas is considered to be of strategic importance to the Group, taking into account the Group's future growth plans. Against this background, goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years.

Sofware is measured at cost less accumulated amortisation and impairment losses.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Investments

Deposits and investments are measured at cost.

Investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Grants without consideration within a group

Grants to subsidiaries without consideration are recognised as a capital injection under "Investments in group entities". Grants received from subsidiaries are recognised as dividend received from the subsidiary.

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on 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 which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

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Notes to the financial statements

1 **Accounting policies (continued)**

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

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Notes to the financial statements

		Group		Parent company	
	DKK'000	2018 12 months	2017 11 months	2018 12 months	2017 11 months
2	**Staff costs**				
	Wages/salaries	42,538	20,776	0	0
	Pensions	775	382	0	0
	Other social security costs	2,959	1,490	0	0
	Other staff costs	1,811	1,041	121	108
		48,083	23,689	121	108
	Average number of full-time employees	281	197	0	0
	Remuneration to members of management:				
	Executive board	3,001	0	0	0
	Board of Directors	738	0	121	0
		3,739	0	121	0

Total remuneration paid to Group Management in the year of comparison: DKK 2,321 thousand.

Parent company

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration paid in the year of comparison is not disclosed.

		Group		Parent company	
3	**Financial income**				
	Interest receivable, group entities	0	0	170	0
	Other interest income	0	128	0	82
	Exchange gain	4	6	0	0
	Other financial income	839	958	1	0
		843	1,092	171	82

		Group		Parent company	
	DKK'000	2018 12 months	2017 11 months	2018 12 months	2017 11 months
4	**Tax for the year**				
	Estimated tax charge for the year	1,985	2,537	-6	-95
	Deferred tax adjustments in the year	-988	-493	-6	0
		997	2,044	-12	-95

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

5 Intangible assets

DKK'000	Group Software	 Goodwill	 Total
Cost at 1 January 2018	0	281,415	281,415
Additions on corporate acquisition	6,338	0	6,338
Cost at 31 December 2018	6,338	281,415	287,753
Impairment losses and amortisation at 1 January 2018	0	9,379	9,379
Amortisation for the year	410	14,064	14,474
Impairment losses and amortisation at 31 December 2018	410	23,443	23,853
Carrying amount at 31 December 2018	5,928	257,972	263,900
Amortised over	5 years	20 years	

6 Property, plant and equipment

DKK'000	Group Fixtures and fittings, other plant and equipment	 Leasehold improvements	 Total
Cost at 1 January 2018	5,396	5,934	11,330
Foreign exchange adjustments	55	-15	40
Additions	4,096	1,177	5,273
Disposals	-493	-1,152	-1,645
Cost at 31 December 2018	9,054	5,944	14,998
Impairment losses and depreciation at 1 January 2018	1,497	1,960	3,457
Foreign exchange adjustments	44	-4	40
Depreciation	1,304	1,161	2,465
Reversal of accumulated depreciation and impairment of assets disposed	-275	-707	-982
Impairment losses and depreciation at 31 December 2018	2,570	2,410	4,980
Carrying amount at 31 December 2018	6,484	3,534	10,018
Depreciated over	3-5 years	5 years	

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

7 Investments

DKK'000	Group Investments in associates	Deposits, investments	Total
Cost at 1 January 2018	2,710	1,009	3,719
Additions	0	372	372
Disposals, contribution	0	-407	-407
Cost at 31 December 2018	2,710	974	3,684
Value adjustments at 1 January 2018	171	0	171
Foreign exchange adjustments	-94	0	-94
Dividend received	-454	0	-454
Result for the period	929	0	929
Depreciation, goodwill	-127	0	-127
Value adjustments at 31 December 2018	425	0	425
Carrying amount at 31 December 2018	3,135	974	4,109

Group goodwill on investments in shares in associates in the year amounts to DKK 2,542 thousand.

Group

Name	Domicile	Interest
Associates		
The Sofa Company Limited South Africa	South Africa	50.00%

DKK'000	Parent company Investments in group enterprises
Cost at 1 January 2018	219,325
Cost at 31 December 2018	219,325
Foreign exchange adjustments	214
Result for the period	-11,676
Value adjustments at 31 December 2018	-11,462
Carrying amount at 31 December 2018	207,863

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

7 Investments (continued)

Group goodwill on investments in shares in group entities in the year amounts to DKK 227,484 thousand.

Parent company

Subsidiaries

Sofaco International ApS	Denmark	100.00%
- Scandinavian Design International ApS	Denmark	100.00%
-- Scandinavian Design Asia Limited	Hong Kong	100.00%
-- Scandinavian Design Vietnam Co. Ltd.	Vietnam	100.00%
-- Sofa Company Vietnam Company Limited	Vietnam	100.00%
- Sofakompagniet ApS	Denmark	100.00%
-- Sofakompagnie BV NL	The Netherlands	100.00%
-- Sofacompany BV BA	Belgium	100.00%
-- Sofa Company GmbH	Germany	100.00%
-- Sofakompaniet Norge AS	Norway	100.00%
-- The Soffkompaniet AB	Sweden	100.00%
-- Sofacompany GmbH	Switzerland	100.00%
-- Sofa Company Spolka	Poland	100.00%

8 Prepayments

Group

Prepayments include accrual of expenses relating to subsequent financial years, including marketing, royalties, and rent.

	Parent company	
DKK'000	2018	2017
9 Share capital		
Analysis of the share capital:		
10,765,092 A shares of DKK 1.00 nominal value each	10,765	10,623
10,177,930 B shares of DKK 1.00 nominal value each	10,178	10,142
	20,943	20,765

Each A share carries one voting right and each B share carries one voting right and has a right to dividend before A share.

Analysis of changes in the share capital over the past 2 years:

DKK'000	2018	2017
Opening balance	20,765	50
Capital increase	178	20,715
	20,943	20,765

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Notes to the financial statements

DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
10 Deferred tax				
Deferred tax at 1 January	-496	0	0	0
Change in the year	-716	-496	-6	0
Deferred tax at 31 December	-1,212	-496	-6	0
Analysis of the deferred tax				
Deferred tax assets	-1,262	-496	-6	0
Deferred tax liabililties	50	0	0	0
	-1,212	-496	-6	0

11 Non-current liabilities other than provisions

	Group			
DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	127	0	127	0
Other credit institutions	106,452	0	106,452	0
	106,579	0	106,579	0

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Rent and lease liabilities	25,265	23,876	0	0

Group

Rent and lease liabilities include a rent obligation totalling DKK 23,580 thousand in interminable rent agreements with remaining contract terms of 0-4 years. Furthermore, the Company has liabilities under operating leases for cars, totalling DKK 1,685 thousand, with remaining contract terms of 0-5 years.

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for the payment of income taxes in the income year 2017 and withholding taxes falling due for payment on or after 1 February 2017 in the group of jointly taxed entities.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

13 Collateral

Group

The Group has provided a bank guarantee of DKK 2,141 thousand for rent of premises.

Parent company

The Company has provided a guarantee assuming primary liability for the external loan in Sofaco International ApS in the amount of DKK 106,452 thousand at 31 December 2018.

14 Related parties

Group

Related party transactions

According to section 98c(3) of the Danish Financial Statements Act transactions with wholly-owned group entities are not disclosed.

The Group solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

The following transactions were not carried out on an arm's length basis:

Related party	Amount	Description of transaction
	DKK'000	
Procuritas Capital Investors V GP Limited	129	Travel-related costs

Parent company

Transactions with related parties

According to section 98c(3) of the Danish Financial Statements Act transactions with wholly-owned group entities are not disclosed.

	Parent company	
DKK'000	2018 12 months	2017 11 months
15 **Appropriation of profit/loss**		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-11,762	-5,516
	-11,762	-5,516

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Group	
	DKK'000	2018 12 months	2017 11 months
16	**Adjustments**		
	Amortisation/depreciation and impairment losses	16,919	10,647
	Financial income	-843	-1,092
	Financial expenses	10,311	8,837
	Tax for the year	997	2,043
	Other adjustments	-801	-482
		26,583	19,953
17	**Changes in working capital**		
	Change in inventories	-4,728	-10,855
	Change in receivables	-6,138	31,018
	Change in trade and other payables	3,010	-5,599
		-7,856	14,564
18	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	20,906	28,624
	Short-term debt to banks	-1,637	0
		19,269	28,624