

Annual Report

01.05.2018 – 30.04.2019

Godkendt på Selskabets ordinære
generalforsamling, d. 4. maj 2019


Dirigent

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Key Figures

FINANCIAL HIGHLIGHTS & KEY FIGURES

	2018/19	2017/18	2016/17	2015/16	2014/15
Income statement in DKK million					
Revenue	1.107,7	1.087,3	1.045,6	1.051,8	974,6
Contribution margin	486,5	488,8	475,6	448,7	404,6
Profit/loss from operating activities before depreciations (EBITDA)	129,2	138,2	128,2	127,3	51,1
Financing, net	8,0	(1,2)	(8,1)	0,3	(7,3)
Profit/loss before tax	120,2	119,9	118,0	117,9	(62,0)
Profit/loss after tax	93,6	98,7	90,0	93,2	(55,6)
Balance sheet details in DKK million					
Non-current assets	264,1	249,6	240,6	210,9	215,3
Current assets	459,1	352,7	342,5	384,0	297,4
Balance sheet total	723,2	602,3	583,1	594,9	512,7
Equity	376,2	278,5	233,8	251,8	157,3
Interest bearing debt	39,9	61,7	55,1	74,9	92,6
Cash flow in DKK million					
Cash flow from operating activities	95,7	64,9	132,3	147,5	29,8
Cash flow from investing activities	(19,1)	(21,6)	(38,1)	(18,4)	(24,9)
For investment in tangible assets	(2,9)	(7,4)	(6,7)	(2,3)	(5,4)
Cash flow before financing activities	76,7	43,3	94,2	129,1	4,9

	2018/19	2017/18	2016/17	2015/16	2014/15
Financial ratios					
Operating margin (EBIT% before special items)*	11,9	11,1	12,1	11,2	(5,2)
Return on equity, %*	28,6	38,5	37,1	42,3	(30,3)
Equity ratio, % - Equity/Balance sheet total*	52,0	46,2	40,1	42,3	30,7
Average number of employees, full-time	300	298	287	289	306

*The financial ratios above is defined as:

Operating margin (EBIT%) = EBIT/Revenue

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

Equity ratio, % = Equity/Balance sheet total

2018/2019 Financial Review

MAIN ACTIVITY

BoConcept is a truly global brand and an international furniture franchise chain in the 'affordable luxury' 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 2018/19 FINANCIAL YEAR

Developments and results for the year

In the 2018/19 financial year, BoConcept A/S realised a net revenue of DKK **1,108** million (2017/18: DKK 1,087 million). A **1,9%** year on year growth with 13 additional stores added to the franchise network.

A gross profit of **43,9%** was realised (2017/18: 44,9%). A small decline due to negative currency effects and higher freight costs resulting from revenue growth in more distant markets.

EBITDA in 2018/19 was DKK **131,4** million (2017/18: DKK 131,0 million). Higher freight costs, currency effects and marketing software licenses being the main drivers for the reduction

After taxes of DKK **26,6** million, the profit for the year was DKK **93,6** million (2017/18: DKK 98,7 million).

BoConcept is a strong cash generating business and generated a positive cash flow of DKK **76,7** million before financing activities.

EXPECTATIONS

For the 2019/20 financial year, management expects to continue growth of the company driven by new store openings globally, like for like growth and other initiatives. Gross and operating margins are expected to remain in line with FY18/19 based on unchanged market conditions.

POST BALANCE SHEET EVENTS

The supervisory board is aware of no events after 30 April 2019 which will materially influence the financial position of the group.

REPORT ON THE GENDER DISTRIBUTION IN MANAGEMENT, CF. SECTION 99 B OF THE DANISH FINANCIAL STATEMENTS ACT

At present, 1 out of 3 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.

At present, the underrepresented gender share is 30% in management compared to 47% in the total organisation. This compares to an underrepresented gender share in management of 36% and 45% in the total organisation last year.

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 2018/2019 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 www.boconcept.com/en-gb/boconcept/corporate-responsibility/global-compact and is part of and covers the same period as BoConcept's 2018/2019 annual report.

Statement by the Executive & Supervisory Boards

The Board of Directors and Executive Board have today considered and adopted the Annual Report of BoConcept A/S for the financial year 1 May 2018 – 30 April 2019.

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 Financial Statements give a true and fair view of the financial position at 30 April 2019 of the company and of the results of the company's operations and cash flows for 2018/19.

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

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

Herning, 04 July 2019

EXECUTIVE BOARD



Anton Van De Putte
CEO

SUPERVISORY BOARD



Sanna Suvanto-Harsaae
Chairman



Tammy Jensen Graugaard*



Anton Van De Putte
CEO



Poul Brændgaard*



Peter Raupach Linnet
COO

*Employee representative

Independent Auditor's Report

To the shareholder of BoConcept A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2019, and of the results of the Company's operations and cash flows for the financial year 1 May 2018 – 30 April 2019 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 Financial Statements of BoConcept A/S for the financial year 1 May 2018 – 30 April 2019, which comprise of Income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has

been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.


- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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


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

Aarhus, 04 July 2019

PRICEWATERHOUSECOOPERS, STATSAUTORISERET REVISIONSPARTNERSELSKAB (CVR. 33 77 12 31)



Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328



Claus Lyngsø Sørensen
State Authorised Public Accountant
mne34539



Income Statement & Total Income

		DKK'000	
INCOME STATEMENT 1 MAY - 30 APRIL			
		2018/19	2017/18
3	Revenue	1.107.700	1.087.333
4	Cost of goods sold	<u>(621.230)</u>	<u>(598.497)</u>
	Contribution Margin	486.470	488.836
	Transportation	(60.054)	(52.461)
4	Employee related cost	(123.547)	(123.356)
	Marketing	(19.751)	(21.677)
	Rent/maintenance	(15.424)	(15.480)
	IT & Consultancy	(45.277)	(56.079)
5	Others	<u>(96.919)</u>	<u>(88.700)</u>
	Operating profit before depreciations and profit from Group enterprises	125.498	131.083
6	Depreciations	(17.043)	(17.142)
13	Profit from group enterprises	3.686	7.167
	Profit/loss from operating activities (EBIT)	112.141	121.108
7	Financial income	13.130	4.332
8	Financial expenses	<u>(2.839)</u>	<u>(5.562)</u>
	Profit/loss before tax	122.432	119.878
9	Tax on profit/loss for the year	<u>(26.608)</u>	<u>(21.214)</u>
	Profit/loss for the year	<u>95.824</u>	<u>98.664</u>
	Broken down as follows:		
	Shareholders of BoConcept A/S	95.824	98.664
		<u>95.824</u>	<u>98.664</u>

STATEMENT OF COMPREHENSIVE INCOME 1 MAY – 30 APRIL			
		2018/19	2017/18
	Profit/loss for the period	95.824	98.664
	Items that later can be recirculated to income statement:		
	Revaluation of hedging instruments before tax	(1.742)	609
	Settlement of hedging instruments	0	0
	Foreign currency translation, foreign units	3.648	(4.540)
	Tax on total income items	0	0
	Total Comprehensive Income for the year	<u>97.730</u>	<u>94.733</u>
	Broken down as follows:		
	Shareholders of BoConcept A/S	97.730	94.733
	Total income for the period	<u>97.730</u>	<u>94.733</u>

Balance Sheet

		DKK'000	
AS AT 30 APRIL		2019	2018
ASSETS			
	Master rights	36.600	36.600
	Software	31.894	24.836
	Intangible assets in progress	20.469	12.277
10	Total intangible assets	88.963	73.713
	Land and buildings	38.915	42.846
	Leasehold Improvements	57	71
	Plant and machinery	12.678	10.340
	Fixtures and operating equipment	455	587
	Property, plant and equipment in progress	4.023	9.384
11	Total tangible assets	56.128	63.228
12	Other financial assets	10.327	13.372
13	Investment, group enterprises	108.652	99.282
	Total other non-current assets	118.979	112.654
	Total non-current assets	264.070	249.595
14	Inventories	130.636	117.588
15	Trade receivables	115.408	114.467
	Receivables, group enterprises	67.495	36.027
16	Other receivables	15.409	9.266
	Cash and cash equivalents	130.170	75.308
	Total current assets	459.118	352.656
	TOTAL ASSETS	723.188	602.251

Balance Sheet

AS AT 30 APRIL		DKK'000	
		2019	2018
LIABILITIES AND EQUITY			
17	Share capital	2.000	2.000
	Translation reserve	(118)	(3.766)
	Hedging reserve	(3.723)	(1.058)
	Retained earnings	228.063	281.316
	Dividend proposed	150.000	0
Equity share, BoConcept A/S shareholders		376.222	278.492
Total equity		376.222	278.492
18	Deferred tax	11.083	11.050
13	Investment, group enterprises	39.412	37.567
	Provisions	50.496	48.617
19,26	Mortgage credit institutions and banks	33.685	39.822
Total non-current liabilities		33.685	39.822
19,26	Mortgage credit institutions and banks	6.203	21.869
	Trade payables	140.162	95.868
	Payables, group enterprises	37.900	28.180
20	Income tax payable	25.689	16.335
	Other payables	52.862	73.068
Total current liabilities		262.786	235.320
Total liabilities		346.996	323.758
TOTAL LIABILITIES AND EQUITY		723.188	602.251
21	Contingent liabilities and security		
24	Foreign exchange risk		
25	Transaction with related parties		
26	Derivative financial instruments and risk and capital management		
27	New accounting regulations		

Statement of equity movements

STATEMENT OF EQUITY MOVEMENTS

DKK'000

	Share capital	Net revaluation according to the equity method	Hedging reserve	Translation reserve	Retained earnings	Dividend proposed	Total
Equity at 1 May 2017	2.000	0	(1.667)	774	182.652	50.000	233.759
Dividend distributed	0	0	0	0	0	(50.000)	(50.000)
Profit/loss for the year	0	0	0	0	98.664	0	98.664
Reserve for exchange rate adjustments	0	0	0	(4.540)	0	0	(4.540)
Revaluation of hedging instruments	0	0	609	0	0	0	609
Dividend proposed	0	0	0	0	0	0	0
Equity at 30 April 2018	2.000	0	(1.058)	(3.766)	281.316	0	278.492
Dividend distributed	0	0	0	0	0	0	0
Profit/loss for the year	0	0	0	0	95.824	0	95.824
Reserve for exchange rate adjustments	0	0	0	3.648	0	0	3.648
Revaluation of hedging instruments	0	0	(2.665)	0	923	0	(1.742)
Dividend proposed	0	0	0	0	(150.000)	150.000	0
Equity at 30 April 2019	2.000	0	(3.723)	(118)	228.063	150.000	376.222

Cash Flow Statement

		DKK'000	
CASH FLOW STATEMENT			
		2018/19	2017/18
	EBIT	112.141	121.108
22	Adjustment for non-cash items	19.439	8.045
23	Change in working capital	(17.822)	(35.850)
	Cash flow from operating activities before financial items	113.758	93.303
	Interest income etc.	3.928	1.743
	Interest paid	(2.576)	(2.973)
	Income taxes paid	(16.335)	(27.193)
	Cash flow from operating activities	98.774	64.880
	Acquisition of Intangible assets	(22.256)	(16.655)
	Acquisition of tangible assets	(2.935)	(7.355)
	Sale of tangible assets	0	47
	Sale acquisition of financial assets	3.083	2.361
	Cash flow from investing activities	(22.108)	(21.602)
	Cash flow before financing activities	76.666	43.278
	Raising of long-term loans	0	0
	Instalments on long-term debt	(6.079)	(6.026)
	Shareholders:	0	0
	Dividend paid	0	(50.000)
	Cash flow from financing activities	(6.079)	(56.026)
	Cash inflow/outflow for the year	70.587	(12.748)
	Cash and cash equivalents less short-term bank debt, beginning of the year	59.583	72.329
	Cash and cash equivalents, year-end	130.170	59.581
	The amount may be broken down as follows:		
	Cash without restrictions	130.170	75.308
	Short-term debt to credit institutions, cf. note 19		(15.725)
		130.170	59.583



Notes

1 ACCOUNTING POLICIES APPLIED

The consolidated financial statements for the period 01 May 2018 to 30 April 2019 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.

Basis of preparation

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

Non-current assets and groups of assets held for sale are measured at the lower of carrying amount prior to the reclassification and fair value less costs to sell.

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

The annual report is presented in DKK 000.

Implementation of new financial reporting standards

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The implementation of IFRS 9 and IFRS 15 did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 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 cross-period 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

Leasing

Leases where all the significant risks and rewards of ownership are transferred to the company (finance leases) are recognised at the time of the start of the leasing contract in the balance sheet at the fair value of the activity or the present value of the minimum lease payment, whichever is the lower, determined on the basis of the internal rate of interest of the lease agreement or a discount rate that is an approximation thereof. Assets under finance leases are written down and off according to the same accounting policies as the group's other non-current assets.

The capitalised residual commitment under the lease is recognised as a liability in the balance sheet, and the interest portion of the lease payment is charged to the income statement as it is incurred.

All other leases, including rent agreements, are considered operating leases. Payments under operating leases are recognised on a straight line basis in the income statement over the term of the lease.

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.

For derivative financial instruments which do not qualify as hedging instruments, any changes in fair value are recognised in the income statement under financial income and expenses.

Notes

INCOME STATEMENT

Revenue

Sale of goods

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 a credit term of 30 days, which is 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.

Materials

Material cost 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.

Depreciation

Depreciation is related to amortization and depreciation of intangible and tangible assets for the year

Rent and Maintenance

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

IT & Consultancy

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

Others

Others is cost that is not included in the above.

Other operating income and expenses

Other operating income and expenses include accounting items of a secondary nature relative to the company's activities, including gains and losses on the sale of intangible assets, property, plant and equipment as well as investments. Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less selling costs and the carrying amount at the selling date.

Notes

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

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, and 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.

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.

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.

PROPERTY, PLANT AND EQUIPMENT

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.

Notes

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.

Impairment of non-current assets

Master rights is 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 master rights are subject to an impairment test together with the other non-current assets in the cash-generating unit to which master rights 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 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 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.

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.

Notes

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

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 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 financial statements comprises foreign exchange differences arising on translation of financial statements of foreign enterprises from their functional currencies to the presentation currency of BoConcept A/S (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

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.

Notes

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.

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 and short-term business credits.

2 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 A/S the measurement of master rights DKK 36.6 million (last year 36.6), and trade receivables DKK 115,4 million (last year 114,5) 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 10, 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 and doubtful debts. 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.

Material judgements

Based on the company's accounting policies, management makes material judgements in connection with the recognition of master rights.

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.

BoConcept A/S recognises deferred tax assets, including the tax value of tax losses allowed for carryforward, if the management estimates that the tax asset can be offset against future income within the foreseeable future. The assessment is made once a year based on the budgets and business plans for the years ahead, including any business initiatives scheduled.



Notes

3	REVENUE (DKK'000)		
	REVENUE COMING FROM SALE OF FURNITURE	2018/19	2017/18
	Americas	154.756	145.126
	APAC	213.902	201.854
	EMEA	739.042	740.353
		<u>1.107.700</u>	<u>1.087.333</u>
4	COSTS (DKK'000)		
	STAFF COSTS	2018/19	2017/18
	Wages and salaries	(135.038)	(131.695)
	Pensions	(9.953)	(9.598)
	Termination payments	(856)	(808)
	Other social security costs	(2.613)	(2.118)
	Other staff costs	(4.893)	(4.510)
		<u>(152.497)</u>	<u>(148.828)</u>
	Average number of employees	300	298
	Including Key Management Personnel (Executive management team*)	2018/19	2017/18
	Wages and salaries	(14.359)	(11.933)
	Termination benefit, including reversal	2.147	(4.016)
	Short-term incentive plan (Bonus)	(2.682)	(1.669)
	Long-term incentive plan (Bonus)	0	0
	Pensions	(847)	(1.024)
		<u>(15.741)</u>	<u>(18.641)</u>
	Chief Executive Officer and Board of Directors**		
	Salaries and other remuneration	(2.845)	(2.635)
	*The Executive management team has 7 members at the end of fiscal year 2018/19 (9 members in FY2017/18) Average number of members during the year is 8 (8 average members in 17/2018)		
	** Since the Executive Management only consist of one member, the remuneration of the Chief Executive Officer (Executive management) and the Board of directors is disclosed collectively with references to § 98b(3) of the Danish Financial Statement Act.		
5	OTHERS (DKK'000)	2018/19	2017/18
	Costs, outsourcing IT-department	(5.791)	(2.977)
	Support cost in connection with sale of store	0	(39)
	Management fee and commission with subsidiaries	(81.603)	(69.119)
	Other	(9.525)	(16.565)
		<u>(96.919)</u>	<u>(88.700)</u>

Notes Notes

	2018/19	2017/18
6 DEPRECIATION, AMORTISATION, WRITE-DOWNS AND IMPAIRMENT LOSSES (DKK'000)		
Amortisation of intangible assets	(9.950)	(9.021)
Depreciation of tangible assets	(7.093)	(8.121)
	<u>(17.043)</u>	<u>(17.142)</u>
Development costs		
Development costs paid during the year	(7.334)	(7.372)
7 FINANCIAL INCOME (DKK'000)		
Interest income, group enterprises	649	582
Interest income, other	3.278	3.750
Foreign exchange rate adjustments	9.203	0
	<u>13.130</u>	<u>4.332</u>
8 FINANCIAL EXPENSES (DKK'000)		
Interest expense, group enterprises	(784)	(711)
Interest expense, other	(1.503)	(1.653)
Settlement of hedging instruments	(552)	(609)
Foreign exchange rate adjustments	0	(2.588)
	<u>(2.839)</u>	<u>(5.562)</u>
9 TAX (DKK'000)		
Tax for the year breaks down as follows:		
Tax on profit for the year	(26.608)	(21.214)
Tax on other comprehensive income	0	0
	<u>(26.608)</u>	<u>(21.214)</u>
Tax on profit/loss for the year may be subdivided as follows:		
Current tax	(25.689)	(16.335)
Deferred tax	(33)	(1.902)
Withholding tax	(886)	(2.902)
	<u>0</u>	<u>(75)</u>
Adjustment of tax related to previous years	(26.608)	(21.214)
Tax on profit/loss for the year may be explained as follows:		
Calculated 22% tax on profit/loss for the year before tax	(26.935)	(24.979)
Withholding tax	(886)	(2.902)
Reversal of tax provisions	0	5.855
The tax effect of:		
Non-taxable income and non-deductible costs	1.213	887
	<u>0</u>	<u>(75)</u>
Adjustment of tax related to previous years	(26.608)	(21.214)
Effective tax rate	<u>22,4</u>	<u>18,7</u>

Notes

10 INTANGIBLE ASSETS (DKK'000)

	2019			
	Master rights	Software	Intangible assets in progress	Total
Acquisition cost, beg.year	42.039	96.097	12.277	150.413
Additions	0	0	22.256	22.256
Carried forward	0	17.009	(14.064)	2.945
Disposals for the year	0	(862)	0	(862)
Acquisition cost, year-end	42.039	112.244	20.469	174.752
Amortisation and impairment losses, beg.year	(5.439)	(71.261)	0	(76.700)
Amortisation for the year	0	(9.950)	0	(9.950)
Disposals for the year	0	861	0	861
Amortisation and impairment losses, year-end	(5.439)	(80.350)	0	(85.786)
Carrying amount, year-end	36.600	31.894	20.469	88.963
Depreciated over a period of		3-8 years		

Master rights relate to acquisition of master rights in China, the UK, Spain, Sweden, Portugal and Denmark, and are treated as separate cash-generating units.

An impairment test of the carrying amounts of master rights has been carried out at 30 April 2019. The carrying amount of master rights is based on cash flow generating stores in Denmark, the USA, the UK, Spain, Portugal, Sweden and China.

Master rights:	2019	2018
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	7.983	7.983
TOTAL	36.600	36.600

The main factors in the determination of the recoverable amount are revenue and contribution margin and the discount rate used.

The recoverable amounts of master rights 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 five years at an annual single digit 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. All amounts have been discounted at 8,25% after tax.

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

	2018			
	Master rights	Software	Intangible assets in progress	Total
Acquisition cost, beg.year	42.039	82.943	8.908	133.890
Additions	0	10.081	6.574	16.655
Carried forward	0	3.205	(3.205)	0
Disposals for the year	0	(132)	0	(132)
Acquisition cost, year-end	42.039	96.097	12.277	150.413
Amortisation and impairment losses, beg.year	(5.439)	(62.341)	0	(67.780)
Amortisation for the year	0	(9.021)	0	(9.021)
Disposals for the year	0	101	0	101
Amortisation and impairment losses, year-end	(5.439)	(71.261)	0	(76.700)
Carrying amount, year-end	36.600	24.836	12.277	73.713
Depreciated over a period of		3-8 years		

11 TANGIBLE ASSETS (DKK'000)

	2019					Total
	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures and operating equipment	Property, plant and equipment in progress	
Acquisition cost, beg./year	191.823	3.477	168.448	21.819	9.384	394.951
Additions	0	0	0	0	2.935	2.935
Carried forward	490	0	4.674	186	(8.296)	(2.946)
Disposals for the year	0	0	(2.664)	0	0	(2.664)
Acquisition cost, year-end	192.313	3.477	170.458	22.005	4.023	392.276
Depreciation and impairment losses, beg. year	(148.977)	(3.406)	(158.108)	(21.232)	0	(331.723)
Depreciation for the year	(4.421)	(14)	(2.340)	(318)	0	(7.093)
Disposals for the year	0	0	2.668	0	0	2.668
Depreciation and impairment losses, year-end	(153.398)	(3.420)	(157.780)	(21.550)	0	(336.148)
Carrying amount, year-end	38.915	57	12.678	455	4.023	56.128
Depreciated over a period of	10-25 yrs	3-10 yrs	5-9 yrs	3-7 yrs		

Plant and machinery includes leased assets at a carrying amount of DKK 3,3 million (last year DKK 4,3 million).

	2018					Total
	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures and operating equipment	Property, plant and equipment in progress	
Acquisition cost, beg. year	191.823	3.477	165.819	21.712	6.928	389.759
Additions	0	0	355	78	6.922	7.355
Carried forward	0	0	4.229	237	(4.466)	0
Disposals for the year	0	0	(1.955)	(208)	0	(2.163)
Acquisition cost, year-end	191.823	3.477	168.448	21.819	9.384	394.951
Depreciation and impairment losses, beg. year	(143.717)	(3.386)	(157.918)	(20.738)	0	(325.759)
Depreciation for the year	(5.260)	(20)	(2.139)	(702)	0	(8.121)
Disposals for the year	0	0	1.949	208	0	2.157
Depreciation and impairment losses, year-end	(148.977)	(3.406)	(158.108)	(21.232)	0	(331.723)
Carrying amount, year-end	42.846	71	10.340	587	9.384	63.228
Depreciated over a period of	10-25 yrs	3-10 yrs	5-9 yrs	3-7 yrs		

12 OTHER FINANCIAL ASSETS AND DEPOSITS (DKK'000)

	Other financial assets	
	2019	2018
Acquisition cost, beg. year	13.372	15.752
Foreign exchange rate adjustments	38	(19)
Disposals for the year	(3.083)	(2.361)
Acquisition cost, year-end	10.327	13.372

Notes

13 INVESTMENT IN GROUP ENTERPRISES (DKK'000)

	2019	2018
Cost as per 1 May	189.901	245.888
Disposals during the year	0	(55.987)
Cost at year-end	189.901	189.901
Revaluations at the beginning of the year	(128.186)	(193.534)
Exchange adjustments	3.648	(4.540)
Regulation previous year	700	0
Profit for the year	3.686	7.176
Change in internal profit of inventories	33	(814)
Disposals during the year	(543)	63.526
	(120.662)	(128.186)
Booked value at the end of the year	69.239	61.715
In financial assets Investment in group enterprises with positive equity	108.652	99.282
In provisions Investment in group enterprises with negative equity	39.413	37.567
	69.239	61.715

Company name	Registered office		Currency (000)	Nominal capital	Equity	Profit after tax
BC Design Århus A/S	Ølgod	Danmark	DKK	500	1	-658
BoConcept Germany GmbH	Düsseldorf	Tyskland	EUR	77	5.957	1.287
BoConcept France Sarl	Paris	Frankrig	EUR	518	4.445	508
BoConcept Beaugrenelle Sarl	Paris	Frankrig	EUR	60	-1.760	1.353
BoConcept Ibericia SL	Madrid	Spanien	EUR	3	-1.705	-115
BoConcept Explotaciones Comerciales SL	Madrid	Spanien	EUR	303	-6.003	501
BoConcept North America Inc.	Kansas	USA	USD	1	-16.743	987
BoConcept USA Inc.	Deleware	USA	USD	1	30.993	257
BoConcept Franchise Inc.	Kansas	USA	USD	1	607	534
BoConcept Madison Inc.	New York	USA	USD	0	-15.047	-8.426
BoConcept Japan KK	Tokyo	Japan	JPY	90.000	50.207	8.259
BC Design Holding Ltd.	Hong Kong	Hong Kong	HKD	14.300	-311	-53
BoConcept Furniture Trading Co Ltd.	Shanghai	Kina	RMB	1.400	3.360	264
BoConcept Retail China Ltd	Shanghai	Kina	RMB	18.000	15.238	-1.198
Non-active companies						
BoConcept Hong Kong Ltd	Hong Kong	Hong Kong	HKD	10	0	185
BC Urban Design Berlin GmbH	Dusseldorf	Germany	EURO	25	0	0

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

Notes

14 INVENTORIES (DKK'000)		2019	2018
Raw materials and consumables		13.017	12.277
Goods in progress		10.154	7.053
Manufactured goods and goods for resale		107.465	98.259
		<u>130.636</u>	<u>117.588</u>
Cost of sales for the year which is included in production costs		684.831	681.802
Write-down of inventories		0	0
Reversal of write-downs for the year		1.763	236

15 TRADE RECEIVABLES (DKK'000)		2019	2018
Trade receivables		115.408	114.467
Provisions for losses have been recognised in the above item as follows:			
Provisions, beg. year		107.216	131.794
Provisions for the year		16.666	24.794
Losses recognised for the year		(31.209)	(29.034)
Exchange rate adjustments for the year		(1.812)	(4.955)
Reversed provisions for the year		(14.557)	(15.383)
Provisions, year-end		<u>76.304</u>	<u>107.216</u>

Gross receivables before depreciations			
Not due		115.283	114.414
Overdue in 0-30 days		21.099	26.739
Overdue in 31-60 days		4.855	7.202
Overdue 61-		50.475	73.328
		<u>191.712</u>	<u>221.683</u>

Write-downs primarily relate to amounts falling due after more than 60 days. Receivables that fall due after more than 90 days have been written off in full.

Write downs distribution			
Not due		5.085	9.261
Overdue in 0-30		15.890	17.425
Overdue in 31-60		4.855	7.202
Overdue 61-		50.474	73.328
		<u>76.304</u>	<u>107.216</u>

16 OTHER RECEIVABLES (DKK'000)		2019	2018
Other receivables		9.843	9.139
Prepayments		5.566	127
		<u>15.409</u>	<u>9.266</u>

17 SHARE CAPITAL (DKK'000)		Number of shares		Nominal value	
		2019	2018	2019	2018
Beg. year/ year-end class A-shares		2	2	2.000	2.000

Notes

18 DEFERRED TAX (DKK'000)

	2019	2018
Deferred tax, beg. year	(11.050)	(9.148)
Deferred tax for the year	(33)	(1.902)
Deferred tax, year-end	<u>(11.083)</u>	<u>(11.050)</u>
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (asset)	0	0
Deferred tax (liability)	(11.083)	(11.050)
Net deferred tax, year-end	<u>(11.083)</u>	<u>(11.050)</u>
Deferred tax relates to:		
Intangible assets	(13.447)	(11.469)
Tangible assets	(1.697)	(1.425)
Current assets	1.424	(796)
Current liabilities	2.637	2.640
	<u>(11.083)</u>	<u>(11.050)</u>

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

19 AMOUNTS OWED TO CREDIT INSTITUTIONS (DKK'000)

	2019	2018
Mortgage credit institutions		
Within 1 year	5.143	5.123
Between 1 and 5 years	15.997	18.008
After 5 years	15.244	18.329
	<u>36.384</u>	<u>41.460</u>
Credit institutions / leasing debt		
After 5 years	0	0
Between 1 and 5 years	2.444	3.485
	<u>2.444</u>	<u>3.485</u>
Within 1 year	1.060	1.021
Other payables	0	15.725
	<u>1.060</u>	<u>16.746</u>

Liabilities relating to assets under finance leases are therefore included in amounts owed to credit institutions.

	2019			2018		
	Lease payment	Interest	Carrying amount	Lease payment	Interest	Carrying amount
0-1 year	1.153	(94)	1.060	1.151	(130)	1.021
1-5 years	2.524	(81)	2.443	3.673	(188)	3.485
>5 years			0			0
	<u>3.677</u>	<u>(175)</u>	<u>3.503</u>	<u>4.824</u>	<u>(318)</u>	<u>4.506</u>

Leased equipment comprises production, plant and machinery. The term remaining of the leases is approx. 1-5 years. The leases have been concluded in DKK and EUR with fixed as well as variable leasing payments for the remainder of the term.

Notes

20 INCOME TAX PAYABLE (DKK'000)

	2019	2018
Corporation tax, due at the beginning	16.335	24.216
Paid corporation tax	(16.335)	(24.142)
Adjustment previous years' taxes	0	(74)
Tax of the year	25.689	16.335
Tax payable 30.04	<u>25.689</u>	<u>16.335</u>

21 CONTINGENT LIABILITIES AND SECURITY (DKK'000)

	2019	2018
Land and buildings recognised at:	38.915	42.846
Production plant and machinery recognised at:	12.678	4.865
Are charged in addition to the mortgage debt of:	36.384	41.460
Subject to letter of indemnity of:	50.000	50.000
Security in the following BoConcept A/S assets:		
Goodwill, domain names and various rights	36.600	36.600
Plant, operating equipment and machinery	13.133	5.452
Inventory value	130.636	117.588
Receivables and location involvement	<u>120.213</u>	<u>119.925</u>
Total	<u>300.582</u>	<u>279.565</u>
Registered value of company security	<u>125.000</u>	<u>125.000</u>
Non-terminable operating leases are as follows:		
0-1 year	3.850	3.992
1-5 years	3.344	3.476
>5 years	0	0
	<u>7.194</u>	<u>7.468</u>

The group leases store premises and cars under operating leases. The leasing period is usually between 3 and 10 years with the possibility of prolongation. BoConcept A/S has provided guarantee for franchisees' landlords for rent of DKK 36.6million (last year DKK 34.5 million). BoConcept A/S has provided guarantee for bank loans raised by franchisees of DKK 4.0 million (last year DKK 5.2 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 54.8 million. BoConcept A/S has some ongoing legal cases which in managements opinion, are unlikely to resolve in any material impact to the company.

22 ADJUSTMENT FOR NON-CASH ITEMS (DKK'000)

	2019	2018
Depreciation and impairment losses for the year	17.043	17.142
Loss on sale/scrapping of machinery and equipment	0	0
Profit/loss subsidiaries	(3.686)	(6.338)
Other adjustments	<u>6.082</u>	<u>(2.759)</u>
	<u>19.439</u>	<u>8.045</u>

23 CHANGES IN WORKING CAPITAL (DKK'000)

	2019	2018
Change receivables	(38.551)	(2.094)
Change inventories	(13.048)	(12.423)
Change trade payables, etc.	<u>33.777</u>	<u>(21.333)</u>
	<u>(17.822)</u>	<u>(35.850)</u>

Notes

24 FOREIGN EXCHANGE RISKS (DKK'000)

2019					
Foreign currencies	Pre- payment/ maturity	Receiv- ables	Liabilities other than provisions	Hedged by forward exchange contracts	Net position
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	5.840	(7.243)	(51.960)	(53.362)
	>1 year	0	0	0	0
SEK	<1 year	1.428	194	(6.956)	(5.334)
	>1 year	932	0	0	932
USD	<1 year	51.339	4.143	(93.460)	(37.979)
	>1 year	2.725	0	0	2.725
EUR	<1 year	124.625	(13.694)	0	110.931
	>1 year	3.370	0	0	3.370
CNY	<1 year	1.951	(9.877)	24.561	16.634
	>1 year	0	0	0	0
Other	<1 year	312	(1.513)	0	(1.201)
	>1 year	0	0	0	0
Sale/purchase of currencies in accordance with agreements		205.556	(27.079)	(184.422)	(5.946)
Unrealised net loss				184.422	0

2018					
Foreign currencies	Pre- payment/ maturity	Receiv- ables	Liabilities other than provisions	Hedged by forward exchange contracts	Net position
PLN	<1 year	1.813	(24)	0	1.789
	>1 year	0	0	0	0
GBP	<1 year	9.091	312	(51.380)	(41.977)
	>1 year	0	0	0	0
JPY	<1 year	10.937	(5.827)	(44.179)	(39.069)
	>1 year	0	0	0	0
SEK	<1 year	986	(160)	(5.408)	(4.582)
	>1 year	1.374	0	0	1.374
USD	<1 year	68.631	3.655	(50.949)	21.337
	>1 year	6.749	0	0	6.749
EUR	<1 year	151.085	21.525	0	172.610
	>1 year	4.056	0	0	4.056
CNY	<1 year	4.115	(1.590)	(19.449)	(16.924)
	>1 year	0	0	0	0
Other	<1 year	210	(1.952)	0	(1.742)
	>1 year	0	0	0	0
Sale/purchase of currencies in accordance with agreements		259.047	15.939	(171.365)	103.621
Unrealised net loss				171.365	0

Notes

25 TRANSACTIONS WITH RELATED PARTIES

BoConcept A/S' related parties with significant influence include the shareholder (BoConcept Holding 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. There have been no transactions with shareholders besides normal business procedure. The ultimate owner (Layout Holdco A/S) is defined as related parties.

Furthermore, the related parties include group enterprises in which BoConcept A/S has control or significant influence, cf. group overview on note 28.

Transactions conducted with the executive board only include normal management remuneration, cf. note 4.

Transactions conducted with other executives include normal remuneration, cf. note 4.

	2019	2018
Revenue from sale of goods	129.035	131.077
Purchase of management services	(47.725)	(46.226)
Management fee	3.286	2.596
Receivables relating to transactions with subsidiaries	30.052	28.107
Payables relating to transactions with subsidiaries	(23.772)	(18.943)
Contractual obligations and guarantees	5.888	5.463
Other Support	(1.597)	(2.295)

26 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK AND CAPITAL MANAGEMENT (DKK'000)

The company's policy for financial risk management

On account of its operations, investments and financing the BoConcept company 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 company is subject to credit and liquidity risk. It is the company's policy not to speculate actively in financial risks. The sole purpose of the company's financial management is therefore to manage or eliminate financial risks associated with the company's operations and financing.

The company'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.

Credit risk

The company'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 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. Due to the close business relation to the franchisees, the company is unable to hedge these receivables with a third party.

68% (last year: 57%) of BoConcept's customers had not defaulted on the due dates at 30 April 2019. In the past the majority of our customers have been paying their debts by the due dates agreed upon. Receivables that are more than 90 days overdue have been provided for in full.

	2019	2018
The maximum credit risk without taking into account security provided for trade receivables	115.408	114.467
The maximum credit risk associated with bank deposit, securities and derivative financial instruments	130.170	75.308
The maximum credit risk associated with other receivables	15.409	9.266
	<u>260.987</u>	<u>199.041</u>

Notes

26 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK AND CAPITAL MANAGEMENT (DKK'000) - CONTINUED

Liquidity risks

The liquidity risk means the risk that BoConcept A/S 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 as extraordinary circumstances. The introduced liquidity procedures have improved the company's debt ratio significantly, and sufficient cash resources are maintained to fulfil expected operational and financial obligations as well as bearing unforeseeable operating costs.

Unutilised credit facilities for BoConcept Holding A/S and BoConcept A/S amounted to DKK 75 million at the end of the financial year compared to DKK 53 million the year before. Cash amounted to DKK 129,7 million compared to DKK 75,3 million last year.

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

	2019					Total
	Nominal value	Fair value	<1 year	1-5 years	>5 years	
Measured at amortised cost (loans and other commitments)						
Amounts owed to mortgage credit institutions	36.384	36.671	5.145	15.994	15.245	36.384
Amounts owed to credit institutions	3.503	3.503	1.060	2.443	0	3.503
Bank loans	0	0	0	0	0	0
	39.887	40.174	6.205	18.437	15.245	39.887
Trade payables	140.162	140.162	140.162	0	0	140.162
Lease guarantees and guarantees provided for franchisees (contingent liabilities)	0	0	33.119	4.959	6.910	44.988
Other payables	52.862	52.862	52.862	0	0	52.862
	232.911	233.197	232.347	23.396	22.155	277.899
Total financial liabilities	232.911	233.197	232.347	23.396	22.155	277.899
Measured at amortised cost (deposits and receivables)						
Other financial assets	10.327	10.327	0	10.327	0	10.327
Trade receivables including intercompany	182.903	182.903	182.903	0	0	182.903
Other receivables	15.409	15.409	15.409	0	0	15.409
Cash	130.170	130.170	130.170	0	0	130.170
	338.809	338.809	328.481	10.327	0	338.809
Derivative financial instruments						
Forward exchange contracts	0	0	(184.422)	0	0	(184.422)
	0	0	(184.422)	0	0	(184.422)
Total financial assets	338.809	338.809	157.116	10.327	0	167.444

Notes

26 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK AND CAPITAL MANAGEMENT (DKK'000) - CONTINUED

	2018					
	Nominal value	Fair value	Cash flows			Total
			<1 year	1-5 years	>5 years	
Measured at amortised cost (loans and other commitments)						
Amounts owed to mortgage credit institutions	41.460	41.965	5.123	18.008	18.329	41.460
Amounts owed to credit institutions	4.506	4.506	1.021	3.485	0	4.506
Bank loans	15.725	15.725	15.725	0	0	15.725
	61.691	62.196	21.869	21.493	18.329	61.691
Trade payables	95.868	95.868	95.868	0	0	95.868
Lease guarantees and guarantees provided for franchisees (contingent liabilities)	0	0	33.444	3.965	6.910	44.319
Other payables	73.068	73.068	73.068	0	0	73.068
	230.627	231.132	224.249	25.458	25.239	274.946
Total financial liabilities	230.627	231.132	224.249	25.458	25.239	274.946
Measured at amortised cost (deposits and receivables)						
Other financial assets	13.372	13.372	0	13.372	0	13.372
Trade receivables including Intercompany	150.494	150.494	150.494	0	0	150.494
Other receivables	9.266	9.266	9.266	0	0	9.266
Cash	75.308	75.308	75.308	0	0	75.308
	248.440	248.440	235.068	13.372	0	248.440
Derivative financial instruments						
Forward exchange contracts	0	0	(171.365)	0	0	(171.365)
	248.440	248.440	63.703	13.372	0	77.075

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 techniques primarily based on observable prices

The fair value of BoConcept'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

26 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK AND CAPITAL MANAGEMENT (DKK'000) – CONTINUED

Market risks

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

Foreign exchange risks

98% (last year 97%) 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, JP 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 and, to a less extent, by raising loans in foreign currencies.

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	2018
USD		
Equity	3.562	304
Profit for the year	3.562	304
GBP		
Equity	2.201	0
Profit for the year	2.201	0
CNY		
Equity	71	150
Profit for the year	71	150
JPY		
Equity	3.058	1.973
Profit for the year	3.058	1.973

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

	2019	2018
USD EBIT effect	6.839	5.377
JPY EBIT effect	3.222	9.152
GBP EBIT effect	4.187	3.656
CNY EBIT effect	(914)	2.527

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.

Notes

Interest rate risks

The company's interest rate risk is related to interest rate fluctuations that may affect the company's cash flows related to interest receivable and interest payable as well as the fair value of financial instruments. The company does not hedge the risk of interest rate fluctuations related to the company's loans, as management in each case assesses whether to use fixed-rate or floating-rate loans.

Analysis of sensitivity to interest rate risks

BoConcept 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:

	2019	2018
Equity	(28)	(30)
Loss for the year	(399)	(987)

A fall would have the same effect in reverse.

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 term of 5 years and a fixed rate of interest of 2%, covering 64% 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 0.6 million (last year a negative value of DKK 1.6 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 A/S (the Group's parent) is an operating company. BoConcept A/S have a number of revenue generating operations of its own spread across a number of different markets.

Financial income and expenses, net increased to DKK 8 million. The increase was primarily the result of improved focus on working capital elements and favourable development in BoConcept Holding A/S's main currencies.

Notes

27 NEW ACCOUNTING STANDARDS

At 30 April 2019, IASB had approved the following new accounting standards (IFRSs and IASs), which are assessed to be of relevance to BoConcept A/S.

IFRS 16 Leases

New standard on the accounting treatment of leases. Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet. The standard will be effective for financial years beginning on or after 1 May 2019.

Management has completed the initial analysis of the impact on the Financial Statements upon adoption of the above IFRS standards. The management expect the effect of implementing IFRS 16 will be 9,5 mDKK increase in Balance sheet total. The impact on result before tax will 0,1 mDKK. The impact on EBITDA is expected to be an improvement in the range of 3,2 mDKK based on 2018/19 financial statement.

28 SUBSIDIARIES

Subsidiary	Domicile	Owner share in %
BC Design Århus 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 Comerciales SL	Madrid Spain	100
BoConcept North America Inc.	Kansas USA	100
BoConcept USA Inc.	Delaware USA	100
BoConcept Franchise Inc.	Kansas USA	100
BC Design Ave. LLC.	New York USA	100
BoConcept Miami LLC.	Miami USA	100
BoConcept Japan KK	Tokyo Japan	100
BC Design Ltd.	Hong Kong Hong Kong	100
BoConcept Furniture Trading Co Ltd.	Shanghai China	100
BoConcept Retail China Ltd	Shanghai China	100
Non-active subsidiaries		
BoConcept Hong Kong Ltd	Hong Kong Hong Kong	100
BC Urban Design Berlin GmbH	Düsseldorf Germany	100



