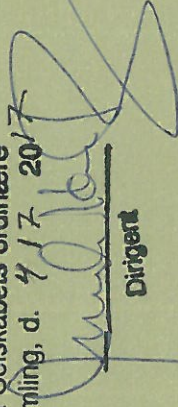


Annual Report

01.05.2016 – 30.04.2017

Godkendt på Selskabets ordinære
generalforsamling, d. 4/7 2017



Dirigent

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FINANCIAL HIGHLIGHTS & KEY FIGURES

	2016/17	2015/16	2014/15	2013/14	2012/13
Income statement in DKK million					
Revenue	1,045,6	1,051,8	974,6	904,5	857,7
Gross profit	408,6	369,9	324,4	311,0	293,0
Profit/loss before special items (EBIT before special items)	142,3	117,6	33,4	13,0	32,1
Profit/loss from operating activities (EBIT)	126,1	117,6	(20,8)	13,0	32,1
Financing, net	(8,1)	0,3	(7,3)	(1,9)	(1,4)
Profit/loss before tax	118,0	117,9	(62,0)	(43,3)	19,8
Profit/loss after tax	90,0	93,2	(55,6)	(11,8)	11,3
Balance sheet details in DKK million					
Non-current assets	240,6	210,9	215,3	230,8	232,2
Current assets	342,5	384,0	297,4	305,6	259,9
Balance sheet total	568,4	594,9	512,7	536,4	492,1
Equity	233,8	251,8	157,3	209,4	228,0
Interest bearing debt	55,1	74,9	92,6	97,5	58,8
Cash flow in DKK million					
Cash flow from operating activities	132,3	147,5	29,8	25,0	50,7
Cash flow from investing activities	(38,1)	(18,4)	(24,9)	(58,1)	(41,0)
For investment in intangible assets	(6,7)	(2,3)	(5,4)	(9,5)	(5,2)
Cash flow before financing activities	94,2	129,1	4,9	(33,1)	9,7
Financial ratios					
Operating margin (EBIT% before special items)	13,6	11,2	(2,1)	1,4	3,7
Return on equity, %	37,1	42,3	(30,3)	(5,4)	5,6
Equity ratio, %	40,1	42,3	30,7	39,0	46,3
Average number of employees, full-time	287	289	306	311	311

The financial ratios have been calculated in accordance with the 'Recommendation & Financial Ratios 2015' issued by the Danish Society of Financial Analysts.

Key Figures

2016/2017

Financial Review

Merger

On 1 May 2016 BoConcept Holding A/S and BoConcept A/S merged. After the merger, BoConcept A/S is the continuing company.

Main activity

BoConcept is a global brand and an international furniture retail chain in the 'affordable luxury' segment. Our furniture and accessories collection is sold through a franchise chain of more than 260 brand stores worldwide with BoConcept as business developer, exclusive supplier and international distributor.

VISION AND MISSION

Vision

To make BoConcept no. 1 brand within urban interiors.

Mission

With our brand promise 'Make the most out of your space' we stand out from our competitors by offering a total concept, which unites a modern, functional and fully coordinated collection with a unique personal interior decoration service, which optimises the customers' space management. This is all supported by a global communications platform and a store concept, underlining BoConcept's ability to create individual solutions.

HIGHLIGHTS FROM THE 2016/2017 FINANCIAL YEAR

Developments and results for the year

Since September 2014, BoConcept has focused on the completion of Horizon 16/17 – a strategic optimisation of the business model, which has re-established the growth and earning power of the group and the chain of stores. The original goal of Horizon 16/17 was to increase the operating margin to 8-10% in the 2016/2017 financial year. We succeeded in reaching this goal.

In the 2016/2017 financial year, the BoConcept parent company realised a net revenue of DKK 1,045,000 compared to DKK 1,051,000 the year before.

In the 2016/2017 financial year, a gross profit of 39.1% was realised compared to last year's gross profit of 35.1%. This development is primarily attributable to increased efficiency in supply chain and production processes including improvements in delivery reliability and quality as well as a reduction in obsolete stocks. This – together with the price increases introduced in September 2016 – has increased the gross profit.

In the spring of 2016, BoConcept launched a comprehensive LEAN project, serving to further improve the efficiency of its own production. Next, LEAN will be implemented in logistics and administration, in addition to which key processes in the value

chain will be optimised and capacity costs will be adjusted on an ongoing basis to further strengthen the basis for economies of scale in BoConcept's business model in the coming period of time. In the coming years, these initiatives, the migration to Axapta as ERP system and the optimisation of the logistics model will further increase BoConcept's performance and gross earnings.

Result before special items and financial items in 2016/2017 was DKK 128.2 million against 99.8 DKK last year. The increased earnings of DKK 28.4 million compared with last year are the result of an improved gross profit and lower costs for bad debts.

Special items include costs related to the sale of the company to Layout Bidco A/S.

The group's financial items show net costs of DKK 8.1 million in 2016/2017 against a net income of DKK 0.3 million last year, which is attributable to a capital loss on acquisition of shares from IFU (this was previously a loan).

After tax expenses of DKK 28.0 million, the profit for the year was DKK 90.0 million compared with last year's profit of DKK 93.2 million after tax expenses of DKK 24.7 million. The supervisory and executive boards consider the results of 2016/2017 highly satisfactory.

The balance sheet total decreased from DKK 594.9 million to DKK 583.1 million. Non-current assets increased by DKK 31.1 million during the financial year. DKK 25.6 million was invested in property, plant and equipment and intangible non-current assets compared to DKK 7.0 million last year. Current assets decreased by DKK 54.1 million, which shows that the group's cash and cash equivalents have been reduced significantly by DKK 35.5 million as a result of dividend distribution.

Inventories increased by DKK 6.5 million due to increased buffer stock in connection with the implementation of a new IT system in the group's own production. Receivables decreased by DKK 27.2 million and debtor days increased by 3.3 compared with last year.

BoConcept generated a positive cash flow of DKK 94.2 million before financing activities.

EXPECTATIONS

For the 2017/2018 financial year, management expects growth in turnover based on an increase in same-store-sales and the number of stores. The operating margin is expected to reach a level of approximately 10%. The expectations are based on unchanged market conditions and exchange rates.

POST BALANCE SHEET EVENTS

The supervisory board is aware of no events after 30 April 2017 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 Layout Bidco A/S group's organisation.

Activities for increasing the underrepresented gender in the financial year was in the hiring process to have both genders invited to job interviews, where possible.

At present, the underrepresented gender's share is 36% compared to 43% of the total organisation. The proportion of the underrepresented gender is unchanged compared to last year.

Corporate Social Responsibility

OUR COMMITMENT TO ACT RESPONSIBLY IN RELATION TO PEOPLE, THE ENVIRONMENT AND SOCIAL CONDITIONS IS A KEY ELEMENT OF BOCONCEPT'S GLOBAL BRAND. THE OBJECTIVE OF THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY IS TO STRIKE AND MAINTAIN A HEALTHY BALANCE BETWEEN ENVIRONMENTAL AND BUSINESS INTERESTS AND DETERMINE AN ENVIRONMENTAL CODE OF CONDUCT FOR THE COMPANY, ITS EMPLOYEES AND SUPPLIERS.

By adhering to the group's standards of ethics and acting in a sustainable manner locally and globally, BoConcept endeavours to uphold human rights and act in the most environmentally responsible way while also promoting high ethical standards and corporate social responsibility throughout the group. With better branding, risk management and quality control, this work also helps social responsibility (CSR) is an integrated strategic management tool at BoConcept.

FOCUS AREAS AND ACTIVITIES RELATED TO ENVIRONMENT AND CLIMATE

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.

The group's CSR strategy is divided into two focus areas: ensuring that the production processes of BoConcept and its suppliers are environmentally friendly and comply with safety procedures and minimising CO₂ emissions from transportation and logistics.

BoConcept's suppliers must adhere to the company's code of conduct. Based on Danish and international standards of quality, environmental standards and recommended work routines BoConcept seeks – through its code of conduct and regular supplier visits - to ensure that BoConcept's products are manufactured in a way that safeguards the interests of workers and has a minimal adverse impact on the environment. In the 2016/2017 financial year, BoConcept further strengthened its CSR standards, the audit of how suppliers meet these standards and annual supplier audits to make sure that BoConcept never starts collaborating with a supplier that fails to comply with its strict CSR standards.

BoConcept has focused on working environment improvements. More of our sub-suppliers of upholstery, metal, glass and wooden products have optimised their production facilities, and through this ensured increased efficiency and safer working conditions. Own production facility in Ølgod, Denmark, has focused on reducing energy-related costs with KDKK 500 per year and implementation of LEAN, which results in efficiency improvement as well as an increase of job satisfaction.

Our goal for the 2017/2018 financial year is to further strengthen current follow-up/KPI meetings with suppliers also including focus on Global Compact and CSR related issues.

Transport and logistics are crucial elements in the worldwide distribution of the BoConcept collection. An efficient supply chain is a key element, both in optimising productivity and in reducing the CO₂ emissions generated by the company directly or indirectly.

In the 2016/2017 financial year BoConcept's suppliers of transport and logistics have focused on reductions in CO₂ emission and fuel consumption. The air freight volume was reduced due to improved control within the supply chain, and the use of Euro norm 5-6 trucks remained at 83%. In the coming financial year BoConcept seeks to ensure that the use of Euro norm 5-6 trucks is increased to at least 85%. Also, focus is on continued optimisation of the company's distribution set-up.

For a detailed review of BoConcept's operational initiatives with respect to corporate social responsibility in the 2016/2017 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 statements; 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-dk/boconcept/corporate-responsibility/global-compact and is part of and covers the same period as BoConcept's 2016/2017 annual report.

PEOPLE ARE OUR MOST VALUABLE ASSET

BoConcept had 522 employees at the end of April 2017, compared with 533 last year. Of the total headcount, 287 were employed in Denmark.

BoConcept's management style is value-based, and the company has developed a proactive HR strategy to support its business base. HR is visible at all levels of the organisation since, to a large extent, BoConcept's development and growth depends on people and the skills they apply towards creating solid results, using our unique business concept.

By providing an agreeable physical and mental working environment, BoConcept hopes to continue to be perceived as a desirable workplace that is always able to recruit and retain the best-qualified and most highly skilled employees.

PERFORMANCE AND DEVELOPMENT THROUGH BREAKTHROUGH LEADERSHIP

BoConcept has performance-oriented management strategy 'Breakthrough Leadership' with targeted management philosophy focus on optimising all processes and removing administrative 'noise' so concentration can be on sales, customers and efficiency. Breakthrough Leadership means constant training, motivation and monthly follow-up meetings for all our employees and giving them feedback on the basis of specific personal development and sales plans. A new people and performance function has been established in order to develop high performance culture in the whole chain by leadership, change management, performance management and communication.

Statement by the Executive & Supervisory Boards

The executive and supervisory boards have today discussed and approved the annual report of BoConcept A/S for the financial year 2016/2017.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The management report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report gives a true and fair view of the financial position at 30 April 2017 of company and of the results of the company's operations and cash flows for the financial year 1 May 2016-30 April 2017.

In our opinion, the management report 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 approved at the annual general meeting.

27 June 2017

EXECUTIVE BOARD



Torben Paulin
CEO

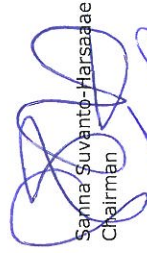


Morten Rose-Weisen
CFO



Peter Raupach Linnet
COO

SUPERVISORY BOARD



Sanna Suvanto-Harsaajae
Chairman



Torben Paulin



Poul Brændsgaard*



Tommy Jensen Graugaard*



Morten Rose-Weisen

*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 2017, and of the results of the Company's operations and cash flows for the financial year 1 May 2016 – 30 April 2017 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 2016 – 30 April 2017, which comprise Income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant account policies.

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

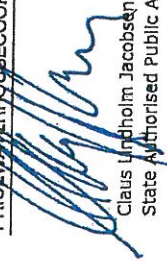
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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


Claus Lundholm Jacobsen
State Authorised Public Accountant

- 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.

Herring, 27 June 2017


Claus Lyngsø Sørensen
State Authorised Public Accountant



Income Statement & Total Income

INCOME STATEMENT 1 MAY - 30 APRIL		DKK'000	
		2016/17	2015/16
Revenue			
2,3	Production costs	1.045.572	1.051.781
		(636.926)	(681.902)
	Gross profit	408.646	369.879
Distribution costs			
2,3	Distribution costs	(187.234)	(198.472)
2-4	Administrative expenses	(92.730)	(74.830)
5	Other operating income	68	5.107
6	Other operating expenses	(4.654)	(1.887)
	Operating profit/loss before special items (EBIT before special items)	124.096	99.797
7	Special items	(16.181)	0
	Profit from group enterprises	18.201	17.822
	Profit/loss from operating activities (EBIT)	126.116	117.619
8	Financial income	6.098	5.040
9	Financial expenses	(14.210)	(4.767)
	Profit/loss before tax	118.004	117.892
10	Tax on profit/loss for the year	(28.023)	(24.708)
	Profit/loss for the year	89.981	93.184
Broken down as follows:			
	Shareholders of BoConcept A/S	89.981	93.184
		89.981	93.184
TOTAL INCOME			
		2016/17	2015/16
	Profit/loss for the period	89.981	93.184
Items that later can be recirculated to income statement:			
	Revaluation of hedging instruments before tax	627	532
	Settlement of hedging instruments	0	(573)
	Foreign currency translation, foreign units	1.464	1.345
	Tax on total income items	(138)	9
	Total income for the period	91.934	94.497
Broken down as follows:			
	Shareholders of BoConcept A/S	91.934	94.497
	Total income for the period	91.934	94.497

Balance Sheet

		DKK'000	
AS AT 30 APRIL		2017	2016
ASSETS			
	Master rights	36.600	36.600
	Software	20.602	16.353
	Intangible assets in progress	8.908	2.486
11	Total intangible assets	66.110	55.439
	Land and buildings	48.106	53.572
	Leasehold improvements	91	1.177
	Plant and machinery	7.901	11.772
	Fixtures and operating equipment	974	1.990
	Property, plant and equipment in progress	6.928	983
12	Total tangible assets	64.000	69.494
13	Deferred tax	0	1.564
14	Other financial assets	15.752	13.498
16	Investment, group enterprises	94.703	70.940
	Total other non-current assets	110.455	86.002
	Total non-current assets	240.565	210.935
15	Inventories	105.165	98.712
17	Trade receivables	110.577	111.294
	Receivables, group enterprises	37.540	54.022
18	Other receivables	13.737	8.980
	Cash and cash equivalents	75.483	110.981
	Total current assets	342.502	383.989
	TOTAL ASSETS	583.067	594.924

Balance Sheet

AS AT 30 APRIL		DKK'000	
		2017	2016
LIABILITIES AND EQUITY			
19	Share capital	2.000	2.000
	Translation reserve	774	(690)
	Hedging reserve	(1.667)	(2.156)
	Retained earnings	182.652	252.671
	Dividend proposed	50.000	0
	Equity share, BoConcept A/S shareholders	233.759	251.825
	Total equity	233.759	251.825
13	Deferred tax	9.148	7.283
	Investment, group enterprises	42.349	50.934
	Provisions	51.497	58.217
20,28	Mortgage credit institutions and banks	45.905	60.467
	Total non-current liabilities	45.905	60.467
20,28	Mortgage credit institutions and banks	9.241	14.414
	Trade payables	88.643	90.839
	Payables, group enterprises	33.578	35.750
21	Income tax payable	24.216	17.353
	Other payables	96.228	66.059
	Total current liabilities	251.906	224.415
	Total liabilities	297.811	284.882
	TOTAL LIABILITIES AND EQUITY	583.067	594.924
22	Contingent liabilities and security		
25	Acquisition/disposal of group enterprises and activities		
26	Foreign exchange risk		
27	Transaction with related parties		
28	Derivative financial instruments and risk and capital management		
29	New accounting regulations		

Statement of equity movements

DKK'000

STATEMENT OF EQUITY MOVEMENTS

	Share capital	Net revaluation according to the equity method*	Hedging reserve	Translation reserve	Retained earnings	Dividend proposed	Total
Equity at 1 May 2015	2.000	0	0	0	61.305	0	63.305
Effect from merger with BoConcept Holding A/S		0	(2.124)	(2.036)	98.182	0	94.022
Adjusted equity at 1 May 2015	2.000	0	(2.124)	(2.036)	159.487	0	157.327
Profit/loss for the year		0			93.184		93.184
Reserve for exchange rate adjustments		0		1.346	0		1.346
Revaluation of hedging instruments		0	(32)		0		(32)
Equity at 30 April 2016	2.000	0	(2.156)	(690)	252.671	0	251.825
Dividend distributed					(110.000)	0	(110.000)
Profit/loss for the year		0			89.981		89.981
Reserve for exchange rate adjustments		0		1.464	0		1.464
Revaluation of hedging instruments		0	489		0		489
Dividend proposed					(50.000)	50.000	0
Equity at 30 April 2017	2.000	0	(1.667)	774	182.652	50.000	233.759

Cash Flow Statement

		DKK'000	
		2016/17	2015/16
CASH FLOW STATEMENT			
	EBIT	126.116	117.619
23	Adjustment for non-cash items	2.268	6.920
24	Change in working capital	29.352	25.372
	Cash flow from operating activities before financial items	157.736	149.911
	Interest income etc.	6.098	5.028
	Interest paid	(14.210)	(3.630)
	Income taxes paid	(17.324)	(3.784)
	Cash flow from operating activities	132.300	147.525
	Acquisition of intangible assets	(18.828)	(4.743)
	Acquisition of tangible assets	(6.735)	(2.254)
	Sale of tangible assets	0	2
	Acquisition of financial assets	(2.254)	0
	Sale of financial assets	0	3.302
	Capital injection, group enterprises	(10.246)	(19.281)
	Sale of companies	0	4.552
25	Cash flow for investing activities	(38.063)	(18.422)
	Cash flow before financing activities	94.237	129.103
	Raising of long-term loans	0	4.877
	Installments on long-term debt	(13.822)	(8.132)
	Shareholders:		
	Dividend paid	(110.000)	0
	Cash flow from financing activities	(123.822)	(3.255)
	Cash inflow/outflow for the year	(29.585)	125.848
	Cash and cash equivalents less short-term bank debt, beginning of the year	101.914	(23.934)
	Cash and cash equivalents, year-end	72.329	101.914
	The amount may be broken down as follows:		
	Cash without restrictions	75.483	110.981
	Short-term debt to credit institutions, cf. note 20	(3.154)	(9.067)
		72.329	101.914

Notes

1

ACCOUNTING POLICIES APPLIED

The financial statements for the period 1 May 2016 to 30 April 2017 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.

BoConcept A/S and BoConcept Holding A/S merged at a reversed vertical merger with accounting effect from 1 May 2016 with BoConcept A/S as the continuing company. Thus, by using the group method, BoConcept A/S is presented to have always encompassed the activity of BoConcept Holding A/S. The effect is that the comparative figures for 2015/2016 adapted to this practice and that the equity per 1 May 2015 has been adjusted by DKK 94 million. The presented annual results for 2015/2016 have been adjusted positively by DKK 1 million compared to the approved financial statements for 2015/2016 and the equity per 30 April 2016 has been adjusted positively by DKK 95 million.

BoConcept A/S now for the first time prepares the financial statement according to IFRS. As the effect of the transition to IFRS is insignificant, the third balance sheet (1 May 2015) is not included in the consolidated financial statements.

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

No new standards or interpretations of importance to net profit and equity were implemented in 2016/2017.

A description of new standards and interpretations that are not yet effective is included in note 29 to the accounts.

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.

Notes

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 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.

INCOME STATEMENT

Revenue

Income derived from the sale of goods and services is recognised in the income statement if delivery and risk pass to the purchaser before year-end and if the income can be reliably valued and is likely to be received. Revenue is measured exclusive of value added tax, taxes and discounts in connection with the sale.

Production costs

Production costs include costs, including depreciation and amortisation and wages and salaries that are paid to generate the revenue for the year. Production costs also include research and development costs that do not qualify for capitalisation.

Distribution costs

Distribution costs include costs incidental to the distribution of goods sold during the year and costs incidental to sales campaigns etc. Costs relating to sales staff, advertising and exhibitions as well as depreciation, amortisation, write-downs and impairment losses are recognised under this item.

Administrative expenses

Administrative expenses include costs incurred during the year for the management and administration of the group, including costs relating to administrative staff, management, renting of premises as well as depreciation, amortisation, write-downs and impairment losses.

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

Special items

The item 'special items' includes sizeable amounts that are not attributable to ordinary operations, for instance special provisions for impairment losses on intangible assets and property, plant and equipment as well as reorganisation measures. Special items may also contain reversals or adjustments related to previous impairments and provisions.

Special items as described above are shown on a separate line in the income statement.

Income from investments in subsidiaries

The item 'Income from investments in subsidiaries' in the income statement includes the proportionate share of the profit for the year. 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.

If the BoConcept group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment schemes, the tax effect of the schemes is recognised in tax on the profit/loss for the year. However, if the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognised directly in equity.

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.

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.

Notes

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 – including borrowing costs.

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 under production costs, distribution costs and administrative expenses respectively.

Impairment of non-current assets

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

The carrying amounts of goodwill and master rights are subject to an impairment test together with the other non-current assets in the cash-generating unit to which goodwill and 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 goodwill or the master rights are allocated.

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

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

Other financial assets

Securities are recognised at fair value.

Notes

Inventories

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

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

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

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost price, which is equal to the nominal value less meet of loss write-downs. Provisions for losses are settled on the basis of individual assessments of receivables based on concrete risks of inability to pay. Further group write-downs on franchisees are based on a general assessment of risk of inability to pay. This is based on experiences from previous years.

Prepayments

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items 'Investments in subsidiaries' and 'Investments in associates' in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to 'Reserve for net revaluation under the equity method' under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries and associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes

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.

Treasury shares

Costs of acquisition and disposal and dividends received in respect of treasury shares are recognised directly as retained earnings in equity. A reduction in capital brought about by the cancellation of treasury shares will reduce the share capital by an amount corresponding to the nominal value of the investment.

Proceeds from the sale of treasury shares and issue of shares, respectively, in Boconcept in connection with the exercise of share options or employee shares are recognised directly in equity.

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 the Boconcept group (Danish kroner). On full or partial realisation of the net investment the foreign exchange adjustments are recognised in the income statement.

Hedging transaction reserve

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

LIABILITIES

Income taxes and deferred tax

In pursuance of the joint taxation provisions Boconcept 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.

Notes

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

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

Provisions

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

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

Financial liabilities

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

Prepayments from customers

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

CASH FLOW

Cash flow statement

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

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the acquisition date. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flow from operating activities

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

Cash flow from investing activities

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

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

Notes

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 95.8 million (last year 111.2) 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 11, 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 and goodwill.

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	COSTS (DKK'000)								
	Staff costs								
	Wages and salaries	2016/17	2015/16						
	Pensions	(137,084)	(133,076)						
	Other social security costs	(8,809)	(8,792)						
	Other staff costs	(2,115)	(2,175)						
		(4,025)	(3,554)						
		<u>(152,033)</u>	<u>(147,597)</u>						
	Staff costs are recognised as follows:								
	Production costs	(59,619)	(65,990)						
	Distribution costs	(40,983)	(36,132)						
	Administrative expenses	(51,431)	(45,475)						
		<u>(152,033)</u>	<u>(147,597)</u>						
	Average number of employees	287	289						
	Remuneration of the supervisory board, the executive board and executives								
		2016/17	2015/16						
	Wages and salaries	(2,913)	(4,227)	Super- visory board	(1,665)	Executive board	(4,703)	Other executives	(2,702)
	Bonus	0	(6,091)		0		(2,667)		(2,091)
	Pensions	0	(227)		0		(362)		(205)
		(150)	(9,231)		(1,665)		(7,732)		(4,998)
	The total remuneration of the key management was DKK 17,571 (last year DKK 14,395). As per 1 November 2016 the executive board is paid through Layout Bidco A/S.								
4	DEPRECIATION, AMORTISATION, WRITE-DOWNS AND IMPAIRMENT LOSSES (DKK'000)								
	Amortisation of intangible assets	2016/17	2015/16						
	Depreciation of tangible assets	(8,157)	(9,593)						
		<u>(12,229)</u>	<u>(13,860)</u>						
		(20,386)	(23,453)						
	Depreciation, amortisation, write-downs and impairment losses are recognised in the income statement as follows:								
	Production costs	(9,270)	(9,942)						
	Distribution costs	(2,100)	(3,053)						
	Administrative expenses	(9,016)	(10,458)						
		<u>(20,386)</u>	<u>(23,453)</u>						
	All write-downs are recognised in special items								
	Development costs								
	Development costs paid during the year	(7,028)	(6,814)						
5	OTHER OPERATING INCOME (DKK'000)								
	Refunds	2016/17	2015/16						
	Profit, sale of UK activity	52	0						
	Gain on sale of tangible assets	0	5,105						
		16	2						
		<u>68</u>	<u>5,107</u>						
	Refunds concerning activities in China.								

	2016/17	2015/16
6 OTHER OPERATING EXPENSES (DKK'000)		
Loss disposal of assets	0	(1.581)
Costs, outsourcing IT-department	(4.084)	0
Support costs in connection with sale of store	(570)	(306)
	(4.654)	(1.887)
Support costs in connection with sale of store in Sweden.		
7 SPECIAL ITEMS (DKK'000)		
Transaction costs in connection with Layout Bidco A/S' acquisition of the share capital	(16.624)	0
Previous years' reversal of provided costs for closing of store and warehouse.	443	0
	(16.181)	0
8 FINANCIAL INCOME (DKK'000)		
Interest income, group enterprises	650	737
Interest income, other	3.430	4.303
Foreign exchange rate adjustments	2.018	0
	6.098	5.040
9 FINANCIAL EXPENSES (DKK'000)		
Interest expense, group enterprises	(820)	(734)
Interest expense, other	(1.786)	(2.335)
Settlement of hedging instruments	(645)	(573)
Exchange loss in connection with acquisition of shares	(10.959)	0
Foreign exchange losses	0	(1.125)
	(14.210)	(4.767)

Notes

10 TAX (DKK'000)	2016/17	2015/16
Tax for the year breaks down as follows:		
Tax on profit for the year	(28.161)	(24.717)
Tax on other comprehensive income	138	9
	<u>(28.023)</u>	<u>(24.708)</u>
Tax on profit/loss for the year may be subdivided as follows:		
Current tax	(24.565)	(29.207)
Revaluation deferred tax asset	0	0
Deferred tax	(3.429)	4.959
	<u>(29)</u>	<u>(460)</u>
Adjustment of tax related to previous years	(28.023)	(24.708)
Tax on profit/loss for the year may be explained as follows:		
Calculated 22% tax on profit/loss for the year before tax	(25.961)	(25.936)
Withholding tax	138	(459)
Tax on other comprehensive income	1.745	7.028
The tax effect of:	(3.429)	(3.939)
Non-taxable income and non-deductible costs		
Deferred tax for the year	(29)	(1.411)
Adjustment of tax related to previous years	(28.023)	(24.708)
Effective tax rate	23,7	21,0

Notes

11 INTANGIBLE ASSETS (DKK'000)

	2017			2016		
	Master rights	Software	Intangible assets in progress	Master rights	Software	Intangible assets in progress
Acquisition cost, beg./year	42.039	75.767	2.486	42.039	75.767	2.486
Additions	0	10.216	8.612	0	10.216	8.612
Carried forward	0	2.190	(2.190)	0	2.190	(2.190)
Disposals for the year	0	(5.230)	0	0	(5.230)	0
Acquisition cost, year-end	42.039	82.943	8.908	42.039	82.943	8.908
Amortisation and impairment losses, beg./year	(5.439)	(59.414)	0	(5.439)	(59.414)	0
Amortisation for the year	0	(8.157)	0	0	(8.157)	0
Disposals for the year	0	5.230	0	0	5.230	0
Amortisation and impairment losses, year-end	(5.439)	(62.341)	0	(5.439)	(62.341)	0
Carrying amount, year-end	36.600	20.602	8.908	36.600	20.602	8.908
Depreciated over a period of		3-8 years			3-8 years	
Master rights relate to acquisition of master rights in China, the UK, Spain, Sweden, Portugal and Denmark.						
An impairment test of the carrying amounts of master rights has been carried out at 30 April 2017.						
The carrying amount of master rights is based on cash flow generating stores in Denmark, the USA, the UK, Spain, Portugal, Sweden and China.						
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 11.2% before tax.						
The calculated recoverable amounts of the remaining values are significantly higher than the carrying amounts.						

	2017			2016		
	Master rights	Software	Intangible assets in progress	Master rights	Software	Intangible assets in progress
Acquisition cost, beg./year	42.039	77.910	799	42.039	77.910	799
Additions	0	2.619	2.125	0	2.619	2.125
Carried forward	0	438	(438)	0	438	(438)
Disposals for the year	0	(5.200)	0	0	(5.200)	0
Acquisition cost, year-end	42.039	75.767	2.486	42.039	75.767	2.486
Amortisation and impairment losses, beg./year	(5.439)	(53.631)	0	(5.439)	(53.631)	0
Amortisation for the year	0	(9.593)	0	0	(9.593)	0
Disposals for the year	0	3.810	0	0	3.810	0
Amortisation and impairment losses, year-end	(5.439)	(59.414)	0	(5.439)	(59.414)	0
Carrying amount, year-end	36.600	16.353	2.486	36.600	16.353	2.486
Depreciated over a period of		3-8 years			3-8 years	
Master rights relate to acquisition of master rights in China, the UK, Spain, Sweden, Portugal and Denmark.						
An impairment test of the carrying amounts of master rights has been carried out at 30 April 2017.						
The carrying amount of master rights is based on cash flow generating stores in Denmark, the USA, the UK, Spain, Portugal, Sweden and China.						
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 11.2% before tax.						
The calculated recoverable amounts of the remaining values are significantly higher than the carrying amounts.						

2017

	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures and operating equipment	Property, plant and equipment in progress	Total
Acquisition cost, beg./year	191.609	3.477	165.778	21.788	983	383.635
Additions	214	0	41	499	5.981	6.735
Carried forward	0	0	0	36	(36)	0
Disposals for the year	0	0	0	(611)	0	(611)
Acquisition cost, year-end	191.823	3.477	165.819	21.712	6.928	389.759
Depreciation and impairment losses, beg./year	(138.037)	(2.300)	(154.006)	(19.798)	0	(314.141)
Depreciation for the year	(5.680)	(1.086)	(3.912)	(1.551)	0	(12.229)
Disposals for the year	0	0	0	611	0	611
Depreciation and impairment losses, year-end	(143.717)	(3.386)	(157.918)	(20.738)	0	(325.759)
Carrying amount, year-end	48.106	91	7.901	974	6.928	64.000
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 5,4 million (last year DKK 6,7 million).

2016

	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures and operating equipment	Property, plant and equipment in progress	Total
Acquisition cost, beg./year	191.033	3.483	171.142	25.228	292	391.178
Additions	576	110	456	421	691	2.254
Disposals for the year	0	(116)	(5.820)	(3.861)	0	(9.797)
Acquisition cost, year-end	191.609	3.477	165.778	21.788	983	383.635
Depreciation and impairment losses, beg./year	(131.894)	(2.156)	(154.366)	(21.470)	0	(309.886)
Depreciation for the year	(6.143)	(260)	(5.384)	(2.073)	0	(13.860)
Disposals for the year	0	116	5.744	3.745	0	9.605
Depreciation and impairment losses, year-end	(138.037)	(2.300)	(154.006)	(19.798)	0	(314.141)
Carrying amount, year-end	53.572	1.177	11.772	1.990	983	69.494
Depreciated over a period of	10-25 yrs	3-10 yrs	5-9 yrs	3-7 yrs		

Notes

Notes

13 DEFERRED TAX (DKK'000)

	2017	2016
Deferred tax, beg./year	(5.719)	(6.689)
Deferred tax for the year	(3.429)	10.585
Transferred current tax	0	(9.615)
Deferred tax, year-end	(9.148)	(5.719)
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax (asset)	0	1.564
Deferred tax (liability)	(9.148)	(7.283)
Net deferred tax, year-end	(9.148)	(5.719)
Deferred tax relates to:		
Intangible assets	(9.854)	(15.287)
Tangible assets	(1.468)	1.058
Current assets	8.030	443
Tax loss carry forwards	(5.856)	8.067
	(9.148)	(5.719)

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.

14 OTHER FINANCIAL ASSETS AND DEPOSITS (DKK'000)

	2017	2016
Acquisition cost, beg./year	13.498	16.800
Foreign exchange rate adjustments	8	0
Additions	2.388	0
Disposals for the year	(1.42)	(3.302)
Acquisition cost, year-end	15.752	13.498
Other financial assets		
	13.498	16.800
	8	0
	2.388	0
	(1.42)	(3.302)
	15.752	13.498

15 INVENTORIES (DKK'000)

	2017	2016
Raw materials and consumables	6.319	7.048
Goods in progress	7.273	7.738
Manufactured goods and goods for resale	91.573	83.926
	105.165	98.712
Cost of sales for the year which is included in production costs	569.903	605.066
Write-down of inventories	(1.027)	(5.567)
Reversal of write-downs for the year	1.014	6.379

The reversal of write-downs in the year is due to goods sold at a higher price than written down carrying amount.

Notes

16

INVESTMENT IN GROUP ENTERPRISES (DKK'000)

	2017	2016
Cost as per 1 May	236.644	261.618
Additions during the year	10.244	13.400
Disposals during the year	(1.000)	(38.374)
Cost at year-end	245.888	236.644
Revaluations at the beginning of the year	(216.638)	(264.631)
Exchange adjustments	1.465	1.345
Profit for the year	18.296	16.848
Dividend received	0	(1.500)
Change in internal profit of inventories	(95)	(8.403)
Disposals during the year	3.438	39.703
	(193.534)	(216.638)
Booked value at the end of the year	52.354	20.006
In financial assets investment in group enterprises with positive equity	94.703	70.940
In provisions investment in group enterprises with negative equity	42.349	50.934
	52.354	20.006

Company name	Registered office	Currency (000)	Nominal capital	Equity	Profit after tax
BC Design Århus A/S	Ølgod	DKK	500	(1.050)	(669)
BoConcept Stockholm AB	Stockholm	SEK	50	4.001	3.042
BoConcept Germany GmbH	Dusseldorf	EURO	77	4.762	469
BoConcept France Sarl	Paris	EURO	518	2.861	433
BC Design Beaugrenelle Sarl	Paris	EURO	60	1.082	(760)
BoConcept Ibericia SL	Madrid	EURO	3	(1.419)	1.742
BoConcept Explotaciones Comerciales SL	Madrid	EURO	303	(7.141)	68
BoConcept North America Inc.	Kansas	USD	1	(17.896)	1.387
BoConcept USA Inc.	Delaware	USD	1	31.064	187
BoConcept Franchise Inc.	Kansas	USD	1	616	(54)
BoConcept Japan KK	Tokyo	JPY	90.000	36.257	8.422
BC Design Holding Ltd.	Hong Kong	HKD	14.300	203	(139)
BoConcept Hong Kong Ltd	Hong Kong	HKD	10	2.949	814
BoConcept Furniture Trading Co Ltd.	Shanghai	RMB	1.400	2.836	271
BoConcept Retail China Ltd	Shanghai	RMB	18.000	16.203	3.108
Non-active companies					
D Sign 1 A/S	Ølgod	DKK	1.100	(11.492)	0
BC Urban Design Berlin GmbH	Dusseldorf	EURO	25	0	0

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

Notes

17 TRADE RECEIVABLES (DKK'000)

	2017	2016
Trade receivables	110.577	111.294
Provisions for losses have been recognised in the above item as follows:		
Provisions, beg./year	148.914	170.032
Provisions for the year	24.170	22.097
Losses recognised for the year	(19.400)	(27.323)
Exchange rate adjustments for the year	(272)	(2.674)
Reversed provisions for the year	(21.618)	(13.217)
Provisions, year-end	131.794	148.915

Provisions for 2016/2017 were adversely affected by individual items relating to stores in the USA, France and Germany (last year France, USA and Germany).

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.

Maturities of trade receivables, before depreciation, may be classified as follows:

Due in 0-60 days	14.196	11.945
Due in 61-180 days	94	2.233
Due after more than 180 days	0	624
	14.290	14.802

18 OTHER RECEIVABLES (DKK'000)

	2017	2016
Other receivables	9.596	5.640
Prepayments	4.141	3.340
	13.737	8.980

19 SHARE CAPITAL (DKK'000)

	Number of shares		Nominal value	
	2017	2016	2017	2016
Beg. year/ year-end class A-shares	2	2	2.000	2.000

Notes

20 AMOUNTS OWED TO CREDIT INSTITUTIONS (DKK'000)

	2017	2016
Other payables		
Within 1 year	0	1.042
Between 1 and 5 years	0	0
After 5 years	0	8.343
	0	9.385
Mortgage credit institutions		
Within 1 year	5.100	2.936
Between 1 and 5 years	18.973	20.071
After 5 years	22.444	26.586
	46.517	49.593
Credit institutions / leasing debt		
After 5 years	0	1.309
Between 1 and 5 years	4.488	4.158
	4.488	5.467
Within 1 year	987	1.369
Other payables	3.154	9.067
	4.141	10.436

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

	2017		2016	
	Lease payment	Interest	Carrying amount	Lease payment
0-1 year	1.146	(159)	987	1.566
1-5 years	4.794	(306)	4.488	4.600
>5 years	0	0	0	1.333
	5.940	(465)	5.475	7.499
				(662)
				6.837

Leased equipment comprises production, plant and machinery. The term remaining of the leases is approx. 1-6 years. The leases have been concluded in DKK and EUR with fixed as well as variable leasing payments for the remainder of the term.

21 CORPORATION TAX, DUE

	2017	2016
Corporation tax, due at the beginning	17.353	(3.899)
Paid corporation tax	(17.324)	(3.784)
Adjustment previous years' taxes	(29)	328
The actual tax of the year	24.216	24.708
	24.216	17.353

Notes

22 CONTINGENT LIABILITIES AND SECURITY (DKK'000)

	2017	2016
Land and buildings recognised at:	48.106	53.572
Production plant and machinery recognised at:	2.426	5.027
Are charged in addition to the mortgage debt of:	46.517	49.593
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	3.400	4.844
Inventory value	105.165	98.712
Receivables and location involvement	120.533	123.446
Total	265.698	263.602
Registered value of company security	125.000	125.000
Non-terminable operating leases are as follows:		
0-1 year	4.502	4.104
1-5 years	7.285	8.133
>5 years	566	566
Total	12.353	12.803

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 37.7 million (last year DKK 45.5 million).

BoConcept A/S has provided guarantee for bank loans raised by franchisees of DKK 7.7 million (last year DKK 9.0 million).

BoConcept A/S has provided guarantee for franchisee's electronic payments towards third party of DKK 3.7 million (last year DKK 0 million).

BoConcept A/S has provided guarantee for bank arrangement with shares in subsidiary with a booked value of DKK 36,300.

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

	2017	2016
Depreciation and impairment losses for the year	20.386	23.453
Loss on sale/scraping of machinery and equipment	0	1.581
Profit/loss subsidiaries	(18.201)	(17.822)
Other adjustments	83	(292)
Total	2.268	6.920

24 CHANGES IN WORKING CAPITAL (DKK'000)

	2017	2016
Change receivables	10.004	(5.533)
Change inventories	(6.453)	29.259
Change trade payables, etc.	25.801	1.646
Total	29.352	25.372

Notes

25 ACQUISITION/DISPOSAL OF GROUP ENTERPRISES AND ACTIVITIES (DKK'000)

Disposal of companies	2016/17	2015/16
	Fair value at acquisition date	Fair value at acquisition date
Intangible assets	0	5.015
Tangible assets	0	2.883
Financial assets	0	97
Inventories	0	2.854
Receivables	0	1.212
Cash	0	1.257
Prepayments from customers	0	(2.780)
Other payables	0	(4.729)
Sales sum	0	5.809
Of which cash	0	(1.257)
Sales sum	0	4.552

On 30 June 2015 BoConcept A/S sold the company Tottenham Court Road Ltd.

Notes

FOREIGN EXCHANGE RISKS (DKK'000)

2017

Foreign currencies	Pre-payment/ maturity	Receiv- ables	Liabilities other than provisions	Hedged by forward exchange contracts	Net position
PLN	<1 year	1.927	(35)	0	1.892
	>1 year	483	0	0	483
GBP	<1 year	2.873	(3.192)	(59.164)	(59.483)
	>1 year	2.796	0	0	2.796
JPY	<1 year	43.021	(24.088)	(43.460)	(24.527)
	>1 year	0	0	0	0
SEK	<1 year	7.997	(357)	(3.243)	4.397
	>1 year	0	0	0	0
USD	<1 year	119.023	(11.686)	(37.143)	70.194
	>1 year	1.866	0	0	1.866
EUR	<1 year	145.981	(33.260)	0	112.721
	>1 year	6.442	(38.411)	0	(31.969)
CNY	<1 year	20.410	(26.415)	(8.676)	(14.681)
	>1 year	0	0	0	0
Other	<1 year	1.097	(102)	0	995
	>1 year	0	0	0	0
Sale/purchase of currencies in accordance with agreements					64.684
Unrealised net loss					151.289
					(397)

2016

Foreign currencies	Pre-payment/ maturity	Receiv- ables	Liabilities other than provisions	Hedged by forward exchange contracts	Net position
PLN	<1 year	2.454	(61)	0	2.393
	>1 year	483	0	0	483
GBP	<1 year	2.741	(442)	(52.902)	(50.603)
	>1 year	2.796	0	0	2.796
JPY	<1 year	30.071	(22.092)	(46.730)	(38.751)
	>1 year	0	0	0	0
SEK	<1 year	5.890	(2.820)	(3.085)	(15)
	>1 year	0	0	0	0
USD	<1 year	67.839	(25.846)	(34.729)	7.264
	>1 year	1.866	0	0	1.866
EUR	<1 year	137.460	(43.798)	0	93.662
	>1 year	6.442	(38.411)	0	(31.969)
CNY	<1 year	10.979	(27.944)	7.651	(9.314)
	>1 year	0	0	0	0
Other	<1 year	10.988	(1.169)	0	9.819
	>1 year	0	(8.343)	0	(8.343)
Sale/purchase of currencies in accordance with agreements					(20.712)
Unrealised net loss					129.035
					(760)

Notes

27 TRANSACTIONS WITH RELATED PARTIES

BoConcept A/S' related parties with significant influence include the shareholder (Layout Bidco 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.

Furthermore, the related parties include group enterprises in which BoConcept A/S has control or significant influence, cf. group overview on page 30.

Transactions conducted with the executive board only include normal management remuneration, cf. note 3.

Transactions conducted with other executives include normal remuneration, cf. note 3.

28 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.

48% (2015/2016 47%) of BoConcept's customers had not defaulted on the due dates at 30 April 2017. Measured on net receivables the percentage constitutes 85% (last year 77%). In the past the majority of our customers have been paying their debts by the due dates agreed upon. Receivables that are due more than 90 days after the normal due date have been written off in full.

	2017	2016
The maximum credit risk without taking into account security provided for trade receivables	110.577	111.294
The maximum credit risk associated with bank deposit, securities and derivative financial instruments	75.483	110.981
The maximum credit risk associated with other receivables	13.737	8.980
	199.797	231.255

Liquidity risks

The liquidity risk means the risk that BoConcept A/S may not be able to fulfill 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 fulfill 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 fulfill expected operational and financial obligations as well as bearing unforeseeable operating costs.

Unutilised credit facilities for Layout Bidco A/S and BoConcept A/S amounted DKK 62 million at the end of the financial year compared to DKK 95,1 million the year before. Cash amounted to DKK 75,5 million compared to DKK 111,0 million last year.

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

	Nominal value	Fair value	Cash flows				Total
			<1 year	1-5 years	>5 years		
2017							
Measured at amortised cost (loans and other commitments)							
Amounts owed to mortgage credit institutions	46.517	47.145	5.665	20.619	23.343		49.627
Amounts owed to credit institutions	5.475	5.475	1.146	4.794	0		5.940
Other long-term payables	0	0	0	0	0		0
Bank loans	3.154	3.154	3.250	0	0		3.250
	55.146	55.774	10.061	25.413	23.343		58.817
Trade payables	88.643	88.643	88.643	0	0		88.643
Lease guarantees and guarantees provided for franchisees (contingent liabilities)	0	0	13.613	40.918	75.377		129.908
Other payables	96.228	96.228	96.228	0	0		96.228
	240.017	240.645	208.545	66.331	98.720		373.596
Total financial liabilities	240.017	240.645	208.545	66.331	98.720		373.596
Measured at amortised cost (deposits and receivables)							
Other financial assets	15.752	15.752	0	15.752	0		15.752
Trade receivables including intercompany	148.117	148.117	148.117	0	0		148.117
Other receivables	13.737	13.737	13.737	0	0		13.737
Cash	75.483	75.483	75.483	0	0		75.483
	253.089	253.089	237.337	15.752	0		253.089
Derivative financial instruments			(151.289)	0	0		(151.289)
Forward exchange contracts	0	0	(151.289)	0	0		(151.289)
Total financial assets	253.089	253.089	86.048	15.752	0		101.800

2016

	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	49,593	49,655	3,563	21,313	29,526	54,402
Amounts owed to credit institutions	6,837	6,837	1,566	4,600	1,333	7,499
Other long-term payables	9,385	9,385	1,042	0	10,721	11,763
Bank loans	9,067	9,067	11,296	0	0	11,296
	74,882	74,944	17,467	25,913	41,580	84,960
Trade payables	90,839	90,839	90,839	0	0	90,839
Lease guarantees and guarantees provided for franchisees (contingent liabilities)	0	0	11,334	13,268	20,945	45,547
Other payables	66,059	66,412	57,416	8,996	0	66,412
Total financial liabilities	231,780	232,195	177,056	48,177	62,525	287,758
	231,780	232,195	177,056	48,177	62,525	287,758
Total financial liabilities						
Measured at amortised cost (deposits and receivables)						
Other financial assets	13,498	13,498	0	13,498	0	13,498
Trade receivables	165,316	165,316	165,316	0	0	165,316
Other receivables	8,980	8,980	8,980	0	0	8,980
Cash	110,981	110,981	110,981	0	0	110,981
Total financial assets	298,775	298,775	285,277	13,498	0	298,775
	298,775	298,775	285,277	13,498	0	298,775
Derivative financial instruments						
Forward exchange contracts	0	0	(129,795)	0	0	(129,795)
	0	0	(129,795)	0	0	(129,795)
	298,775	298,775	155,482	13,498	0	168,980
Total financial assets						

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

Notes

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

97% (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:

	2017	2016
USD		
Equity	2.330	(38)
Profit for the year	2.330	(38)
GBP		
Equity	(2.179)	(1.954)
Profit for the year	(2.179)	(1.954)
CNY		
Equity	(518)	111
Profit for the year	(518)	111
JPY		
Equity	(1.354)	(1.570)
Profit for the year	(1.354)	(1.570)
The below table states the EBIT effect of 5% foreign exchange increase compared with the average exchange rate realised per financial year.		
	2017	2016
USD EBIT effect	5.703	6.448
JPY EBIT effect	4.252	2.990
GBP EBIT effect	3.170	3.612
CNY EBIT effect	(1.410)	(1.985)
USD purchase in China is affected by the CNY development compared to USD. A 5% strength of the CNY compared to USD affects the EBIT negatively by USD 0.6 million in 2016/2017 and USD 0.7 million in 2015/2016.		

Particulars of the currencies having the greatest impact on the equity and profit for the year have been provided above.

The above analysis is based on the assumption that all other variables, especially the interest rate, remain constant. The expectations are based on current market data.

A corresponding drop in the exchange rates of the above currencies would have the same effect in reverse on the equity and profit/loss for the year.

Interest rate 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 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:

	2017	2016
Equity	(16)	(62)
Loss for the year	(212)	(296)

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 53% of our total debt to mortgage credit institutions (last year 61%). The weighted effective rate of interest measured at the balance sheet date, was 2.6% compared with 2.2% last year.

The market value of the interest rate swap agreement in negative before tax DKK 2.2 million (last year a negative value of DKK 2.8 million).

Capital management

In its capital management it is the group's aim to create the necessary calm to ensure the company's strategic progress and to produce a competitive return on shareholders' investments. At the same time the group aims to reduce the costs of capital.

Notes

At 30 April 2017, IASB had approved the following new accounting standards (IFRSs and IASs), which are assessed to be of relevance to BoConcept A/S.

IFRS 9 Financial Instruments

The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Entities taking the fair value option are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. The standard will be effective for financial years beginning on or after 1 January 2018.

IFRS 15 Revenue from contracts with customers

New standard on revenue recognition. The standard may potentially affect revenue recognition in a number of areas depending on the industry in which the entity operates, including:

- The timing of revenue recognition
- Recognition of variable consideration
- Allocation of revenue from multi-element arrangements
- Recognition of revenue from license rights
- Up-front fees
- Additional disclosure requirements

The standard will be effective for financial years beginning on or after 1 January 2018.

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 January 2019.

The IASB has issued the following new standards, amendments and new interpretations which could be relevant to BoConcept A/S but which have not yet been adopted by the EU:

BoConcept A/S expects to implement these new standards when they take effect.

Management has not yet finalized the investigation of the impact of the Financial Statements upon adoption of the above IFRS standards. However, management does not expect these standards to have significant impact on the financial statements.

SUBSIDIARIES

Subsidiary	Domicile	Owner share in %
BC Design Århus A/S	Ølgod	Denmark
BoConcept Stockholm AB	Stockholm	Sweden
BoConcept Germany GmbH	Düsseldorf	Germany
BoConcept France Sarl	Paris	France
BoConcept Beaugrenelle Sarl	Paris	France
BoConcept Ibericia SL	Madrid	Spain
BoConcept Explotaciones Comerciales SL	Madrid	Spain
BoConcept North America Inc.	Kansas	USA
BoConcept USA Inc.	Delaware	USA
BoConcept Franchise Inc.	Kansas	USA
BoConcept DC LLC	WDC	USA
BoConcept Japan KK	Tokyo	Japan
BC Design Holding Ltd.	Hong Kong	Hong Kong
BoConcept Hong Kong Ltd	Hong Kong	Hong Kong
BoConcept Furniture Trading Co Ltd.	Shanghai	China
BoConcept Retail China Ltd	Shanghai	China
Non-active subsidiaries		
D Sign 1 A/S	Ølgod	Denmark
BC Urban Design Berlin GmbH	Düsseldorf	Germany

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