

BoConcept A/S

Fabriksvej 4
DK-6870 Ølgod

CVR no. 89 86 66 18

Annual Report for 2020/21

**The Annual Report was presented and adopted
at the Annual General Meeting of the Company on:
20-08-2021**

Chairman

Jens Chr. Hesse Rasmussen

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Key Figures

| | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|--|---------|---------|---------|---------|---------|
| Financial Highlights in DKK million | | | | | |
| Income Statement | | | | | |
| Revenue | 1.000 | 993 | 1.108 | 1.087 | 1.046 |
| Contribution margin | 472 | 447 | 486 | 489 | 476 |
| Earnings before interest, taxes, depreciation and amortization | 188 | 71 | 125 | 131 | 128 |
| Net financials | (1) | 7 | 10 | (1) | (8) |
| Profit and loss before tax | 173 | 45 | 122 | 120 | 118 |
| Profit and loss for the year | 134 | 31 | 96 | 99 | 90 |
| Balance Sheet | | | | | |
| Non-current assets | 234 | 244 | 264 | 250 | 241 |
| Current assets | 555 | 395 | 459 | 353 | 343 |
| Balance sheet total | 788 | 639 | 723 | 602 | 583 |
| Equity | 396 | 264 | 376 | 279 | 234 |
| Interest bearing debt | 27 | 61 | 40 | 62 | 55 |
| Cash Flows | | | | | |
| Operating activities | 157 | 72 | 99 | 65 | 132 |
| Investing activities | (7) | 1 | (25) | (22) | (38) |
| Hereof acquisition of tangible assets | (5) | (3) | (3) | (7) | (7) |
| Financing activities | (37) | (68) | (68) | (56) | (124) |
| Employees | | | | | |
| Average number of employees | 238 | 281 | 300 | 298 | 287 |
| Key Ratios | | | | | |
| Operating margin (EBIT%)* | 17% | 4% | 10% | 11% | 12% |
| Return on equity* | 41% | 10% | 29% | 39% | 37% |
| Equity ratio* | 50% | 41% | 52% | 46% | 40% |

**The financial ratios are defined as*

Operating margin (EBIT%) = EBIT/Revenue

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

Equity ratio (%) = Equity/Balance sheet total

The financial highlights are affected by the implementation of IFRS 16 Leases as of 1 May 2019. Comparison figures for 2018/19, 2017/18 and 2016/17 have not been restated due to the use of the modified retrospective approach.

Company Information

Company BoConcept A/S
Fabriksvej 4
DK-6870 Ølgod
Central Business Registration no. 89 86 66 18

Board of Directors Sanna Mari Suvanto-Harsaae
Peter Raupach Linnet
Darren Brian Bett
Lili Agerbo Nielsen
Poul Brændgaard

Executive Board Mikael Kruse Jensen

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

Management's Review

Main activities

BoConcept A/S is a truly global brand and an international furniture franchise chain in the 'affordable premium' segment. The furniture and accessories collection is sold through 295 brand stores in 65 countries with BoConcept as franchisor, designer, business developer, exclusive supplier and international distributor.

Highlights from the 2020/21 financial year

Development and results for the year

In the 2020/21 financial year, BoConcept A/S realised a net revenue of DKK 1,000 million (2019/20: DKK 993 million). A 1% year on year increase. However, this growth does not capture what was an impressive year from a retail sales perspective. Consumer sales across the store network grew by 24%, despite various COVID related store restrictions.

A gross profit of 47% was realised (2019/20: 45%). This gain in margin was driven by a combination of mix effects, cost of goods improvements, sales price increases, higher volumes driving efficiencies through the production facilities and better stock control.

EBITDA in 2020/21 was DKK 188 million (2019/20: DKK 72 million). A notable year on year improvement. The last months of 2019/20 were heavily impacted by strong and unexpected COVID restrictions. BoConcept adjusted to the new situation, which drove material improvements in 2020/21. Margin control, cost base efficiencies and to a lesser extent, topline growth, being the main explanations for this improvement.

After taxes of DKK 39 million, the profit for the year was DKK 134 million (2019/20: DKK 31 million).

BoConcept A/S is a strong cash generating business and generated a positive cash flow of DKK 150 million (2019/20: DKK 73 million) before financing activities, once again showing the structurally high cash conversion levels created by the business model.

Expectations

2020/21 delivered stronger numbers than the COVID hit budget projected. The business adapted rapidly to the changed environment. The global nature of the network has proven to protect the business, meaning regional shutdowns did not impact the result as much as they might have hit a less geographically diversified company.

Whilst company revenues increased a moderate 1% on 2019/20, consumer sales increased by 24%. The business will enter the new financial year with a strong order book and 22 newly opened stores.

In some regions stores remain closed, but the business has adapted to COVID friendly ways of selling with more focused online marketing campaigns to better drive brand awareness and various omnichannel selling tools.

At the present time, the franchise network is healthy. But there remains uncertainty in a post COVID world around how consumers will use their disposable income and how world macro events will impact the sector. Management will continue to monitor developments closely. Therefore, despite many positive changes to the operating model and a further year of learnings, there remains a level of uncertainty regarding the outlook for the coming year. Management does however expect further growth in revenue and new stores in the coming 12 months. The new B2B partnership with Haworth will further strengthen the company presence in the B2B channel and is expected to contribute to the growth ambitions.

Strong revenue growth is expected in the first two quarters of 2021/22. The second half of the year has naturally more uncertainty and the business will trade against strong Like for Like consumer sales numbers last year. Consumer sales are therefore expected to continue growing, but at a slower rate. Full year revenue growth is expected to be up to around 10%. New store openings globally continue to support the growth and remain a priority for the company. The pipeline for new store openings remains strong. Cost of sales pressure will mean that sales price increases will need to be made, to preserve current margin levels. EBITDA is expected to grow at a rate similar to revenues.

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. We encourage current employees to seek management positions within the company on an ongoing basis.

At present, the underrepresented gender share is 33% in other management compared to 38% in the total organisation. This compares to an underrepresented gender share in other management of 33% and 42% in the total organisation last year. We acknowledge that women currently are underrepresented in the other management segment and we are working on a more equal distribution of gender.

Corporate social responsibility

BoConcept became a signatory to the UN Global Compact in 2009, so the group's CSR policy, which forms the framework for the group's initiatives and priorities in this area, is based on the ten principles of the Global Compact in the areas of human rights, labor, environment, and anti-corruption. The business has also embarked on updating its CSR strategy. Taking its responsibilities very seriously, looking to strengthen its position on selected initiatives as reducing the negative climate impact, focus on sustainability as a part of our product development process and an increased awareness of consumers CSR focal points. These initiatives are each clearly linked to the United Nations Sustainable Development Goals (SDG's) and therefore measurable following the standard SBTi SME (science base targeting, small medium enterprises).

For a detailed review of BoConcept's operational initiatives with respect to corporate social responsibility in the 2020/21 financial year and an introduction to initiatives, objectives and expectations for the future, please see the progress report BoConcept submitted to the UN Global Compact. BoConcept is including the progress report in its corporate social responsibility statement; as specified in section 99 a of the Danish Financial Statements Act. The progress report is available from the company's website at <https://www.boconcept.com/da-dk/aboutboconcept/corporate-responsibility> and is part of and covers the same period as BoConcept's 2020/21 annual report.

Management's Statement

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 2020 – 30 April 2021.

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 2021 of the company and of the results of the company's operations and cash flows for 2020/21.

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, 6 July 2021

Executive Board

Mikael Kruse Jensen
CEO

Board of directors

Sanna Mari Suvanto-Harsaae
Chairman

Peter Raupach Linnet

Darren Brian Bett

Lili Agerbo Nielsen*

Poul Brændgaard*

*Employee representative

Independent Auditor's Report

To the Shareholder of BoConcept A/S

Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2021, and of the results of the Company's operations and cash flows for the financial year 1 May 2020 – 30 April 2021 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 2020 – 30 April 2021, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows 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.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with the provisions of Danish legislation regarding self-financing

Contrary to section 206 of the Danish Companies Act, BoConcept A/S has granted a loan to the parent company with the purpose of repaying part of an acquisition loan in the parent company, by which Management may incur liability. The loan including interests has been repaid to BoConcept A/S after the balance sheet date.

Aarhus, 6 July 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Claus Lyngsø Sørensen
State Authorised Public Accountant
mne34539

Statement of Profit and Loss

| | Note | 2020/21 kDKK | 2019/20 kDKK |
|--|------|-------------------------|-------------------------|
| Revenue | 3 | 999.651 | 993.287 |
| Cost of goods sold | 4 | (527.408) | (546.662) |
| Contribution Margin | | 472.243 | 446.625 |
| Transportation expenses | | (53.997) | (55.857) |
| Employee related cost | 4 | (100.449) | (117.462) |
| Marketing expenses | | (34.628) | (25.446) |
| Rent and maintenance expenses | | (13.618) | (13.696) |
| IT and Consultancy expenses | | (56.598) | (58.939) |
| Others | 5 | (25.325) | (103.822) |
| Operating profit before depreciations and profit from Group enterprises | | 187.628 | 71.403 |
| Amortisation, depreciation, write-downs and impairment losses | 6 | (22.320) | (21.292) |
| Profit from group enterprises | 14 | 9.020 | (12.632) |
| Profit/loss from operating activities (EBIT) | | 174.328 | 37.479 |
| Financial income | 7 | 10.895 | 10.981 |
| Financial expenses | 8 | (12.259) | (3.567) |
| Profit/loss before tax | | 172.964 | 44.893 |
| Tax on profit/loss for the year | 9 | (38.838) | (13.783) |
| Profit/loss for the year | | 134.126 | 31.110 |
| Profit/loss for the year is attributable to: | | | |
| Shareholders of BoConcept A/S | | 134.126 | 31.110 |
| Statement of Comprehensive Income | | | |
| | | 2020/21 kDKK | 2019/20 kDKK |
| Profit/loss for for the year | | 134.126 | 31.110 |
| <i>Items that later can be recirculated to income statement</i> | | | |
| Revaluation of hedging instruments before tax | | 4.333 | 1.576 |
| Tax of hedging instruments | | (953) | (347) |
| Foreign currency translation, foreign units | | (4.965) | 4.112 |
| Adjustment | | 0 | 1.035 |
| Total comprehensive income for the year | | 132.541 | 37.486 |
| <i>Broken down as follows:</i> | | | |
| Shareholders of BoConcept A/S | | 132.541 | 37.486 |

Balance Sheet

| | | 30.04.2021 | 30.04.2020 |
|---|------|----------------|----------------|
| | Note | kDKK | kDKK |
| Master rights | | 36.600 | 36.600 |
| Software | | 44.686 | 49.856 |
| Intangible assets in progress | | 1.584 | 7.530 |
| Total intangible assets | 10 | 82.870 | 93.986 |
| Right-of-use assets | 11 | 3.815 | 5.645 |
| Land and buildings | | 32.596 | 35.594 |
| Leasehold improvements | | 29 | 43 |
| Plant and machinery | | 10.242 | 11.001 |
| Fixtures and operating equipment | | 2.699 | 353 |
| Property, plant and equipment in progress | | 3.530 | 3.759 |
| Total tangible assets | 12 | 52.911 | 56.395 |
| Other financial assets | 13 | 824 | 1.011 |
| Investment, group enterprises | 14 | 97.133 | 92.789 |
| Total other non-current assets | | 97.957 | 93.800 |
| Total non-current assets | | 233.738 | 244.181 |
| Inventories | 15 | 118.738 | 109.636 |
| Trade receivables | 16 | 85.301 | 65.992 |
| Receivables, group enterprises | | 75.102 | 69.782 |
| Other receivables | 17 | 27.982 | 14.129 |
| Cash and cash equivalents | | 247.585 | 135.289 |
| Total current assets | | 554.708 | 394.828 |
| Total assets | | 788.446 | 639.009 |

Balance Sheet

| | | 30.04.2021 | 30.04.2020 |
|--|--------|----------------|----------------|
| | Note | kDKK | kDKK |
| Share capital | 18 | 2.000 | 2.000 |
| Translation reserve | | (971) | 3.994 |
| Hedging reserve | | 28 | (2.494) |
| Retained earnings | | 395.191 | 260.207 |
| Equity share, BoConcept A/S shareholders | | 396.248 | 263.707 |
| Total equity | | 396.248 | 263.707 |
| Lease liabilities | 11 | 1.203 | 3.101 |
| Deferred tax | 19 | 17.093 | 15.790 |
| Investment, group enterprises | 14 | 54.500 | 54.211 |
| Mortgage credit institutions and banks | 20, 25 | 22.411 | 26.583 |
| Total non-current liabilities | | 95.207 | 99.685 |
| Lease liabilities | 11 | 3.779 | 3.224 |
| Mortgage credit institutions and banks | 20, 25 | 4.111 | 34.150 |
| Trade payables | | 138.470 | 63.490 |
| Payables, group enterprises | | 31.264 | 72.700 |
| Income tax payables | 21 | 38.830 | 11.069 |
| Other payables | | 80.537 | 90.984 |
| Total current liabilities | | 296.991 | 275.617 |
| Total liabilities | | 392.198 | 375.302 |
| Total equity and liabilities | | 788.446 | 639.009 |

Statement of Changes in Equity

| | Share capital | Hedging reserve | Translation reserve | Retained earnings | Dividend proposed | Total |
|---------------------------------------|---------------|--------------------|------------------------|----------------------|----------------------|----------------|
| | kDKK | kDKK | kDKK | kDKK | kDKK | kDKK |
| Equity at 30.04.2019 | 2.000 | (3.723) | (118) | 228.063 | 150.000 | 376.222 |
| Dividend distributed | 0 | 0 | 0 | 0 | (150.000) | (150.000) |
| Profit/loss for the year | 0 | 0 | 0 | 31.110 | 0 | 31.110 |
| Reserve for exchange rate adjustments | 0 | 0 | 4.112 | 0 | 0 | 4.112 |
| Revaluation of hedging instruments | 0 | 1.229 | 0 | 0 | 0 | 1.229 |
| Dividend proposed | 0 | 0 | 0 | 1.035 | 0 | 1.035 |
| Equity at 30.04.2020 | 2.000 | (2.494) | 3.994 | 260.207 | 0 | 263.707 |
| Dividend distributed | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit/loss for the year | 0 | 0 | 0 | 134.126 | 0 | 134.126 |
| Reserve for exchange rate adjustments | 0 | 0 | (4.965) | 0 | 0 | (4.965) |
| Revaluation of hedging instruments | 0 | 3.380 | 0 | 0 | 0 | 3.380 |
| Adjustment | 0 | (858) | 0 | 858 | 0 | 0 |
| Equity at 30.04.2021 | 2.000 | 28 | (971) | 395.191 | 0 | 396.248 |

After the reporting period extraordinary dividends of kDKK 110.000 has been distributed.

Cash Flow Statement

| | Note | 2020/21 kDKK | 2019/20 kDKK |
|---|------|-----------------|-----------------|
| Profit/loss from operating activities (EBIT) | | 174.328 | 37.479 |
| Adjustments for non-cash items | 23 | 10.084 | 32.496 |
| Changes in working capital | 24 | (24.486) | 23.618 |
| | | | |
| Cash flow from operating activities before financial items | | 159.926 | 93.593 |
| | | | |
| Interest income etc. | | 10.895 | 4.134 |
| Interest paid | | (3.903) | (2.423) |
| Income taxes paid | | (10.162) | (22.962) |
| Net cash flow from operating activities | | 156.756 | 72.342 |
| | | | |
| Acquisition of intangible assets | | (2.447) | (18.173) |
| Acquisition of tangible assets | | (4.604) | (3.279) |
| Dividend from subsidiaries | | 0 | 22.141 |
| Sale of tangible assets | | 0 | 85 |
| Net cash flow from investing activities | | (7.051) | 774 |
| | | | |
| Cash flow before financing activities | | 149.705 | 73.116 |
| | | | |
| Increase in and instalments on mortgage credit institutions and banks | | (34.211) | 24.349 |
| Repayment of loans (financial assets) | | 187 | 9.316 |
| Repayment of leasing debt | | (3.385) | (1.662) |
| Dividend paid | | 0 | (100.000) |
| Cash flow from financing activities | | (37.409) | (67.997) |
| | | | |
| Cash inflow/outflow for the year | | 112.296 | 5.119 |
| Cash and cash equivalents, beginning of the year | | 135.289 | 130.170 |
| Cash and cash equivalents at end of the year | | 247.585 | 135.289 |
| The amount may be broken down as follows: | | | |
| Cash without restrictions | | 247.585 | 135.289 |

Notes

1. Accounting policies
2. Critical accounting estimates and judgements
3. Revenue
4. Costs
5. Others
6. Amortisation, depreciation, write-downs and impairment losses
7. Financial income
8. Financial expenses
9. Tax on profit/loss for the year
10. Intangible assets
11. Leases
12. Tangible assets
13. Other financial assets and deposits
14. Investment in group enterprises
15. Inventories
16. Trade receivables
17. Other receivables
18. Share capital
19. Deferred tax
20. Amounts owed to credit institutions
21. Income tax payable
22. Contingent liabilities and security
23. Adjustment for non-cash items
24. Changes in working capital
25. Financial risk management
26. Transactions with related parties

Notes

1. Accounting policies

The consolidated financial statements for the period 1 May 2020 to 30 April 2021 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.

Accounting policies are unchanged from last year.

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

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.

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.

Notes

Derivative financial instruments

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

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

INCOME STATEMENT

Revenue

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

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

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

Cost of goods sold

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

Employee related cost

Employee related cost include indirect salaries and personnel related cost.

Marketing

Marketing expenses includes cost related to marketing campaigns

Transportation

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

Depreciations

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

Rent and Maintenance

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

IT and Consultancy

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

Others

Others is cost that is not included in the above.

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.

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.

Notes

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

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

Development costs

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

Software

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

Tangible assets

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

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

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

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

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

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

Land is not depreciated.

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

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

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

Notes

Leases

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

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

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

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

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

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

| | |
|--------------|-----------|
| Vehicles | 1-5 years |
| Other assets | 1-4 years |

Impairment of non-current assets

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 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 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.

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.

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

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

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

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 loss allowance. The Group applies the IFRS 9 simplified approach to measuring the expected credit losses.

Receivables are initially recognised at fair value and subsequently measured at amortised cost less write-down for losses. Provisions for losses are made by applying the expected loss impairment model and provisions are made based on an objective indication 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 the 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.

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.

Notes

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.

Notes

2. Critical accounting estimates and judgements

Estimation uncertainty

Determining the carrying amounts of certain assets and liabilities requires estimation of the effects of future events on the carrying amounts of these assets and liabilities at the balance sheet date. Estimates that are material for the financial reporting are made, among other things, by computing amortisation, depreciation, write-downs and impairment losses, provisions as well as contingent liabilities and assets. The estimates applied are based on assumptions which are sound, in the management's opinion but which by their very nature, are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the company is subject to risks and uncertainties that may cause the actual results to differ from these estimates. The notes provide information on bases and assumptions, on the future and other estimation uncertainties at the balance sheet date where there is 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, trade receivables DKK 85,3 million and inventory DKK 118,7 million may be significantly affected by major changes in the estimates and underlying assumptions of the calculations. For a description of impairment test 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 debt and doubtful debt. Write-downs to provide for losses are determined based on 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 based on a general assessment of the risk that the group of being unable to pay. Collective write-downs in respect of other franchisees are determined based on a general assessment of the risk that the group of debtors is unable to pay in the light of the company's experience from previous years. The determination is therefore to some extent based on estimates.

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

Material judgements

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

3. Revenue

Revenue coming from sale of furniture

| | 2020/21 | 2019/20 |
|----------|----------------|----------------|
| | kDKK | kDKK |
| Americas | 118.467 | 136.781 |
| APAC | 207.441 | 209.446 |
| EMEA | 673.743 | 647.060 |
| | <u>999.651</u> | <u>993.287</u> |

4. Costs

Staff Costs

| | | |
|-----------------------------|------------------|------------------|
| Wages and salaries | (112.762) | (123.357) |
| Pensions | (8.196) | (9.583) |
| Termination payments | (7.692) | (3.338) |
| Other social security costs | (659) | (2.074) |
| Other staff costs | (4.811) | (3.382) |
| | <u>(134.120)</u> | <u>(141.734)</u> |
| Average number of employees | <u>238</u> | <u>281</u> |

Notes

| | 2020/21 | 2019/20 |
|---|-----------------|-----------------|
| Including Key Management Personnel (Executive management team*): | kDKK | kDKK |
| Wages and salaries | (9.886) | (11.487) |
| Termination benefits, and other one-offs | (8.168) | (5.100) |
| Short-term incentive plan (Bonus) | (325) | (400) |
| Pensions | (614) | (660) |
| | <u>(18.993)</u> | <u>(17.647)</u> |

*The Executive Management team has 5 members at the end of the financial year 2020/2021 (5 members in 2019/20). Average number of members during the year is 5 (6 average members in 2019/20). Remuneration of the Executive Board was kDKK 3.872 (2019/20: kDKK 3.690) and the remuneration of the Board of Directors was kDKK 2.513 in 2020/21 (2019/20: kDKK 450).

5. Others

| | | |
|---|-----------------|------------------|
| Changes in bad debt provisions | 0 | (47.522) |
| Management fee and commission with subsidiaries | (75.490) | (78.171) |
| Other | (14.310) | (1.972) |
| Other expenses | <u>(89.800)</u> | <u>(127.665)</u> |
| Changes in bad debt provisions | 31.494 | 0 |
| Other income | 32.981 | 23.843 |
| | <u>64.475</u> | <u>23.843</u> |

6. Amortisation, depreciation, write-downs and impairment losses

| | | |
|-------------------------------------|-----------------|-----------------|
| Amortisation of intangible assets | (13.408) | (12.487) |
| Depreciation of tangible assets | (5.844) | (5.715) |
| Depreciation of right-of-use assets | (3.068) | (3.090) |
| | <u>(22.320)</u> | <u>(21.292)</u> |

7. Financial income

| | | |
|------------------------------------|---------------|---------------|
| Interest income, group enterprises | 9.057 | 1.217 |
| Interest income, other | 1.838 | 2.917 |
| Foreign exchange rate adjustments | 0 | 6.847 |
| | <u>10.895</u> | <u>10.981</u> |

8. Financial expenses

| | | |
|--------------------------------------|-----------------|----------------|
| Interest expenses, lease liabilities | (39) | (65) |
| Interest expenses, group enterprises | (1.070) | (526) |
| Interest expenses, other | (2.376) | (1.386) |
| Settlement of hedging instruments | (457) | (512) |
| Foreign exchange rate adjustments | (8.317) | (1.078) |
| | <u>(12.259)</u> | <u>(3.567)</u> |

9. Tax on profit/loss for the year

| | | |
|--|-----------------|-----------------|
| | <u>(38.838)</u> | <u>(13.783)</u> |
| | <u>(38.838)</u> | <u>(13.783)</u> |

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

| | | |
|----------------------------------|-----------------|-----------------|
| Current tax | (38.830) | (11.069) |
| Deferred tax | (240) | (4.707) |
| Adjustment previous years' taxes | 797 | 2.564 |
| Withholding tax | (565) | (571) |
| | <u>(38.838)</u> | <u>(13.783)</u> |

Notes

| | 2020/21 | 2019/20 |
|---|-----------------|-----------------|
| | kDKK | kDKK |
| <i>Tax on profit/loss for the year may be explained as follows:</i> | | |
| Calculated 22% tax on profit/loss for the year before tax | (38.052) | (9.876) |
| Withholding tax | 232 | (571) |
| <i>The tax effect of:</i> | | |
| Non-taxable income and non-deductible costs | (1.018) | (3.336) |
| | <u>(38.838)</u> | <u>(13.783)</u> |
| Effective tax rate | 22,5% | 30,7% |

10. Intangible assets

| kDKK | 2020/21 | | | Total |
|---|----------------|------------------|----------------------|------------------|
| | Master rights | Software | Intangible assets in | |
| Acquisition cost, beg. year | 42.039 | 142.550 | 7.530 | 192.119 |
| Additions | 0 | 863 | 1.584 | 2.447 |
| Transfers | 0 | 7.534 | (7.530) | 4 |
| Disposals for the year | 0 | (710) | 0 | (710) |
| Acquisition cost, year-end | <u>42.039</u> | <u>150.237</u> | <u>1.584</u> | <u>193.860</u> |
| Amortisation and impairment losses, beg. year | (5.439) | (92.694) | 0 | (98.133) |
| Amortisation for the year | 0 | (13.408) | 0 | (13.408) |
| Disposals for the year | 0 | 551 | 0 | 551 |
| Amortisation and impairment losses, year-end | <u>(5.439)</u> | <u>(105.551)</u> | <u>0</u> | <u>(110.990)</u> |
| Carrying amount, year-end | <u>36.600</u> | <u>44.686</u> | <u>1.584</u> | <u>82.870</u> |
| <i>Depreciated over a period of</i> | | <i>3-8 years</i> | | |

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

An impairment test of the carrying amounts of master rights has been carried out at 30 April 2021.

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

| Master rights: | 2020/21 | 2019/20 |
|----------------|---------------|---------------|
| | kDKK | kDKK |
| China | 8.278 | 8.278 |
| Denmark | 4.483 | 4.483 |
| Portugal | 2.226 | 2.226 |
| Spain | 8.871 | 8.871 |
| Sweden | 4.760 | 4.760 |
| UK | 7.982 | 7.982 |
| Total | <u>36.600</u> | <u>36.600</u> |

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 two years at an annual growth rate related to expected revenue growth from increased same-store-sales and opening of new stores followed by the calculation of a terminal value without annual growth. All amounts have been discounted at 8,65% pre-tax (8,25% last year).

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

Notes

| kDKK | 2019/20 | | | Total |
|--|----------------|------------------|-------------------------------|-----------------|
| | Master rights | Software | Intangible assets in progress | |
| Acquisition cost, beg.year | 42.039 | 112.244 | 20.469 | 174.752 |
| Adjustment to previous years | 0 | 0 | (463) | (463) |
| Additions | 0 | 434 | 17.739 | 18.173 |
| Transfers | 0 | 30.215 | (30.215) | 0 |
| Disposals for the year | 0 | (343) | 0 | (343) |
| Acquisition cost, year-end | <u>42.039</u> | <u>142.550</u> | <u>7.530</u> | <u>192.119</u> |
| Amortisation and impairment losses, beg.year | (5.439) | (80.350) | 0 | (85.789) |
| Amortisation for the year | 0 | (12.487) | 0 | (12.487) |
| Disposals for the year | 0 | 143 | 0 | 143 |
| Amortisation and impairment losses, year-end | <u>(5.439)</u> | <u>(92.694)</u> | <u>0</u> | <u>(98.133)</u> |
| Carrying amount, year-end | <u>36.600</u> | <u>49.856</u> | <u>7.530</u> | <u>93.986</u> |
| <i>Depreciated over a period of</i> | | <i>3-8 years</i> | | |

11. Leases

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

Amounts recognised in the balance sheet

| | 2020/21 kDKK | 2019/20 kDKK |
|----------------------------|-----------------|-----------------|
| <i>Right-of-use assets</i> | | |
| Vehicles | 2.111 | 2.123 |
| Other | 1.704 | 3.522 |
| | <u>3.815</u> | <u>5.645</u> |

The maturity of Lease liabilities - Non-discounted (kDKK)

| | | |
|-----------------------|--------------|--------------|
| Within 1 year | 3.779 | 3.224 |
| Between 1 and 5 years | 1.203 | 3.101 |
| After 5 years | 0 | 0 |
| | <u>4.982</u> | <u>6.325</u> |

Additions to the right-of-use assets during the 2020/21 financial year were kDKK 1.239 (2019/20: kDKK 383).

Amounts recognised in the statement of profit or loss

| | 2020/21 kDKK | 2019/20 kDKK |
|---|-----------------|-----------------|
| <i>Depreciation charge right-of-use assets</i> | | |
| Vehicles (depreciated over a period of 1-5 years) | 1.250 | 1.274 |
| Other (depreciated over a period of 1-4 years) | 1.818 | 1.816 |
| | <u>3.068</u> | <u>3.090</u> |
| Interest expenses related to lease liabilities | 39 | 65 |
| Expense relating to short-term leases | 113 | 113 |
| | <u>152</u> | <u>178</u> |

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

Notes

12. Tangible assets

| | 2020/21 | | | | | |
|---|--------------------|------------------------|---------------------|----------------------------------|---|------------------|
| <i>kDKK</i> | Land and buildings | Leasehold improvements | Plant and machinery | Fixtures and operating equipment | Property, plant and equipment in progress | Total |
| Acquisition cost, beg. year | 192.701 | 3.477 | 163.766 | 22.159 | 3.759 | 385.862 |
| Adjustment to previous years | 0 | 0 | 0 | 0 | (372) | (372) |
| Additions | 13 | 0 | 880 | 181 | 3.530 | 4.604 |
| Transfers | 308 | 0 | 157 | 2.922 | (3.387) | 0 |
| Disposals for the year | 0 | 0 | (42) | 0 | 0 | (42) |
| Acquisition cost, year-end | <u>193.022</u> | <u>3.477</u> | <u>164.761</u> | <u>25.262</u> | <u>3.530</u> | <u>390.052</u> |
| Depreciation and impairment losses, beg. year | (157.107) | (3.434) | (152.765) | (21.806) | 0 | (335.112) |
| Depreciation for the year | (3.319) | (14) | (1.754) | (757) | 0 | (5.844) |
| Disposals for the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation and impairment losses, year-end | <u>(160.426)</u> | <u>(3.448)</u> | <u>(154.519)</u> | <u>(22.563)</u> | <u>0</u> | <u>(340.956)</u> |
| Carrying amount, year-end | <u>32.596</u> | <u>29</u> | <u>10.242</u> | <u>2.699</u> | <u>3.530</u> | <u>49.096</u> |
| Depreciated over a period of | <i>10-25 years</i> | <i>3-10 years</i> | <i>5-9 years</i> | <i>3-7 years</i> | | |
| | 2019/20 | | | | | |
| <i>kDKK</i> | Land and buildings | Leasehold improvements | Plant and machinery | Fixtures and operating equipment | Property, plant and equipment in progress | Total |
| Acquisition cost, beg. year | 192.313 | 3.477 | 170.458 | 22.005 | 4.023 | 392.276 |
| Adjustment to previous years | 0 | 0 | 0 | 0 | 461 | 461 |
| Additions | 388 | 0 | 254 | 154 | 2.483 | 3.279 |
| Transfers | 0 | 0 | 3.208 | 0 | (3.208) | 0 |
| Disposals for the year | 0 | 0 | (280) | 0 | 0 | (280) |
| Reclassification of financial leases | 0 | 0 | (9.874) | 0 | 0 | (9.874) |
| Acquisition cost, year-end | <u>192.701</u> | <u>3.477</u> | <u>163.766</u> | <u>22.159</u> | <u>3.759</u> | <u>385.862</u> |
| Depreciation and impairment losses, beg. year | (153.398) | (3.420) | (157.780) | (21.550) | 0 | (336.148) |
| Adjustment to previous years | 0 | 0 | (4) | 0 | 0 | (4) |
| Depreciation for the year | (3.709) | (14) | (1.736) | (256) | 0 | (5.715) |
| Disposals for the year | 0 | 0 | 149 | 0 | 0 | 149 |
| Reclassification of financial leases | 0 | 0 | 6.606 | 0 | 0 | 6.606 |
| Depreciation and impairment losses, year-end | <u>(157.107)</u> | <u>(3.434)</u> | <u>(152.765)</u> | <u>(21.806)</u> | <u>0</u> | <u>(335.112)</u> |
| Carrying amount, year-end | <u>35.594</u> | <u>43</u> | <u>11.001</u> | <u>353</u> | <u>3.759</u> | <u>50.750</u> |
| Depreciated over a period of | <i>10-25 years</i> | <i>3-10 years</i> | <i>5-9 years</i> | <i>3-7 years</i> | | |

Notes

| 13. Other financial assets and deposits | 2020/21 | 2019/20 |
|--|----------------|----------------|
| | kDKK | kDKK |
| Acquisition cost, beg. year | 1.011 | 10.327 |
| Additions | 0 | 25 |
| Disposals for the year | (187) | (9.341) |
| Acquisition cost, year-end | <u>824</u> | <u>1.011</u> |

14. Investment in group enterprises

| | | |
|-----------------|----------------|----------------|
| Cost, beg. year | 189.901 | 189.901 |
| Cost, year-end | <u>189.901</u> | <u>189.901</u> |

Value adjustments:

| | | |
|--|------------------|------------------|
| Revaluations at the beginning of the year | (151.323) | (120.662) |
| Exchange adjustments | (4.965) | 4.112 |
| Regulation previous year | 2.857 | 2.756 |
| Profit for year | 2.086 | (13.019) |
| Dividend from group enterprises | 0 | (22.141) |
| Change in internal profit of inventories | 4.077 | (2.369) |
| Value adjustments at 31 December | <u>(147.268)</u> | <u>(151.323)</u> |
| Booked value at the end of the year | <u>42.633</u> | <u>38.578</u> |
| In financial assets investments in group enterprises with positive | 97.133 | 92.789 |
| In provisions investment in group enterprises with negative equity | <u>54.500</u> | <u>54.211</u> |
| | <u>42.633</u> | <u>38.578</u> |

Investment in subsidiaries are, at first recognition, measured at cost and subsequently at the proportionate share of the companies' net 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.

| Company name: | Domicile | Owner Share |
|--|----------------------|-------------|
| 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% |
| BoConcept Madison Inc. | New York, USA | 100% |
| BoConcept Japan KK | Tokyo, Japan | 100% |
| BC Design Holding Ltd. | Hong Kong, Hong Kong | 100% |
| BoConcept Furniture Trading Co Ltd. | Shanghai, China | 100% |
| BoConcept Retail China Ltd | Shanghai, China | 100% |
| BoConcept Westchester NY, LLC. | New York, USA | 100% |

Non-active companies

| | | |
|-------------------------|----------------------|------|
| BoConcept Hong Kong ltd | Hong Kong, Hong Kong | 100% |
| BC Design Århus A/S | Ølgod, Danmark | 100% |

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

Notes**15. Inventories**

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| | kDKK | kDKK |
| Raw materials and consumables | 10.100 | 12.353 |
| Goods in progress | 15.851 | 5.947 |
| Manufactured goods and goods for resale | <u>92.787</u> | <u>91.336</u> |
| | <u>118.738</u> | <u>109.636</u> |
| Cost of sales for the year which is included in production costs | 575.930 | 573.968 |
| Write-down of inventories | 0 | (12.340) |
| Reversal of write-downs for the year | 10.255 | 792 |

16. Trade receivables

| | | |
|--|-----------------|-----------------|
| Trade receivables | <u>85.301</u> | <u>65.992</u> |
| <i>Provisions for losses have been recognised in the above items as follows:</i> | | |
| Provisions, beg.year | (62.989) | (76.304) |
| Change in provision for the year | 20.809 | (47.685) |
| Losses recognised for the year | 0 | 0 |
| Transferred to loan | 0 | 61.000 |
| Provisions, year-end | <u>(42.180)</u> | <u>(62.989)</u> |

Gross receivables before Write-down

| | | |
|-----------------------|----------------|----------------|
| Not due | 104.916 | 73.163 |
| Overdue in 0-30 days | 7.022 | 25.618 |
| Overdue in 31-60 days | 3.067 | 10.721 |
| Overdue in > 60 days | <u>12.476</u> | <u>19.479</u> |
| | <u>127.481</u> | <u>128.981</u> |

Write-down distribution

| | | |
|-----------------------|-----------------|-----------------|
| Not due | (22.878) | (17.594) |
| Overdue in 0-30 days | (4.467) | (15.195) |
| Overdue in 31-60 days | (2.359) | (10.721) |
| Overdue in > 60 days | <u>(12.476)</u> | <u>(19.479)</u> |
| | <u>(42.180)</u> | <u>(62.989)</u> |

17. Other receivables

| | | |
|-------------------------|---------------|---------------|
| Other receivables | 23.441 | 9.511 |
| Prepayments | <u>4.541</u> | <u>4.618</u> |
| Total other receivables | <u>27.982</u> | <u>14.129</u> |

18. Share capital

| | 2020/21 | | 2019/20 | |
|-----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | Number of shares | Nominal value (kDKK) | Number of shares | Nominal value (kDKK) |
| The share capital comprise: | | | | |
| A shares | <u>20.000</u> | <u>2.000</u> | <u>20.000</u> | <u>2.000</u> |

Notes**19. Deferred tax**

| | 2020/21 | 2019/20 |
|--|-----------------|-----------------|
| | kDKK | kDKK |
| Deferred tax, beg. year | (15.790) | (11.083) |
| Deferred tax, Adjustment previous years' taxes | (110) | 0 |
| Deferred tax for the year | (1.193) | (4.707) |
| Deferred tax, year-end | <u>(17.093)</u> | <u>(15.790)</u> |

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

| | | |
|----------------------------|-----------------|-----------------|
| Deferred tax (asset) | 0 | 0 |
| Deferred tax (liability) | (17.093) | (15.790) |
| Net deferred tax, year-end | <u>(17.093)</u> | <u>(15.790)</u> |

Deferred tax relates to:

| | | |
|---------------------|-----------------|-----------------|
| Intangible assets | (16.896) | (17.754) |
| Tangible assets | (774) | (1.334) |
| Current assets | (1.160) | 2.595 |
| Current liabilities | 1.737 | 703 |
| | <u>(17.093)</u> | <u>(15.790)</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.

20. Amounts owed to credit institutions

Mortgage credit institutions

| | | |
|-----------------------|---------------|---------------|
| Within 1 year | 4.111 | 4.632 |
| Between 1 and 5 years | 16.552 | 15.507 |
| After 5 years | 5.859 | 11.076 |
| | <u>26.522</u> | <u>31.215</u> |

Credit institutions

| | | |
|--------------------|----------|---------------|
| Witin 1 year | 0 | 0 |
| Overdraft facility | 0 | 29.518 |
| | <u>0</u> | <u>29.518</u> |

21. Income tax payable

| | | |
|---------------------------------------|---------------|---------------|
| Corporation tax, due at the beginning | 11.069 | 25.689 |
| Paid corporation tax | (10.162) | (22.962) |
| Adjustment previous years' taxes | (907) | (2.727) |
| Tax of the year | 38.830 | 11.069 |
| Tax payable at year end | <u>38.830</u> | <u>11.069</u> |

Notes

22. Contingent liabilities and security

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| Securities | kDKK | kDKK |
| Land and buildings recognised at: | 32.596 | 35.594 |
| Production, plant and machinery recognised at: | 13.349 | 11.001 |
| Are charged in addition to the mortgage debt of: | <u>26.522</u> | <u>31.215</u> |
| Subject to letter of indemnity of: | <u>50.000</u> | <u>50.000</u> |
| <i>Security in the following BoConcept A/S:</i> | | |
| Goodwill, domain names and various rights | 36.600 | 36.600 |
| Plant, operating equipment and machinery | 16.049 | 11.354 |
| Inventory value | 118.737 | 109.636 |
| Receivables and location involvement | <u>85.301</u> | <u>65.992</u> |
| Total | <u>256.687</u> | <u>223.582</u> |
| Registered value of company security | <u>125.000</u> | <u>125.000</u> |

BoConcept A/S has provided guarantee for franchisees' landlords for rent of DKK 32.4 million (last year DKK 34 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 36.5 million (Last year 38.4 million)

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

23. Adjustment for non-cash items

| | | |
|---|-----------------|----------------|
| Depreciation and impairment losses for the year | 22.321 | 21.292 |
| Loss on sale/scrapping of machinery and equipment | 201 | 247 |
| Profit/ loss subsidiaries | (2.086) | 13.019 |
| Other adjustments | <u>(10.352)</u> | <u>(2.062)</u> |
| | <u>10.084</u> | <u>32.496</u> |

24. Changes in working capital

| | | |
|-----------------------------|-----------------|-----------------|
| Change receivables | (38.481) | 48.406 |
| Change inventories | (9.101) | 21.001 |
| Change trade payables, etc. | <u>23.096</u> | <u>(45.789)</u> |
| | <u>(24.486)</u> | <u>23.618</u> |

25. Financial risk management

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.

Notes

Market risk

In BoConcept A/S, market risks associated with financial instruments consist of foreign exchange risks and interest rate risks.

Foreign exchange risks

| | | 2020/21 | | | |
|---------------------------|----------------------------------|--------------------|--|---|---------------------|
| Foreign currencies | Pre-payment/ maturity | Receivables | Liabilities other than provisions | Hedged by forward exchange contracts | Net position |
| PLN | < 1 year | 219 | (13) | 0 | 206 |
| | > 1 year | | | | 0 |
| GBP | < 1 year | 7.947 | (1.045) | (42.389) | (35.488) |
| | > 1 year | | | | 0 |
| JPY | < 1 year | 2.190 | (583) | (53.327) | (51.719) |
| | > 1 year | | | | 0 |
| SEK | < 1 year | 1.668 | (48) | (7.417) | (5.797) |
| | > 1 year | | | | 0 |
| USD | < 1 year | 42.589 | (24.245) | (7.786) | 10.558 |
| | > 1 year | | | | 0 |
| EUR | < 1 year | 118.193 | (71.656) | 0 | 46.537 |
| | > 1 year | | | | 0 |
| CNY | < 1 year | 1.082 | (40.675) | 18.767 | (20.826) |
| | > 1 year | | | | 0 |
| Other | < 1 year | 2.791 | (1) | 0 | 2.790 |
| | > 1 year | | | | 0 |
| | | <u>176.680</u> | <u>(138.267)</u> | <u>(92.152)</u> | <u>(53.739)</u> |

Sale/purchase of currencies in accordance with agreements

92.152

Unrealised net loss

0

| | | 2019/20 | | | |
|---------------------------|----------------------------------|--------------------|--|---|---------------------|
| Foreign currencies | Pre-payment/ maturity | Receivables | Liabilities other than provisions | Hedged by forward exchange contracts | Net position |
| PLN | < 1 year | 206 | (2.551) | 0 | (2.345) |
| | > 1 year | 0 | 0 | 0 | 0 |
| GBP | < 1 year | 12.250 | (4.485) | (37.829) | (30.064) |
| | > 1 year | 0 | 0 | 0 | 0 |
| JPY | < 1 year | 32.967 | (618) | (39.980) | (7.631) |
| | > 1 year | 0 | 0 | 0 | 0 |
| SEK | < 1 year | 1.443 | (385) | (7.000) | (5.942) |
| | > 1 year | 0 | 0 | 0 | 0 |
| USD | < 1 year | 26.550 | (27.715) | (57.372) | (58.537) |
| | > 1 year | 0 | 0 | 0 | 0 |
| EUR | < 1 year | 134.404 | (41.116) | 0 | 93.288 |
| | > 1 year | 0 | 0 | 0 | 0 |
| CNY | < 1 year | 2.538 | (26.791) | 15.658 | (8.595) |
| | > 1 year | 0 | 0 | 0 | 0 |
| Other | < 1 year | 3.164 | 24 | 0 | 3.188 |
| | > 1 year | 0 | 0 | 0 | 0 |
| | | <u>213.522</u> | <u>(103.637)</u> | <u>(126.523)</u> | <u>(16.638)</u> |

Sale/purchase of currencies in accordance with agreements

126.523

Unrealised net loss

0

Notes

97% (last year 99%) of revenue is realised abroad. This figure is not indicative of the foreign exchange risk since, under the group's purchasing policy, purchasing and selling currencies are matched whenever possible.

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

Foreign exchange risks are managed centrally, and the most important and volatile currencies are hedged by means of foreign exchange contracts and option contracts with a maximum term of 12 months. Foreign currency translation adjustments of investments in group enterprises with a functional currency different from that of the parent company are recognised directly in equity. Associated foreign exchange risks are not hedged since the group takes the view that ongoing hedging of such long-term investments would not be the best policy based on an overall evaluation of the risks and costs involved. The isolated effects of a 5% increase in the foreign exchange rate at 30 April vis-a-vis DKK by translation of assets and obligations may be broken down as follows:

| | 2020/21 | 2019/20 |
|---------------------|----------------|----------------|
| | kDKK | kDKK |
| USD | | |
| Equity | 528 | (2.927) |
| Profit for the year | 917 | (58) |
| GBP | | |
| Equity | (1.774) | (1.503) |
| Profit for the year | 345 | 388 |
| CNY | | |
| Equity | (1.041) | (430) |
| Profit for the year | (1.980) | (1.213) |
| JPY | | |
| Equity | (2.586) | (382) |
| Profit for the year | 80 | 1.617 |

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

| | 2020/21 | 2019/20 |
|-----------------|----------------|----------------|
| | kDKK | kDKK |
| USD EBIT effect | (1.166) | 3.950 |
| JPY EBIT effect | 3.591 | 4.764 |
| GBP EBIT effect | 3.700 | 3.900 |
| CNY EBIT effect | (2.418) | (607) |

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 risk

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

Analysis of sensitivity to interest rate risks

BoConcept 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 eurozone 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:

| | 2020/21 kDKK | 2019/20 kDKK |
|-------------------|-----------------|-----------------|
| Equity | (39) | (24) |
| Loss for the year | <u>(265)</u> | <u>(337)</u> |

Most of the debt to mortgage credit institutions and other bank loans takes the form of contracts carrying variable rates of interest, this year as well as last year. However, this year BoConcept A/S have concluded an interest rate swap agreement with a total term of 5 years and a fixed rate of interest of 1,8%, covering 112% 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 0,7 million (last year a negative value of DKK 1.1 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 decreased to DKK -10,4 millions (2019/20: 7.4 millions), strongly impacted by foreign exchange rate adjustment. Strong focus on net working capital continued, along with favourable currency movements.

Credit risks

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 important 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.

54% of BoConcept's customers had not defaulted on the due dates at 30 April 2021 (2019/20: 48%). 91% of BoConcept's customers have been paying their debts within 30 days of the due date. Receivables that are more than 90 days overdue have been provided for in full.

| | 2020/21 kDKK | 2019/20 kDKK |
|---|-----------------|-----------------|
| The maximum credit risk without taking into account security provided for trade receivables | 85.301 | 65.992 |
| The maximum credit risk associated with bank deposit, securities and derivative financial instruments | 247.585 | 135.289 |
| The maximum credit risk associated with other receivables | <u>27.982</u> | <u>14.129</u> |
| | <u>360.868</u> | <u>215.410</u> |

Notes

Liquidity risk

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 extraordinary circumstances. 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 65,2 million at the end of the financial year compared to DKK 2.3 million the year before. Cash amounted to DKK 247,6 million compared to DKK 135.3 million last year.

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

| | 2020/21 | | | | | Total kDKK |
|---|----------------|----------------|---------------------|--------------------------|----------------------|----------------|
| | Nominal value | Fair value | Less than 1 year | Between 1 and 5 years | More than 5 years | |
| | kDKK | kDKK | kDKK | kDKK | kDKK | |
| Measured at amortised cost (loans and other commitments) | | | | | | |
| Amounts owed to mortgage credit institution | 26.522 | 26.522 | 4.111 | 16.552 | 5.859 | 26.522 |
| | <u>26.522</u> | <u>26.522</u> | <u>4.111</u> | <u>16.552</u> | <u>5.859</u> | <u>26.522</u> |
| Leasing | 4.982 | 4.982 | 3.778 | 1.204 | 0 | 4.982 |
| Trade payables including intercompany | 169.734 | 169.734 | 169.734 | 0 | 0 | 169.734 |
| Lease guarantees and guarantees provided for franchisees (contingent liabilities) | 0 | 0 | 29.814 | 2.625 | 4.496 | 36.935 |
| Other payables | 79.943 | 79.943 | 79.943 | 0 | 0 | 79.943 |
| | <u>254.659</u> | <u>254.659</u> | <u>283.269</u> | <u>3.829</u> | <u>4.496</u> | <u>286.612</u> |
| Total financial liabilities | <u>281.181</u> | <u>281.181</u> | <u>287.380</u> | <u>20.381</u> | <u>10.355</u> | <u>313.134</u> |
| Measured at amortised cost (deposits and receivables) | | | | | | |
| Other financial assets | 824 | 824 | 0 | 824 | 0 | 824 |
| Trade receivables including intercompany | 160.403 | 151.347 | 151.347 | 0 | 0 | 151.347 |
| Other receivables | 27.982 | 27.982 | 27.982 | 0 | 0 | 27.982 |
| Cash | 247.585 | 247.585 | 247.585 | 0 | 0 | 247.585 |
| | <u>427.738</u> | <u>427.739</u> | <u>426.914</u> | <u>824</u> | <u>0</u> | <u>427.738</u> |
| Derivative financial instruments | | | | | | |
| Forward exchange contracts | 0 | 0 | 92.152 | 0 | 0 | 92.152 |
| | <u>0</u> | <u>0</u> | <u>92.152</u> | <u>0</u> | <u>0</u> | <u>92.152</u> |
| Total financial assets | <u>427.738</u> | <u>427.739</u> | <u>519.066</u> | <u>824</u> | <u>0</u> | <u>519.890</u> |

Notes

| | 2019/20 | | | | | |
|---|----------------|----------------|---------------------|--------------------------|----------------------|------------------|
| | Nominal value | Fair value | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
| | kDKK | kDKK | kDKK | kDKK | kDKK | kDKK |
| Measured at amortised cost (loans and other commitments) | | | | | | |
| Amounts owed to mortgage credit institutions | 31.215 | 31.286 | 4.632 | 15.507 | 11.076 | 31.215 |
| Amounts owed to credit institutions | 0 | 29.518 | 29.518 | 0 | 0 | 29.518 |
| | <u>31.215</u> | <u>60.804</u> | <u>34.150</u> | <u>15.507</u> | <u>11.076</u> | <u>60.733</u> |
| Trade payables | 63.490 | 63.490 | 63.490 | 0 | 0 | 63.490 |
| Lease guarantees and guarantees provided for franchisees (contingent liabilities) | 0 | 0 | 31.426 | 5.039 | 4.496 | 40.961 |
| Other payables | 90.984 | 90.984 | 90.984 | 0 | 0 | 90.984 |
| | <u>185.689</u> | <u>215.278</u> | <u>220.050</u> | <u>20.546</u> | <u>15.572</u> | <u>256.168</u> |
| Total financial liabilities | <u>185.689</u> | <u>215.278</u> | <u>220.050</u> | <u>20.546</u> | <u>15.572</u> | <u>256.168</u> |
| Measured at amortised cost (deposits and receivables) | | | | | | |
| Other financial assets | 1.011 | 1.011 | 0 | 1.011 | 0 | 1.011 |
| Trade receivables including intercompany | 135.774 | 135.774 | 135.774 | 0 | 0 | 135.774 |
| Other receivables | 14.129 | 14.129 | 14.129 | 0 | 0 | 14.129 |
| Cash | 135.289 | 135.289 | 135.289 | 0 | 0 | 135.289 |
| Total | <u>286.203</u> | <u>286.203</u> | <u>285.192</u> | <u>1.011</u> | <u>0</u> | <u>286.203</u> |
| Derivative financial instruments | | | | | | |
| Forward exchange contracts | 0 | 0 | (126.523) | 0 | 0 | (126.523) |
| | <u>0</u> | <u>0</u> | <u>(126.523)</u> | <u>0</u> | <u>0</u> | <u>(126.523)</u> |
| Total financial assets | <u>286.203</u> | <u>286.203</u> | <u>158.669</u> | <u>1.011</u> | <u>0</u> | <u>159.680</u> |

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

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

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

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

Level 1: Observable market prices for identical instruments.

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

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

The fair value of BoConcept'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. Transactions with related parties

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

Furthermore, the related parties include group enterprises in which BoConcept A/S has control or significant influence, cf. group overview in note 14.

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

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| | kDKK | kDKK |
| Revenue from sale of goods | 122.551 | 125.474 |
| Purchase of management services | 33.327 | (40.500) |
| Management fees | 3.221 | 1.432 |
| Receivables relating to transactions with subsidiaries | 24.569 | 36.034 |
| Payables relating to transactions with subsidiaries | (31.264) | (14.739) |
| Contractual obligations and guarantees | 5.428 | 6.065 |
| Other support | (78) | (192) |