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**Royal Ahrend**  
Koninklijke Ahrend BV

Annual reporting 2019

THURSDAY



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## Key figures

	2019	2018
(in million euros unless otherwise stated)		
Net turnover	347.3	314.5
Profit/(loss) after taxation	5.6	3.2
Cash flow from operating activities	22.8	19.0
Balance sheet total	207.6	192.7
Group equity	76.6	70.8
Solvency ratio <sup>1</sup>	36.9%	36.7%
Average FTE's	1.597	1.611

<sup>1</sup> Solvency ratio formula: group equity / balance sheet total



## **Board of directors report**

The report of the Board of Directors is available at the offices of the company.

## **Supervisory Board report**

The report of the Supervisory Board is available at the offices of the company.



## **2019 Financial statements**

of  
Royal Ahrend

Registered office: Amsterdam  
Address: Laarderhoogtweg 25  
1101 EB Amsterdam

File number at Trade Registry of the Chamber of Commerce and Industry: 33120814

## Consolidated balance sheet as at 31 December 2019

(before allocation of results)

### Assets

(in thousands of euros)

	31 December 2019	31 December 2018
<b>Fixed assets</b>		
Intangible fixed assets (1)	3.159	4.730
Tangible fixed assets (2)	31.299	31.060
Right of use assets (3)	24.484	28.408
Financial fixed assets (4)	20.441	23.752
	<u>79.383</u>	<u>87.950</u>
<b>Current assets</b>		
Inventories (5)	32.015	28.371
Current receivables (6)	75.144	67.690
Cash at bank (7)	21.086	8.688
	<u>128.245</u>	<u>104.749</u>
<b>Total assets</b>	<u>207.628</u>	<u>192.699</u>

## Shareholders' equity and liabilities

(in thousands of euros)	31 December 2019	31 December 2018
<b>Group equity (8)</b>		
Equity	76.080	70.380
Minority interests	485	398
Group equity	76.565	70.778
<b>Provisions (9)</b>	12.599	14.660
<b>Long-term liabilities (10)</b>	20.015	22.891
<b>Current liabilities (11)</b>	98.449	84.370
<b>Total equity and liabilities</b>	<u>207.628</u>	<u>192.699</u>



## Consolidated profit and loss account for the year ended 31 December 2019

(in thousands of euros)	2019	2018
<b>Net turnover (12)</b>	347.255	314.545
Own production capitalized	0	0
Change in inventories of finished goods and work in progress	802	560
<b>Total operating income</b>	348.057	315.105
Cost of raw materials and consumables	(208.861)	(186.225)
Wages and salaries (13)	(65.143)	(63.492)
Social security charges (14)	(13.562)	(12.922)
Amortization and depreciation respectively of intangible and tangible fixed assets (15)	(13.424)	(7.342)
Other operating expenses (16)	(37.696)	(40.127)
<b>Total operating expenses</b>	(338.686)	(310.108)
	9.371	4.997
Financial income and expense (18)	(1.011)	(150)
<b>Profit/(loss) before taxation</b>	8.360	4.847
Income taxes (19)	(2.843)	(1.366)
	5.517	3.481
Share in profit/(loss) of participating interests	269	(96)
<b>Group net profit/(loss)</b>	5.786	3.385
Minority interests in profit/(loss)	(158)	(138)
<b>Profit/(loss) after taxation</b>	5.628	3.247

## Consolidated cash flow statement for the year ended 31 December 2019

(in thousands of euros)	2019	2018
<b>Cash flow from operating activities</b>		
Operating profit/(loss)	9.371	4.997
Adjustments for:		
depreciation and amortization	13.424	7.342
movements in provisions	(2.062)	(63)
other movements	2.212	(517)
Changes in working capital:		
(increase)/decrease in trade receivables	(7.333)	10.131
(increase)/decrease in prepayments	(1.814)	1.726
(increase)/decrease in inventories	(3.644)	944
increase/(decrease) in trade payables	8.115	322
increase/(decrease) in taxes	3.421	52
increase/(decrease) in accruals	2.818	(4.695)
	<u>1.563</u>	<u>8.480</u>
Cash flow from business operations	24.508	20.239
Interest received	22	7
Interest paid	(442)	(252)
Income tax paid	(1.316)	(979)
	<u>(1.736)</u>	<u>(1.224)</u>
Cash flow used in operating activities	22.772	19.015
<b>Cash flow from investing activities</b>		
Additions to intangible fixed assets (1)	(224)	(21)
Additions to tangible fixed assets (2)	(5.812)	(5.819)
Cash flow used in investing activities	<u>(6.036)</u>	<u>(5.840)</u>
<b>Cash flow from financing activities</b>		
Lease payments	(6.263)	0
Repayment of long-term liabilities and bank loans	(75)	(875)
Change debt to credit institutions	2.000	(5.467)
Cash flow used in financing activities	<u>(4.338)</u>	<u>(6.342)</u>
<b>Increase in cash and cash equivalents</b>	<u>12.398</u>	<u>6.833</u>

## Consolidated statement of comprehensive income for the year ended 31 December 2019

(in thousands of euros)	2019	2018
<b>Consolidated profit/(loss)</b>	5.628	3.247
Translation differences concerning foreign activities	330	(196)
Remeasurement pensions	(259)	0
<b>Net other comprehensive income (expense) recognized directly in group equity</b>	71	(196)
<b>Total comprehensive income (expense) for the period</b>	<b>5.699</b>	<b>3.051</b>

## Accounting policies used in preparing the consolidated financial statements

### General

The company prepared the consolidated financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. The financial statements were prepared on 16 April 2020.

*Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.*

### Group activities

Royal Ahrend is an international leader in office furniture committed to delivering contemporary and highly sustainable office lifestyles to corporate end-users around the world. Products and interiors are designed to encourage the wellbeing and productivity of the people. Ahrend operates in over 20 countries on five continents, including China, Russia and Dubai. Royal Ahrend delivers furniture and fit out services for office, education, healthcare and retail environments through a portfolio of leading furniture brands such as Ahrend, Gispén, Techo and Presikhaaf. These recognised brands are often leaders in their relevant markets and some look back at a heritage of over 100 years.

### Going concern

The outbreak of COVID-19 has a major impact on the health and safety of people, the economic performance of companies and thus economic development across the globe. Currently it is still uncertain how this situation will develop. Much is depending on the effectiveness of the governmental measures and medical breakthroughs.

In the first quarter of 2020 COVID-19 had a limited impact on our business. The situation on the European market changed during March and April rapidly by the spreading of COVID-19. Depending on the duration and development, COVID-19 will have an increasing impact on the operational- and thus financial performance of the Group.

Group management undertook measures to secure the health and safety of all employees working within the Royal Ahrend, customers and other people related to the Group. A task force consisting of representatives of all relevant departments and experts is monitoring the situation on a daily basis. Amongst other the following measures are put in place:

- › Health safety | Employees are obliged to work from home if possible. This reflects the vast majority of our office personnel. Our employees in the production facilities are in general not able to work outside the facility itself. Specific measures have been taken to secure the health and safety of these employees. Our showrooms are open on appointment only and precautions are in place.
- › Safeguard the supply chain | In cooperation with our customers, main suppliers and own supply chain organization, actions have been and taken to safeguard our production activities and ensure product and delivery quality.

- › **Governmental measures** | A team is monitoring the governmental support programs in all the countries where Royal Ahrend is operating. At this moment Royal Ahrend has applied for the NOW compensation in the Netherlands and similar programs in Germany, Belgium and France. The Group will enter into other programs in countries we are present in if deemed needed
- › **Cost savings** | The operational costs will be adapted in forthcoming months depending on the activity levels and trade volumes realized.

Multiple scenarios have been calculated and frequently updated to estimate the potential impact on our business to support decision making for the mid- and long term. At year-end the Group had no bank debt and a cash surplus of €21.1mio. Based on our existing financing agreement with KBC Bank amounting to €60mio, the facility is secured until March 2023. Details about the financing agreement is included in note 11 to the consolidated balance sheet. Current scenario-analyses do not indicate any issues in headroom nor compliance with the minimum solvency-ratio covenant

As it is uncertain how COVID-19 will develop, we will keep a close eye on the situation and adjust our actions if necessary. Based on the current situation and expectations Group management cannot fully oversee the total financial impact on the Group for a longer period of time. As the financial position of the Group is considered to be strong and appropriate actions are put in place, Group management has determined that the use of the going concern assumption is warranted. However, there is a material uncertainty resulting from COVID-19 that may cast significant doubt upon the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Change in accounting policies

The group changed the accounting policy of leases. The possibility is used to apply IFRS 16 instead of RJ 292 (RJ 292.101). The group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The leases are disclosed in note 3. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of RJ 292 'Leasing'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2,0%.

### *Practical expedients applied*

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment.

*Measurement of lease liabilities*  
(in thousands of euros)

	2019
Operating leases commitments disclosed as at 31 December 2018	31.332
Discounting using the lessee's incremental borrowing rate of at the date of initial application	(2.924)
Lease liability recognised as at 1 January 2019	<u>28.408</u>

*Measurement of right of use assets*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018.

*Adjustments recognized in the balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets increase by €28.408.000
- Deferred tax assets increase by €7.102.000
- Lease liabilities increase by €28.408.000
- Deferred tax liabilities increase by €7.102.000

The net impact on retained earnings on 1 January 2019 was zero.

*Impact on the cash flow statement*

Implementation of IFRS16 does not have a direct impact on the actual cash flows. The lease payments will remain the same. The presentation in the cash flow statement has changed. Lease payments are included as part of the cash flow from financing activities instead of being included in the EBIT as part of the cash flow from operational activities.

*Impact on solvency ratio*

The solvency ratio as per 1 January 2019 declined from 44,8% to 36,7% due to the implementation of IFRS16.

*Lessor accounting*

The group did not need to make any adjustments to the accounting for assets held as a lessor under operating leases as a result of the adoption of IFRS16.

## Judgments and estimates

In applying the principles and policies for drawing up the financial statements, the management of the group makes different estimates and judgments that may be essential to the amounts disclosed in the financial statements.

Estimates are used to verify the correct valuation of assets included in our balance sheet. Deferred tax assets are considered to be the assets with the most significant valuation risk. The valuation is verified using long-term forecasts of financial performances. The estimates used are based on the Budget 2020, the Mid-Term

Plan for 2018-2022 and the actual results. Based on the performed analysis we conclude that no indicator for impairment is present by the end of 2019.

Estimates are used in the calculation of the Right of Used assets and corresponding Lease Liabilities. Especially determining whether or not extension or termination options will be exercised or not. This could have a significant impact on the expected duration of a lease contract and thus impact the related balances.

If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of other estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

## Changes in accounting estimates

Application of IFRS16 leases includes significant estimates. The main area of estimates used are determining whether or not extension or termination options will be exercised or not. For further details please refer to paragraph 'change in accounting policies' from page 12 and paragraph 'leases' starting on page 29.

## Equity interests

### Ultimate parent company

HAL Trust, Curaçao, is the ultimate parent company and controlling party of Royal Ahrend (Koninklijke Ahrend BV). The financial data of Royal Ahrend is included in the consolidated financial statements of both HAL Trust and HAL Holding NV. The consolidated financial statements are available at the Chamber of Commerce

### Fully consolidated companies

- Ahrend Produktiebedrijf Zwanenburg BV, Zwanenburg: wholly-owned subsidiary (2018: 100%)
- Ahrend Produktiebedrijf Sint-Oedenrode BV, Sint-Oedenrode: wholly-owned subsidiary (2018: 100%)
- Ahrend Nederland BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Ahrend Hergebruik BV, Sint-Oedenrode: 52,5% participating interest (2018: 52.5%)
- Ahrend International BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Ahrend NV, Brussels, Belgium: wholly-owned subsidiary (2018: 100%)
- Ahrend Ltd., Hove/London, UK: wholly-owned subsidiary (2018: 100%)
- Ahrend GmbH & Co. KG, Köln, Germany: wholly-owned subsidiary (2018: 100%)
- Ahrend Espana BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Techo UK Ltd., Hove/London, UK: wholly-owned subsidiary (2018: 100%)
- Ahrend Holdings Ltd., Hove/London, UK: wholly-owned subsidiary (2018: 100%)
- Ahrend Support BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Ahrend Group BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Ahrend Europe BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Gispén BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Ahrend APAC BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Gispén Nederland BV, Culemborg: wholly-owned subsidiary (2018: 100%)
- Ahrend Onroerend Goed BV, Amsterdam: wholly-owned subsidiary (2018: 100%)
- Ahrend Onroerend Goed II BV, Culemborg: wholly-owned subsidiary (2018: 100%)
- Ngispén BV, Culemborg: wholly-owned subsidiary (2018: 100%)
- Suzhou Antril Sheet Metal Production Company Ltd., Suzhou, China: wholly-owned subsidiary (2018: 100%)
- Roels BV, Sint-Oedenrode: wholly-owned subsidiary (2018: 100%)

- Presikhaaf Schoolmeubelen BV, Arnhem: wholly-owned subsidiary (2018: 100%)
- Techo A.S., Prague, Czech Republic: wholly-owned subsidiary (2018: 100%)
- Interier Ricany, Prague, Czech Republic: wholly-owned subsidiary (2018: 100%)
- Ahrend Sro, Prague, Czech Republic: wholly-owned subsidiary (2018: 100%)
- Techo Sro, Bratislava, Slovakia: wholly-owned subsidiary (2018: 100%)
- Techo Romania S.r.l., Bucharest, Romania: wholly-owned subsidiary (2018: 100%)
- Techo Hungaria Kft, Budapest, Hungary: wholly-owned subsidiary (2018: 100%)
- Techo Adria d.o.o., Zagreb, Croatia: wholly-owned subsidiary (2018: 100%)
- Techo Georgia Ltd, Tbilisi, Georgia: wholly-owned subsidiary (2018: 100%)
- Techo Ukraine Ltd, Kiev, Ukraine: wholly-owned subsidiary (2018: 100%)
- Techo GmbH, Vienna, Austria: wholly-owned subsidiary (2018: 100%)
- Techo Russia o.o.o., Moscow, Russia: wholly-owned subsidiary (2018: 100%)
- Techo Poland s.p.o.o., Warsaw, Poland: wholly-owned subsidiary (2018: 100%)
- Techo Bulgaria e.o.o.d., Sofia, Bulgaria: wholly-owned subsidiary (2018: -)
- Ortsalip Deutschland GmbH i.L., Frankfurt, Germany: wholly-owned subsidiary (2018: 100%)
- Circular Interiors BV; no interest held by Koninklijke Ahrend BV (refer to paragraph below).

The percentages stated represent the equity interests held.

Royal Ahrend has issued downstream guarantees pursuant to Section 403 of Book 2 of the Dutch Civil Code for all Dutch group companies and to its UK based subsidiaries pursuant to Section 479A of the Companies Act 2006.

Ahrend Hergebruik BV is a not wholly-owned subsidiaries which is fully consolidated. Control is deemed to be present based on the participating interest and voting rights.

Circular Interiors BV (hereafter: CI BV) is – like Koninklijke Ahrend BV - a fully-owned group subsidiary of Stonehaven 2006 BV. The main activity of CI BV is acting as a lessor of operational leases of office furniture. The concerning furniture is sold by Koninklijke Ahrend to CI BV. The Board of Directors of both companies is equal. As such policy-making influence by Royal Ahrend management is deemed to be present (RJ 217.202/205/206). CI BV is added to the scope of consolidation of Koninklijke Ahrend.

## Non-consolidated companies and equity interests

Carried at net asset value:

- Ahrend Gulf FZCO, Dubai, United Arab Emirates: 33.3% participating interest (2018: 33.3%).

## Basis of consolidation

The consolidated financial statements include the financial data of the company and its group companies at 31 December of the financial year. Group companies are legal entities and companies over which the company exercises control. In connection with this, financial instruments containing potential voting rights are also taken into account.

Group companies are fully consolidated as from the date on which control is obtained and until the date that control no longer exists. The items in the consolidated financial statements are determined in accordance with consistent accounting policies. Profits and losses resulting from intragroup transactions are eliminated in full.



Minority interests are presented separately in the consolidated financial statements. Minority interests in group companies are part of group equity. Minority interests in profit or loss of group companies are deducted from group profit or loss after taxation.

If the losses attributable to the minority interest exceed the minority interest in equity of the group companies, the balance as well as any further losses are charged in full to Royal Ahrend, unless and to the extent that the minority shareholder is liable for, and able to bear, those. If the group companies subsequently achieve profits, those profits accrue in full to Royal Ahrend until the losses borne by Royal Ahrend are recovered.

## Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of Koninklijke Ahrend BV or the ultimate parent company and close relatives are regarded as related parties. All transactions between related parties are considered to be at arm's length.

## Mergers and acquisitions

Acquisitions are recognized in the financial statements according to the purchase accounting method. This means that any assets and liabilities acquired are carried at fair value as at the acquisition date. The difference between cost and the company's share of the fair value of the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognized as goodwill.

In the case of a transaction under common control, the carry-over accounting method is applied. This means that the transaction is stated at the carrying amount in the financial statements for the financial year, in line with the amount included in the financial statements of the parent, as of the merger date. The comparative figures are not restated. The difference between cost and the carrying amounts of the acquired assets and liabilities is recognized in equity.

## Foreign currency translation

The consolidated financial statements are prepared in euros, the functional and presentation currency of the entity. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates ruling at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates ruling at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates ruling at the date of transaction. *Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation.*

Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are taken to the profit and loss account, with the exception of exchange differences resulting from net investments in foreign activities, or from loans taken out to finance or effectively hedge net investments in foreign activities. These exchange differences are taken directly to the foreign currency translation reserve. The foreign currency translation reserve is included under the legal reserves.

Exchange differences arising from the translation of non-monetary balance sheet items denominated in foreign currencies that are carried at current value are taken directly to the revaluation reserve, provided the changes in value of the non-monetary items are likewise taken directly to reserves.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign activity are treated as assets and liabilities of the foreign activity and translated at the rate of exchange ruling at the balance sheet date

The assets and liabilities of foreign activities are translated into the presentation currency (euros) at the rate of exchange ruling at the balance sheet date and the income and expenses of these foreign activities are translated at the rates ruling on the transaction date. Resulting exchange differences are taken directly to the legal foreign currency translation reserve. On the disposal of a foreign activity, the cumulative exchange differences taken directly to the reserves are taken to the profit and loss account as part of the gain or loss on the sale.

## Offsetting

Assets and liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously;
- And
- The positive intention is to settle the assets and liabilities on a net basis or simultaneously.

## Financial instruments

Financial instruments include both primary financial instruments, such as receivables, securities and payables, and derivative financial instruments.

All purchases and sales of financial assets made according to standard market conventions are recognized as at the transaction date, being the date on which the group enters into a binding agreement.

For the accounting policies applicable to primary financial instruments, please refer to the treatment of individual balance sheet items. For the valuation and recognition of derivatives, please refer to the separate section on Derivatives and hedge accounting.

## Intangible fixed assets

### General

An intangible fixed asset is recognized in the balance sheet if:

- The asset is identifiable.
- We have control (power to obtain benefits from the asset).
- It is probable that the future economic benefits that are attributable to the asset will accrue to the group.
- The cost of the asset can be reliably measured.

Costs relating to intangible fixed assets not meeting the criteria for capitalization (for example, cost of research, internally developed brands, logos and client databases) are taken directly to the profit and loss account.

Intangible fixed assets obtained on the acquisition of a group company are carried at fair value as at the date on which they are obtained. Intangible fixed assets are carried at cost of acquisition or production net of accumulated amortization and accumulated impairment losses where applicable

Intangible fixed assets are amortized on a straight-line basis over their expected useful economic lives, subject to a maximum of 20 years when the economic useful life could be measured reliable. If not the maximum time-span is 10 years. The economic useful life and the amortization method are reviewed at each financial year-end.

### Development costs

Development costs are capitalized if they satisfy the technical, commercial and financial feasibility criteria set for them. In general internally generated costs such as man hours are not capitalized, because not all criteria of RJ 210 are met. In particular the ability to reliably measure costs during the development phase and substantiation of future economic benefits are not met. Only in case the requirements are met research and development costs are capitalized. A legal reserve equivalent to the carrying amount is formed.

Development costs are amortized on a straight-line basis over the estimated economic useful life of the asset being 5 years.

### Goodwill

Goodwill is capitalized net of accumulated amortization and impairment where applicable. Goodwill is amortized on a straight-line basis over its estimated economic useful life as follows. The goodwill ultimo 2018 is fully related to the acquisition of Gispem Group BV. In 2019 the last depreciation took place. As such the carrying value of goodwill ultimo 2019 is zero.

### Trademark

Trademark is recognized unless the future economic benefits are not probable. These costs are amortized on a straight-line basis over the estimated economic useful life of the asset. The trademark is amortized in 15 years.

### Software

Software is capitalized in case the standard requirements for capitalizations are met. Purchased software is capitalized using the cost method. These costs are amortized on a straight-line basis over the estimated economic useful life of the asset being 5 years

Software being an operating system for machinery (hardware) is included in the valuation of the tangible fixed assets (PPE). The economic useful life of this software is considered to be equal to the economic useful life of the hardware of the machinery.

Internally developed software is charged to the profit and loss account unless the following capitalization requirements are met: technological feasibility, probable future benefits, intent and ability to use or sell the software, resources to complete the software, and ability to measure cost.

### Tangible fixed assets

Tangible fixed assets in use by the company are carried at the cost of acquisition or production net of accumulated depreciation and, where applicable, accumulated impairment losses. Tangible fixed assets carried at cost do not include capitalized interest charges.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful economic lives, taking into account the residual value, as follows:

- Land is not depreciated.
- Buildings are depreciated in 30 to 40 years.
- Machinery and equipment are depreciated in 5 to 15 years.
- Other tangible fixed assets are depreciated in 5 to 10 years.
- Assets under construction and prepayments are not depreciated.

*If the expected depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimate.*

Costs of major maintenance are capitalized if the recognition criteria are met. Individual major maintenance activities are capitalized as component and are depreciated on a straight-line basis over the estimated useful economic life of the individual components. *The carrying amount of the components to be replaced will be regarded as a disposal and taken directly to the profit and loss account. All other repair and maintenance costs are taken directly to the profit and loss account.*

Retired tangible fixed assets are carried at the lower of cost and their fair value less costs to sell.

A tangible fixed asset is derecognized upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising on the disposal is taken to the profit and loss account.

## Leasing

### The group as lessee

The group has changed its accounting policy for leases where the group is the lessee. The new policy is described on page 12 and the impact of the change in note 3.

Until 31 December 2018 leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

### The group as lessor

Lease income from operating leases where the group is a lessor (CI BV) is recognised in income on a straightline basis over the lease term (note 2). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

## Financial fixed assets

### Participating interests

Non-consolidated participating interests over whose financial and operating policies the group exercises significant influence are valued using the net asset value method. *To determine whether there is significant*

influence, the financial instruments containing potential voting rights are also considered. Under the net asset value method, participating interests are carried at the group's share in their net asset value. The group's share in the results of the participating interests is recognized in the profit and loss account. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve. The company's share in direct equity increases and decreases of participating interests is also included in the legal reserve except for asset revaluations recognized in the revaluation reserve.

If the value of the participating interest under the net asset value method has become nil, this method is no longer applied, with the participating interest being valued at nil if the circumstances are unchanged. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the participating interest are included. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

*A subsequently acquired share of the profit of the participating interest is recognized only if and to the extent that the accumulated share of the previously unrecognized loss has been recovered*

Following application of the net asset value method, the group determines whether an impairment loss has to be recognized in respect of the participating interest. At each reporting date, the group assesses whether there are objective indications of impairment of the participating interest. If any such indication exists, the group determines the impairment loss as the difference between the recoverable amount of the participating interest and its carrying amount, taking it to the profit and loss account.

Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment. Dividend is designated as income and recognized under financial income and expense.

Results from transactions with or between non-consolidated participating interests carried at net asset value are recognized proportionally. Results from transactions with or between non-consolidated participating interests carried at cost are recognized in full, unless they are effectively unrealized.

## Deferred tax assets

For the valuation and recognition of deferred tax assets, please refer to the separate section on Taxes.

## Impairment of fixed assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined. Impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement, if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an

estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the *increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported*. An impairment of goodwill cannot be reversed.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement. The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised through profit or loss.

## **Inventories**

Inventories of raw materials and consumables, work in progress being semi-manufactured goods, finished goods and goods for resale are carried at the lower of cost of acquisition or production and fair value less cost to sell.

The costs of raw materials, consumables and goods for resale are calculated based on the first in, first out principle. The costs of finished goods and work in progress being semi-manufactured goods represent the cost of raw materials used and direct production costs, plus a mark-up for indirect cost of production based on normal production capacity, excluding interest on loans.

Indirect costs included under inventories carried at cost relate to depreciation and maintenance of plant and machinery, as well as salary costs of the factory's management and administrative staff.

## **Current receivables**

Loans granted and other receivables not forming part of the trading portfolio are initially measured at fair value and subsequently carried at amortized cost less a provision for doubtful debts where necessary. If there are no discounts and premiums and transaction costs, the amortized cost is equal to the nominal value of the receivables.

## **Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, bank balances, notes and checks. It also includes deposits if these are effectively at the group's free disposal, even if interest income may be lost. Cash at bank and in hand not expected to be at the group's free disposal for over twelve months is classified as financial fixed assets. Cash at banks and in hand is carried at nominal value.

## Classification of equity and liabilities

A financial instrument or its separate components are classified in the consolidated financial statements as liability or as equity in accordance with the substance of the contractual agreement underlying the financial instrument. In the company financial statements, a financial instrument is classified in accordance with the legal reality. Interest, dividends, gains and losses relating to a financial instrument, or part of a financial instrument, are included in the financial statements in accordance with the classification of the financial instrument as liability or equity.

## Provisions

A provision is formed if the group has a legal or constructive obligation as at the balance sheet date if it is probable that an outflow of resources will be required to settle the obligation and the amount of the liability can be reliably estimated. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned at the balance sheet date. Provisions for one-off events (restructuring, environmental clean-up, settlement of a lawsuit, etcetera) are measured at the most likely amount. Provisions for large populations of events (warranties) are measured at a probability-weighted expected value. Provisions are carried at non-discounted value, unless stated otherwise.

If third-party reimbursement of expenses required to settle a provision is probable, the reimbursement is recognized as a separate asset.

## Pension provisions

Contributions payable to the pension plan administrator are recognized as an expense in the profit and loss account. Contributions payable or prepaid contributions as at year-end are recognized under accruals and deferred income, and prepayments and accrued income, respectively.

A provision is formed for liabilities other than the contributions payable to the pension plan administrator if, as at the balance sheet date, the group has a legal or constructive obligation towards the pension plan administrator and/or to its own employees, if it is probable that settlement of these liabilities will entail an outflow of resources and if a reliable estimate can be made of the amount of the liabilities.

The provision for additional liabilities to the pension plan administrator and/or the employees is based on a best estimate of the amounts required to settle these liabilities concerned at the balance sheet date. The provision is carried at present value if the effect of the time value of money is material.

The pension provision recorded is a VPL-arrangement agreed with a number of employees at December 31, 2006. The provision is actuarially calculated at year-end. The calculation is based on an actual overview of entitled employees, estimated amounts to settle the liability, a discount-rate of 0.85% and mortality table AG2018.

## Provision for deferred taxation

For the valuation and recognition of the provision for deferred taxation, please refer to the separate section entitled Taxes.

## Other provisions

The other provision includes mainly a jubilee provision, warranty provision and environmental provision.

The jubilee provision is actuarially calculated on an annual basis taking into account the actual employee data (including starting date), mortality table AG2018 and a discount rate of 0.4%. The warranty provision is measured at a probability-weighted expected value. Experience figures are used to estimate the change of warranty complaints. The environmental provision is related to one specific production facility. Recently an investigation has been executed by a consultant who included an estimation of the expected costs to remove the polluted soil. The provision has been aligned with this expert's report.

## Taxes

### Current taxes

Taxes are calculated on the profit as disclosed in the profit and loss account based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part.

Tax assets and liabilities are netted if the general conditions for netting are met.

Taxes are settled as if each company is an independent taxable entity. Royal Ahrend and its Dutch group companies constitute a fiscal unity together with Stonehaven 2006 BV. For further details about the valuation of deferred tax assets refer to the next paragraph

### Deferred taxes

A deferred tax liability is recognized for all taxable temporary differences between the valuation for tax and financial reporting purposes. A deferred tax asset is recognized for all deductible temporary differences between the valuation for tax and financial reporting purposes and carry-forward losses, to the extent that it is probable that future taxable profit will be available for set-off. Deferred tax assets and liabilities are recognized under financial fixed assets and provisions, respectively.

Deferred tax liabilities and deferred tax assets are carried on the basis of the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the group at the balance sheet date. Valuation is based on current tax rates. Deferred tax liabilities and deferred tax assets are carried at non-discounted value.

Deferred tax assets and liabilities are netted if the group has a legally enforceable right to set off tax assets against tax liabilities and the group has the intention to settle the netted amounts simultaneously.

#### *Valuation of deferred tax assets*

Group management recognizes a deferred tax asset to the level that convincing evidence is available to sustain the valuation. This evidence is based on the budgeted and/or actual results of the current year and other events which are highly probable and relevant in this respect.

The calculation of deferred tax assets and liabilities is based on the tax rates prevailing at year end, or at the rates that will apply in future years, as far as these have already been determined by law. We have calculated whether the impact of expected change of tax rate from 25% to 21,7% have an impact on our valuation of net operating losses. Ultimo 2019, the impact would be €2.2mio. However, the expected fiscal profit in our long-term forecast is sufficient to set-off this tax impact. As such no change in valuation would be needed.



## Long-term liabilities

When long-term liabilities are recognized initially, they are measured at fair value, plus, in the case of financial liabilities not classified at fair value through profit or loss, directly attributable transaction costs.

After initial measurement, long-term liabilities are carried at amortized cost using the effective interest method. Gains and losses are taken to the profit and loss account when the liabilities are derecognized, as well as through the amortization process.

## Current liabilities

On initial recognition, current liabilities are carried at fair value less directly attributable transaction costs (in the case of financial liabilities not carried at fair value through profit or loss).

After initial measurement, other current liabilities are carried at amortized cost using the effective interest method. The effective interest method is not applied when the impact is deemed to be not material. Gains or losses are recognized in the profit and loss account when the liabilities are derecognized, as well as through the amortization process.

## Amortized cost

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition less *repayments of the principal, plus or less the cumulative amortization using the effective interest method for any difference between this initial amount and the maturity amount, and less any reductions (effected directly or through a provision being formed) for impairment and doubtful debts.*

## Derivatives and hedge accounting

The group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations.

The group separates an embedded derivative from the host contract if the following conditions are met:

- ~ There is no close relationship between the economic characteristics and risks of the embedded derivative and those of the host contract.
- ~ A separate instrument having the same characteristics as the embedded derivative would be classified as a derivative,
- And
- ~ The compound instrument is not measured at fair value with changes in fair value recognized through profit or loss.

The separated derivative is measured against fair value through P&L. No hedge accounting is applied.

## Derecognition of financial assets and liabilities

A financial instrument is derecognized if a transaction results in the transfer, to a third party, of all or nearly all rights to economic benefits and of all or nearly all the risks attached to the position.

## **Income**

### **General**

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Profit or loss is determined taking into account the recognition of unrealised changes in fair value of derivative financial instruments not designated as hedging instruments.

### **Sale of goods**

Income from the sale of goods is recognized in the profit and loss account once all the major rights to economic benefits and significant risks relating to the goods have been transferred to the buyer, the income can be reliably measured and the income is probable to be received. We believe that the economic benefits and significant risks are transferred to the buyer when the goods are delivered at client site. Although some contracts include a required acceptance procedure, we conclude based on experience that this is rather a formality. As such, revenue of goods is in general recorded after delivery

### **Services**

In addition to the sale of goods we provide several services to our customers, such as fit-out services (light construction work at client site), project management and installation services. If the result of a transaction relating to a service can be reliably estimated and the income is probable to be received, the income relating to that service is recognized in proportion to the service delivered.

Stage of completion is based on the costs incurred in providing the services up to the balance sheet date in proportion to the estimated costs of the total services to be provided.

## **Expenses**

### **General**

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

### **Employee cost (employee benefits)**

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Koninklijke Ahrend BV applies the liability approach for all pension schemes except for the existing 15-years facility recorded as pension provision. The premium payable during the financial year is charged to the result. Changes in the pension provision are also charged to the result. Please also refer to the valuation principles for assets and liabilities, under Provision for pensions.

## Depreciation and amortisation

Intangible assets, including goodwill, are amortised and tangible fixed assets are depreciated over their estimated useful lives as from the moment they are ready for use. Land and investment property are not depreciated. Future depreciation and amortisation is adjusted if there is a change in estimated future useful life. Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

## Interest

Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognized in the profit and loss account, with the amortized cost of the liabilities being recognized in the balance sheet.

## Foreign currencies

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

## Income tax

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

## Result from participations

The result is the amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the earnings achieved by the participation to the extent that this can be attributed to Koninklijke Ahrend BV.

## Consolidated cash flow statement

The cash flow statement has been prepared in accordance with the indirect method.

Cash and cash equivalents consists of cash at bank and in hand. Cash flows in foreign currencies are translated at estimated average rates. Cash exchange differences are presented separately in the statement of cash flows. Interest received and paid, dividends received and profits tax are included under cash flows from operating activities. Dividend paid is stated under net cash flow from financing activities.

The cost of group companies acquired and proceeds from group companies sold are included under cash flow from/(used in) investing activities, insofar as payment in cash has been made, net of cash and cash equivalents held by the group companies in question. Transactions for which no cash or cash equivalents are exchanged, including finance leases, are not included in the cash flow statement. Lease payments under finance leases are considered to be cash outflows from financing activities to the extent that they relate to repayment instalments and as cash outflows from operating activities to the extent that they relate to interest payments. Income from sale and financial leaseback transactions is presented as cash inflow from financing activities.

## Notes to the consolidated balance sheet

### Intangible fixed assets (1)

Movements in intangible fixed assets were as follows

(in thousands of euros)

	Product development	Trademark	Software	Goodwill	Total
Balance at 1 January 2019					
Cost	587	3.120	3.119	22.690	29.516
Accumulated amortization and impairments	(480)	(872)	(2.147)	(21.288)	(24.786)
Carrying amount at 1 January 2019	107	2.248	972	1.402	4.730
Exchange differences	0	0	(2)	0	(2)
Additions	28	0	196	0	224
Subsequent adjustments	0	0	0	0	0
Disposals   cost	0	0	(96)	0	(96)
Disposals   amortization	0	0	96	0	96
Reclassification	0	0	705	0	705
Amortization	(50)	(218)	(827)	(1.402)	(2.497)
Carrying amount at 31 December 2019	85	2.030	1.044	0	3.159
Balance at 31 December 2019:					
Cost	615	3.120	4.949	22.690	31.374
Accumulated amortization and impairments	(530)	(1.090)	(3.905)	(22.690)	(28.215)
Carrying amount at 31 December 2019	85	2.030	1.044	0	3.159

At balance sheet date we analyse whether there are any indicators of assets being subject to impairments. Based on the analysis performed no impairments are deemed needed as per 31 December 2019.

A right of pledge has been established on all intellectual property rights of Ahrend APAC BV, Gispén Nederland BV, Ahrend Onroerend Goed BV, Koninklijke Ahrend BV, Presikhaaf Schoolmeubelen BV. The right of pledge applies to the credit facility. Ultimo 2019 the credit facility is €0, as the bank account shows a positive balance ultimo 2019.

## Tangible fixed assets (2)

Movements in tangible fixed assets were as follows

(in thousands of euros)	Land and buildings	Machinery and equipment	Other fixed operating assets	Under construction and prepayments	Not used in business operations	Total
Balance at 1 January 2019	45.468	62.380	19.119	1.898	14.277	143.142
Accumulated depreciation and impairments	(29.856)	(56.474)	(13.220)	0	(12.532)	(112.082)
Carrying amount at 1 January 2019	15.612	5.906	5.899	1.898	1.745	31.060
Exchange differences	8	18	10	3	0	39
Additions	260	897	1.476	3.179	0	5.812
Disposals   cost	(2)	(1.314)	(386)	0	0	(1.702)
Disposals   amortization	2	1.252	383	0	0	1.637
Depreciation	(1.353)	(1.786)	(1.701)	0	0	(4.840)
Reclassification	362	820	1.207	(3.094)	0	(705)
Other movements	0	0	0	(2)	0	(2)
Balance at 31 December 2019:						
Cost	46.102	62.926	20.399	1.984	14.277	145.688
Accumulated amortization and impairments	(31.213)	(57.133)	(13.511)	0	(12.532)	(114.389)
Carrying amount at 31 December 2019	14.889	5.793	6.888	1.984	1.745	31.299

### Leasing arrangements Circular Interiors BV

The other fixed operating assets includes €2.2mio of furniture assets leased to tenants with monthly rental payables. The lessor Circular Interiors BV remains the juridical owner of these leases (2:366 lid 2 BW). Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payment receivable on leases of assets are as follows

(in thousands of euros)	2019	2018
Within 1 year	709	486
Between 1 and 2 years	706	486
Between 2 and 2 years	646	486
Between 3 and 2 years	510	437
Between 4 and 2 years	336	312
Later than 5 years	1.019	875
	<u>3.926</u>	<u>3.082</u>

The factory in Zwanenburg (Netherlands) is not used in business operations anymore and therefore reclassified to the respective category. The property is available for sale and it is expected that it will be sold in the future. No impairment is deemed needed. The assets under construction ultimo 2019 are primarily related to modifications to the factory and software being implemented (to be reclassified to intangibles after completion).

A first ranking mortgage is applicable on the properties located at Zwanenburg (Ahrend), Sint-Oedenrode (Ahrend) and the property located at Culemborg (Gispen). A right of pledge has been established on all business equipment of the group companies and a 2nd pledge (2nd) on all business equipment of Presikhaaf Schoolmeubelen BV. A mandate to the first ranking floating charge (pand handelszaak) is present on all Belgian members of the group will be converted in a first ranking pledge on business equipment (pand op ondernemingsgoederen). Ultimo 2019 the credit facility is €0, as the bank account shows a positive balance ultimo 2019.

### Leases (3)

This note provides information for leases where the group is a lessee. In the previous year the group recognized no operating lease assets and lease liabilities. For adjustments recognized on adoption of IFRS16 on 1 January 2019 please refer to page 12.

*Amounts recognized in the balance sheet*

**Right of use assets**

Movements in right of use assets were as follows.

(in thousands of euros)

	Land & buildings	Machinery & Equipment	Other	Total
Balance at 1 January 2019				
Cost	23.263	811	4.334	28.408
Accumulated amortization and impairments	0	0	0	0
Carrying amount at 1 January 2019	23.263	811	4.334	28.408
New lease contracts	1.281	361	1.878	3.520
Ended lease contracts   cost	(55)	(73)	(357)	(485)
Ended lease contracts   amortization	55	73	357	485
Remeasurements	(1.318)	0	(39)	(1.357)
Depreciation	(3.688)	(226)	(2.173)	(6.087)
Carrying amount at 31 December 2019	19.538	946	4.000	24.484
Balance at 31 December 2019:				
Cost	23.171	1.099	5.816	30.086
Accumulated amortization and impairments	(3.632)	(153)	(1.816)	(5.601)
Carrying amount at 31 December 2019	19.538	946	4.000	24.484

**Lease liabilities**

Movements in lease liabilities were as follows.

(in thousands of euros)

	2019
Balance at 1 January	28.408
New lease contracts	3.520
Lease payments	(6.263)
Accrued interest	591
Remeasurements	(1.357)
Balance at 31 December	24.899
Current	5.228
Non-current	19.671
	24.899

*Amounts recognized in the statement of profit and loss*

(in thousands of euros)	2019	2018
Depreciation charge of right-of-use assets		
Land & Buildings	(3.688)	0
Machinery & Equipment	(226)	0
Other	(2.173)	0
Interest expense	(591)	0
	<u>(6.678)</u>	<u>0</u>

Next to the amounts shown in the table above the statement of profit and loss also includes the costs related to short-term leases and low-value leases. These leases are not capitalized on the balance sheet as the expedient is applied. The cash outflow for leases in 2019 was €6.3mio.

*The group's leasing activities and how these are accounted for*

The group leases various offices, warehouses, showrooms, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 years to 10 years, but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of cars for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Based on the former accounting principles operational leases were not recorded on the balance sheet. By the implementation of IFR16 in 2019, lease are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an



asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the group

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

#### *Variable lease payments*

A variable lease payment is applicable for a lease-contract of Real Estate in the Netherlands. A part of the lease payment is depending on the sales turnover of the company.

#### *Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of €1.4mio.

## Financial fixed assets (4)

Movements in financial fixed assets were as follows

(in thousands of euros)

	Participating interest	Deferred tax asset	Total
Carrying amount at 1 January 2019	380	16.270	16.650
Implementation of IFRS 16	0	7.102	7.102
Carrying amount at 1 January 2019	380	23.372	23.752
Exchange differences	(1)	10	9
Additions	0	174	174
Reduction	0	(3.788)	(3.788)
Impact change future tax rates	0	25	25
Share in profit/(loss) of participating interests	269	0	269
Carrying amount at 31 December 2019	648	19.793	20.441

## Participating interests

Among the participating interest the 33.3%-share in Ahrend Gulf FZCO is recognized. The share in profit 2019 of this participating interest is €269K.

## Deferred tax assets

The deferred tax assets consisted of temporary differences, available forward loss relief and future tax losses.

Group management recognizes a deferred tax asset to the level that convincing evidence is available to sustain the valuation. This evidence is based on the budgeted and/or actual results of the current year and

other events which are highly probable and relevant in this respect. The deferred tax asset is considered to be long-term. The amount of losses recorded as ultimo 2019 is 33.8% (2018: 35.3%) of the available tax losses. The amount of unrecognized losses is €68.3mio. The temporary differences included in the deferred tax assets are calculated based on the (future) tax rates at the time these differences will be realized. It includes the expected change of tax rates in the Netherlands.

## Inventories (5)

(in thousands of euros)

	2019	2018
Raw materials and consumables	13.469	12.652
Work in progress	4.998	4.566
Finished products and goods for resale	11.595	9.680
Prepayments on stock	1.953	1.473
Total	32.015	28.371

Inventories are – when applicable - carried at fair value less costs to sell. The value of the inventories is deducted by a provision amounting to €4.548K (2018: €4.325K). The acquisition or production value of the (partly) provisioned products is €9.7mio.

A right of pledge has been established on inventories of the Dutch group companies as security to the bank. The right of pledge applies to the credit facility. Ultimo 2019 the credit facility is €0, as the bank account shows a positive balance ultimo 2019.

## Current receivables (6)

(in thousands of euros)

	2019	2018
Trade receivables	65.051	59.473
Receivables to related parties	256	194
Other receivables and prepayments	9.837	7.896
Other current assets	0	127
Total	75.144	67.690

All receivables fall due within one year after balance sheet date. A right of pledge has been established on trade and intercompany receivables of the Dutch group companies as security to the bank. The right of pledge applies to the credit facility. Ultimo 2019 the credit facility is €0, as the bank account shows a positive balance ultimo 2019.

The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognised, where necessary. Trade receivables include a provision for doubtful debts of €759K (2018: 830K).

Movements in the provision were as follows:

(in thousands of euros)	2019	2018
Balance at 1 January	830	1.086
Additions	93	472
Utilization and releases	(164)	(728)
Balance at 31 December	759	830

### Cash at bank (7)

All cash is at the group's free disposal

A right of pledge has been established on all bank balances/accounts of any member of the group as security to the bank. The right of pledge applies to the credit facility. Ultimo 2019 the credit facility is €0, as the bank account shows a positive balance ultimo 2019.

### Group equity (8)

#### Equity

For details on equity, please refer to the note on equity in the company financial statements.

#### Minority interests

(in thousands of euros)	2019	2018
Balance at 1 January	398	332
Minority interest in group profit	157	138
Increase of share capital	0	13
Deconsolidation	0	(85)
Dividend paid	(71)	0
Balance at 31 December	484	398

### Provisions (9)

(in thousands of euros)	2019	2018
Pension provision	1.285	1.174
Provision for deferred taxation	6.724	8.909
Other provisions	4.590	4.577
Total	12.599	14.660

## Pension provision

Participation is mandatory in the pension fund for the employees and directors of the company and its Dutch group companies. The company and its Dutch group companies are only required to pay the premiums. There is no obligation to make additional payments or right of return / premium. It consists of average pay. The yearly increase of entitlements is 1.875% of the salaries base consisting of the gross salaries minus franchise. The base is maximized at €74.327.

The remaining pension provision in the balance sheet is affected by reason of the VPL-arrangement concluded with a number of employees at 31 December 2006.

The movement of the pension provision is as follows.

(in thousands of euro's)	2019	2018
Amount as per 1 January	1.174	1.076
Additions through equity	259	0
Withdrawal	(243)	0
Changes through P&L	95	98
Amount as per 31 December 31	<u>1.285</u>	<u>1.174</u>

It is expected that the pension provision will be settled within 5 years

The amount as per 31 December is specified by

(in thousands of euro's)	2019	2018
Net present value of the entitlements	1.285	1.174
Value of plan assets	0	0
Amount as per 31 December	<u>1.285</u>	<u>1.174</u>

The recognized amounts in the P&L regarding the pension arrangement are  
(in thousands of euro's)

	2019	2018
Increase of net present value of entitlements	74	73
Interest expenses	21	23
Investment income	0	0
Adjustments of pension arrangements	0	0
Actuarial gains and remeasurements	0	2
Service costs and adjustments	0	0
Amount for the year	<u>95</u>	<u>98</u>

The movement of pension obligations is as follows.  
(in thousands of euro's)

	2019	2018
Book value as per January	1,174	1,076
Present value of obligations	74	73
Interest expenses	21	23
Employee contribution	0	0
Adjustment of pension arrangements	0	0
Adjustment of premiums policy	0	0
Actuarial gains and remeasurements	259	2
Benefits paid and cost	(243)	0
Amount as per 31 December	1,285	1,174

Of the total pension provision of €1.285K, an amount of €2K (2018: €6K) is expected to be settled within one year and an amount of €1.283K (2018: €1.168K) within five years.

The actuarial base for determining future back service pension commitments is as follows (as at year-end).

Discount rate	0.85%
Salary increase	0.95%
Mortality table	AG2018

## Provision for deferred taxation

Movements in the provision for deferred taxation were as follows:

(in thousands of euros)

Balance at 1 January	1,807
Implementation IFRS 16	7,102
Adjusted balance at 1 January	8,909
Additions	(1,950)
Exchange differences	2
Releases	0
Impact change future tax rates	(237)
Balance at 31 December	6,724

with a term of less than or equal to 1 year	100
with a term of more than 5 years	6,624

The temporary differences included in the deferred tax liability are calculated based on the (future) tax rates at the time these differences will be realized. It includes the expected change of tax rates in the Netherlands.

## Other provisions

Movements in the other provisions were as follows.

(in thousands of euros)

Balance at 1 January	4,577
Additions	661
Charged to provision	(160)
Exchange differences	22
Releases	(510)
Balance at 31 December	<u>4,590</u>

The other provisions consist mainly of a jubilee provision amounting to €3 061K (2018: 2,732K), a warranty provision of €1,322K (2018: €1,309K) and an environmental provision of €199K (2018: 199K).

Provisions are recognized based on the best estimate of the expenditure required to settle the present obligation at balance sheet date. Provisions for one-off events (restructuring, environmental clean-up, settlement of a lawsuit, etcetera) are measured at the most likely amount.

### *Jubilee provision*

The jubilee provision is recorded to cover gratifications to be paid on certain jubilee dates. The provision is calculated actuarially taking into account employee records, life expectancy and chance of meeting the employment terms. The jubilee provision has a long term duration (primarily longer than 5 years).

### *Warranty provision*

The warranty provision is recorded to cover warranty costs that arise during and after a sales event. In general a warranty period of 1 till 5 years is applied based on the type of product or services. The provision is measured at a probability-weighted expected value. The provision ended in line with prior year. It is expected that the provision will be used between 1 and 5 years after reporting date.

### *Environmental provision*

The environmental provision is recorded to cover the costs keeping the environmental situation regarding a specific production facility at the current situation. The provision is based on a best estimate based and it is expected that the provision will be used within one year after reporting date.

## Long-term liabilities (10)

(in thousands of euros)

	2019	2018
Lease liabilities	19,671	22,472
Other loans	344	419
Total	<u>20,015</u>	<u>22,891</u>

## Lease liabilities

The non-current lease liabilities are disclosed in note 3 'Leases'.

## Other loans

(in thousands of euros)

	Other loans	Total
Carrying amount at 1 January 2019	419	419
Repayments	(75)	(75)
Carrying amount at 31 December 2019	344	344

The other long term loan has an initial value of €750K and will be repaid in 72 equal monthly- and a final payment. The applicable interest is 3.5%. The planned repayment of €75K in 2020 is reclassified to current liabilities. The final maturity date is 1 July 2021. A pledge exists on machinery. All long term liabilities have duration shorter than 5 years. Long-term liabilities with a remaining term of less than one year, including repayment commitments for the following year, are recognized under current liabilities.

## Current liabilities (11)

(in thousands of euros)

	2019	2018
Short term part of lease liabilities	5,228	5,936
Short term repayments on long-term loans	75	75
Liabilities to credit institutions	2,000	0
Prepayments received on orders	8,277	9,970
Trade creditors/suppliers	47,890	39,775
Corporate income tax payable	522	397
Other taxes and social security charges	12,867	9,594
Pension-related liabilities	279	131
Other liabilities	21,311	18,492
Total	98,449	84,370

All current liabilities fall due within one year after balance sheet date.

## Lease liabilities

The current lease liabilities are disclosed in note 3 'Leases'.

## Liabilities to credit institutions

Royal Ahrend, a number of group companies and CI BV are jointly and severally liable for the facility. Ultimo 2019 the facility is € 60mio consisting of: 1) overdraft credit facility of €35mio, 2) contingent liability facility of €5mio and 3) overdraft credit facility of €20mio for CI BV specifically. The final maturity date for the first two facilities is 31 March 2023. The final maturity date for the third facility is 29 March 2024.

The liabilities to credit institutions ultimo 2019 of €2mio (2018: €0) is fully related to the funding of CI BV.

The company provided the following security for the credit facility granted by the bank:

- Pledge on all receivables of the Dutch group companies
- Pledge on all stock of the Dutch group companies



- Pledge on all business equipment of the group companies and a 2<sup>nd</sup> pledge (2<sup>nd</sup>) on all business equipment of Presikhaaf Schoolmeubelen BV
- Pledge on all intercompany receivables of the Dutch group companies against all members of the Group
- Pledge on all bank balances/accounts of any member of the group
- Pledge on all intellectual property rights of the group companies. Intellectual property rights of Ahrend APAC BV, Gispén Nederland BV, Ahrend Onroerend Goed BV, Koninklijke Ahrend BV, Presikhaaf Schoolmeubelen BV.
- The mandate to the first ranking floating charge (pand handelszaak) on all Belgian members of the group will be converted in a first ranking pledge on business equipment (pand op ondernemingsgoederen).
- First ranking mortgage on the properties located in Zwanenburg (Ahrend), Sint-Oedenrode (Ahrend) and Culemborg (Gispén)

The covenant with the bank contains the following requirement.

- If the solvency ratio will drop below 25%, the credit facilities are due on demand. At 36.9% the current solvency ratio meets this minimum limit. During the year no breach was reported.

## Other liabilities

Other liabilities can be broken down as follows:

(in thousands of euros)	2019	2018
Derivatives	0	20
Invoices to be paid	5.647	3.512
Employee bonuses	3.790	3.728
Holiday allowance	3.322	3.612
Customer bonuses	802	784
Deferred revenues	2.324	257
Other costs payable	5.426	6.579
Total	21.311	18.492

## Financial instruments

### General

The information included in the notes for financial instruments is useful in estimating the extent of risks relating to both on-balance and off-balance financial instruments.

The group's primary financial instruments, not being derivatives, serve to finance the group's operating activities or directly arise from these activities. The group also enters into transactions in derivatives, particularly forward currency contracts and interest rate swaps, to hedge foreign exchange and interest rate risks arising from the group's operating and financing activities. The group's policy is not to trade in financial instruments for speculation purposes. The principal risks arising from the group's financial instruments are foreign exchange risk, interest rate and cash flow risks, other price risk, credit risks and liquidity risks.

The group's policy to mitigate these risks is set out below.

### Foreign exchange risk

The group is also exposed to foreign exchange risks arising from purchase and sales transactions denominated in a currency other than the group's presentation currency. The group's policy is to hedge foreign exchange risks by entering into forward currency contracts by assessment of group management. Ultimo 2019 foreign no exchange risk derivatives are present to cover currency risks. Currency risks regarding net asset investments in foreign currencies are not being hedged.

### Interest rate and cash flow risks

Interest rate risk is the risk of the fair value of future cash flows from financial instruments fluctuating due to changing market interest rates. The risk of market rate fluctuations run by the group mainly relates to the group's variable-interest long-term commitments. Ultimo 2019 the group has no derivatives to cover risks for interest rate or cash flows.

Royal Ahrend chose to have a significant part of her funding as short-term, which enables the company to adjust to its financing needs in a flexible manner. The interest rate risk involved with short-term debt is not hedged.

### Credit risk

The group trades only with creditworthy parties and has implemented procedures to check the creditworthiness of parties. The group has also drawn up guidelines for limiting the credit risk associated with each financial institution and debtor. Furthermore, the group applies strict credit control and dunning procedures. The group's credit risk is minimal due to the above measures. No significant concentrations of credit risk exist within the group.

With respect to CI BV acting as lessor for office furniture leases a significant credit risk exists. In order to mitigate this risk to a low level leases are only agreed with creditworthy parties. Where considered necessary to reduce credit risk, the group may obtain bank guarantees for the term of the lease.

### Liquidity risk

Cash forecasts are available on weekly basis. The group manages liquidity risk through short term monitoring and by making adjustments where necessary. A cash pool is applicable true out the group optimizing group cash positions. The cash forecasts allow for limited availability of cash at bank and in hand, including bank guarantees and margin calls relating to derivatives entered into. For details of the liquidity risk relating to interest rate swaps, please refer to the note on interest rate swaps. For details of the unconditional credit facility made available and the related covenant, please refer to the notes on current liabilities.

## Fair value

Financial instruments measured at fair value

(in thousands of euros)

	Derivative financial instruments	
	Forward currency contracts	Interest rate swaps
Current value	0	0
Change in value in profit and loss account	(20)	0

## Hedging

Hedge accounting is not applied to the derivatives.

## Related parties

Royal Ahrend entered into a sales agreement with Grandvision NV. The sales volume in 2019 was € 1.561K (2018: 2.371K). The receivable amount from Grandvision at 31 December 2019 was €255K (31 December 2018: €194K) and is included under current receivables. The amount payable to Grandvision NV at 31 December 2019 was zero (31 December 2018: zero). HAL Trust, the head of the group, holds 76.72% of the shares in Grandvision NV. Hal Trust holds a 96% interest in Royal Ahrend. The transactions between the related parties are effected at arm's length conditions.

## Arrangements and commitments not shown in the balance sheet

### Legal claim

At balance sheet date no material claims exist.

### Other commitments not shown in the balance sheet

The group has the obligation to hire employees with a disability from Scalabor for our plant in Arnhem until 1 June, 2021. This commitment has a value of €371K.

The group issued bank guarantees related to normal trading activities amounting to €1.254K at 31 December 2019 (2018: 2.002K).

## Notes to the consolidated profit and loss account

### Net turnover (12)

#### Business sectors

The breakdown of net turnover by category is as follows

(in thousands of euros)	2019	2018
Goods	308.832	289.898
Services	37.826	24.410
Other	597	237
Total	<u>347.255</u>	<u>314.545</u>

#### Geographical areas

(in thousands of euros)

	2019			
	The Netherlands	Czech Republic	Romania	Other
Net turnover	179.731	47.556	25.228	94.740

(in thousands of euros)

	2018			
	The Netherlands	Czech Republic	Romania	Other
Net turnover	156.429	36.861	13.278	107.977

The reported net turnover divided to geographical area is based on the country of residence of our customer (RJ 350.208). All countries with a net turnover of at least 10% of the consolidated net turnover are included in the overview (RJ 350.203). The amount other region of €94.5mio is mainly related to other Europe (€81.2mio)

### Wages and salaries (13)

(in thousands of euros)

	2019	2018
Wages and salaries own personnel	(56.505)	(53.100)
Wages and salaries temporary personnel	(7.851)	(9.538)
Wages and salaries exceptional costs (#17)	(787)	(854)
Total	<u>(65.143)</u>	<u>(63.492)</u>

## Social security charges (14)

(in thousands of euros)

	2019	2018
Pension charges	(3.871)	(3.660)
Other social security charges	(9.691)	(9.262)
Total	<u>(13.562)</u>	<u>(12.922)</u>

## Workforce

The average number of staff (in FTEs) employed by the group in 2019 was 1.597 (2018: 1.611), specified by region as follows

	2019	2018
The Netherlands	977	1.009
Other Europe	500	476
APAC	120	126
Total	<u>1.597</u>	<u>1.611</u>

The FTE in The Netherlands decreased by 32 FTE which is primarily related to a reduction of temporary personnel in the Dutch Supply Chain. The FTE across Europe outside the Netherlands increased by 24 FTE mainly due to increase of FTE in the France (+14) due to the expansion of sales activities in France.

The average number of staff (in FTEs) employed by Ahrend Gulf in 2019 was 12 (2018: 11). These employees are stationed in the United Arab Emirates.

## Amortization and depreciation of intangible and tangible fixed assets (15)

(in thousands of euros)

	2019	2018
Goodwill	(1.402)	(1.402)
Other intangible fixed assets	(1.095)	(936)
Tangible fixed assets	(4.840)	(5.004)
Right of use assets	(6.087)	0
Total	<u>(13.424)</u>	<u>(7.342)</u>

## Other operating expenses (16)

(in thousands of euros)

	2019	2018
Other personnel costs	(2.865)	(2.910)
Car and travel expenses	(3.789)	(5.707)
Transportation and installation costs	(14.202)	(10.800)
Housing costs	(4.067)	(7.491)
Production costs	(2.462)	(2.770)
Office costs	(1.319)	(1.450)
EDP costs	(2.983)	(2.968)
Marketing and advertising costs	(2.106)	(1.964)
Other operating expenses	(3.903)	(4.067)
<b>Total</b>	<b>(37.696)</b>	<b>(40.127)</b>

Research and development costs amount to € 1.6M (2018: € 1.7M), of which € 50K (2018: € 96K) in amortization of capitalized development costs is recognized under Depreciation and amortization. Research and development costs not capitalized are recognized under Other operating expenses.

## Audit fees

The costs of the Group for the external independent auditor, the audit organization and the entire network to which the audit organization belongs charged to the financial year are set out below.

(in thousands of euros)

	2019		
	Pricewaterhouse Coopers Accountants NV	Other PWC	Total
Audit of the financial statements	350	0	350
Other audit engagements	0	0	0
Tax advisory services	0	0	0
Other non-audit services	0	0	0
<b>Total</b>	<b>350</b>	<b>0</b>	<b>350</b>

(in thousands of euros)

	2018		
	Pricewaterhouse Coopers Accountants NV	Other PWC	Total
Audit of the financial statements	325	0	325
Other audit engagements	0	0	0
Tax advisory services	0	0	0
Other non-audit services	0	0	0
<b>Total</b>	<b>325</b>	<b>0</b>	<b>325</b>

The fees stated for the audit of the financial statements are based on the total fees for the audit of the 2019 financial statements, regardless of whether the procedures were already performed in 2019.

### Exceptional costs (17)

(in thousands of euros)

	2019	2018
Severance payments   wages and salaries	(787)	(854)
Total	<u>(787)</u>	<u>(854)</u>

In 2018 exceptional costs amounting to €854K were recorded. These are costs mainly related to severance payments to management at various Dutch entities. In return this will lead to permanent savings on wages as these management positions will not be replaced.

### Financial income and expense (18)

(in thousands of euros)

	2019	2018
Interest income and similar income	22	7
Interest expense and similar charges	(442)	(157)
Interest on leases	(591)	0
Total financial income	<u>(1.011)</u>	<u>(150)</u>

### Income taxes (19)

The tax payable/receivable on the profit or loss in the consolidated profit and loss account can be broken down as follows.

(in thousands of euros)

	2019	2018
Result before tax	8.360	4.847
Corporate income tax	(1.440)	(1.029)
Deferred corporate income tax	(1.403)	(337)
Total taxes	<u>(2.843)</u>	<u>(1.366)</u>

	2019	2018
Applicable tax rate home-market NL	25%	25%
Applicable tax rate foreign countries	21%	20%
Effective tax rate	34%	28%

The applicable tax rate in our home-market the Netherlands is 25% (2018: 25%). The applicable tax rate in the foreign countries is 21% (2018: 20%) and is based on the proportion of the contribution to the result by the

group entities and the tax rate applicable in the respective countries. The change of applicable tax rate foreign countries is mainly caused by a shift of profit to countries with a lower tax rate. The tax rate has not changed in most countries.

The effective tax rate deviates from the applicable tax rate as a result of differences between commercial (accounting) profit and taxable profit can arise as a result of, amongst others, non-tax-deductible amortisation of goodwill, differences in depreciation periods of company buildings and applied prudence in recognition of deferred tax assets related to net operating losses.

### **Remuneration of members of the board of directors and supervisory board**

The remuneration, including pension charges and other benefits, of current and former members of the board of directors and supervisory board charged to the company, its subsidiaries in the financial year amounted to €1,615,222 (2018: €1,043,821) and €121,000 (2018: €112,767) respectively



## Notes to the consolidated cash flow statement

### Breakdown of cash and cash equivalents

(in thousands of euros)

Cash at bank and in hand at 31 December 2018	8.688	
Cash and cash equivalents of the group at 31 December 2018		<u>8.688</u>
Balance sheet movements in cash and cash equivalents in 2019		<u>12.398</u>
Cash at bank and in hand at 31 December 2019	21.086	
Cash and cash equivalents of the group at 31 December 2019		<u>21.086</u>

All cash and cash equivalents available at 31 December 2019, €21.086 (2018: €8.688) is freely available to the group as a whole, owing to currency exchange restrictions.

## Events after the balance sheet date for the consolidated financial statements

The COVID-19 virus spread across the world rapidly in 2020. Measures taken by various governments to contain the virus have affected economic activity. This will have an impact on Royal Ahrend as a Group in FY2020, the exact impact is uncertain. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as safety and health measures for our people and securing the supply of materials that are essential to our production process. Depending on the duration and development, it will have an increasing impact on the financial performance of the Group. We will keep a close eye on the situation and adjust our measures if necessary. Although the impact on FY2020 is uncertain, this event does not provide a different view on our balance sheet as per 31 December 2019. Please refer to paragraph 'Going concern' on page 11 for further details.

## Company balance sheet as at 31 December 2019

### Assets

(in thousands of euros)	31 December 2019	31 December 2018
<b>Fixed assets</b>		
Intangible fixed assets (20)	0	1.402
Financial fixed assets (21)	81.696	49.460
	81.696	50.862
<b>Current assets</b>		
Current receivables (22)	1.652	130.456
	1.652	130.456
<b>Total assets</b>	<b>83.348</b>	<b>181.318</b>

### Shareholders' equity and liabilities

(in thousands of euros)	31 December 2019	31 December 2018
<b>Shareholders' equity (23)</b>		
Issued share capital	8.500	8.500
Share premium account	90.788	90.788
Other legal reserves	(707)	(1.279)
Other reserves	(27.286)	(30.827)
Undistributed result	5.981	4.042
	77.276	71.224
<b>Provisions (24)</b>	6.072	104.644
<b>Current liabilities (25)</b>	0	5.450
<b>Total shareholders' equity and liabilities</b>	<b>83.348</b>	<b>181.318</b>

## Company profit and loss account for the year ended 31 December 2019

(in thousands of euros)	2019	2018
amortization and depreciation respectively of intangible fixed assets (26)	(1.402)	(1.402)
<b>Total operating expenses</b>	(1.402)	(1.402)
	(1.402)	(1.402)
financial income and expense	0	0
<b>Profit/(loss) before taxation</b>	(1.402)	(1.402)
income taxes (27)	(974)	884
	(2.376)	(518)
share in profit/(loss) of participating interests	8.357	4.560
<b>Profit/(loss) after taxation</b>	5.981	4.042

## Accounting policies used in preparing the company financial statements

### Basis of preparation

The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. They were drawn up on 16 April 2020.

For the accounting policies, please refer to the accounting policies of the consolidated financial statements, unless stated otherwise below.

### Financial fixed assets

Participating interests in group companies are valued using the net asset value method. Under the net asset value method, participating interests are carried at the company's share in their net asset value. The company's share in the results of the participating interests is recognized in the profit and loss account. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve. The company's share in direct equity increases and decreases of participating interests is also included in the legal reserve except for asset revaluations recognized in the revaluation reserve.

If the value of the participating interest under the net asset value method has become nil, this method is no longer applied, with the participating interest being valued at nil as long as the net asset value remains negative. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the participating interest are included. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

A subsequent share of the profit of the participating interest is recognized only if and to the extent that the accumulated share of the previously unrecognized loss has been recovered.

Following application of the net asset value method, the entity determines whether an impairment loss has to be recognized in respect of the participating interest. At each reporting date, the entity assesses whether there are objective indications of impairment of the participating interest. If any such indication exists, the entity determines the impairment loss as the difference between the recoverable amount of the participating interest and its carrying amount, taking it to the profit and loss account.

Results from transactions with or between participating interests that are carried at net asset value are recognized proportionally.

Royal Ahrend has issued downstream guarantees pursuant to Section 403 of Book 2 of the Dutch Civil Code for all Dutch group companies and to its UK based subsidiaries pursuant to Section 479A of the Companies Act 2006.

## Notes to the company balance sheet

### Intangible fixed assets (20)

The intangible fixed asset in the company balance was fully related to goodwill. Ultimo 2019 the goodwill is fully depreciated. Reference is made to the notes to the consolidated balance sheet (note #1).

### Financial fixed assets (21)

Movements in financial fixed assets were as follows:

(in thousands of euros)	Participating interests in group companies	Deferred tax asset	Total
Carrying amount at 1 January 2019	39.400	10.060	49.460
Exchange differences	330	0	330
Impact of capital restructuring	161.674	0	161.674
Charged to profit and loss account	0	(1.324)	(1.324)
Dividend received	(1.302)	0	(1.302)
Changes through OCI	(259)	0	(259)
Change provision subsidiaries	(135.240)	0	(135.240)
Share in profit/(loss) of participating interests	8.357	0	8.357
Carrying amount at 31 December 2019	72.960	8.736	81.696

### Participating interests in group companies

During 2019 a capital restructuring took place. Several capital contributions and dividends were being executed resulting in a significant reduction of subsidiaries having a negative equity ultimo 2019. Ultimo 2019 there are a few interests in group companies valued at nil, owing to the equity deficit of the participating interest. A provision is formed if and to the extent the company stands surety for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts (refer to paragraph Provisions (24)).

### Deferred tax asset

The deferred tax asset is related to net operating losses which can be settled with future (fiscal) profits. Group management recognizes a deferred tax assets to the level that convincing evidence is available to sustain the valuation. This evidence is based on the budgeted and/or actual results of the current year and other events which are highly probable and relevant in this respect. Please refer to note 4 for further details.

## Current receivables (22)

The other receivables consist of a receivable to group company related to the cash pool relation between Koninklijke Ahrend BV and her subsidiary Ahrend Support BV. Ahrend Support BV is considered to be the parent of the cash pool. A repayment schedule is not applicable. No interest is applied as both companies are included in the same fiscal unity and (consolidated) financial statements. Please refer to note 11 to the consolidated balance sheet for the securities provided for the credit facility granted by the bank. The current receivables decreased significantly compared to prior year. This is fully related to the capital restructuring which has taken place during 2019.

## Shareholders' equity (23)

Shareholders' equity and net profit/(loss) according to the company financial statements are identical to the corresponding figures in the consolidated financial statements. Movements in equity were as follows

(in thousands of euros)

	Issued capital	Agio	Legal reserves	Other reserves	Undistributed result	Total
Balance at 1 January 2018	8.500	90.788	(1.000)	(9.929)	(20.980)	67.379
Exchange differences foreign subsidiaries	0	0	(197)	0	0	(197)
Shareholder contribution	0	0	0	0	0	0
Reclassification	0	0	(82)	82	0	0
Appropriation of results	0	0	0	(20.980)	20.980	0
Profit/(loss) for the year	0	0	0	0	4.042	4.042
Balance at 31 December 2018	8.500	90.788	(1.279)	(30.827)	4.042	71.224
Exchange differences foreign subsidiaries	0	0	330	0	0	330
Movements through OCI	0	0	0	(259)	0	(259)
Shareholder contribution	0	0	0	0	0	0
Reclassification	0	0	242	(242)	0	0
Appropriation of results	0	0	0	4.042	(4.042)	0
Profit/(loss) for the year	0	0	0	0	5.981	5.981
Company balance at 31 December 2019	8.500	90.788	(707)	(27.286)	5.981	77.276
PY Equity CI	0	0	0	(844)	0	(844)
Net result CI	0	0	0	0	(55)	(55)
Side stream elimination CI	0	0	0	0	(297)	(297)
Consolidated balance at 31 December 2019	8.500	90.788	(707)	(28.130)	5.629	76.080

On 3 July 2017 Circular Interiors BV (hereafter CI BV) was established. CI BV is – like Koninklijke Ahrend BV – a fully-owned group subsidiary of Stonehaven 2006 BV. The main activity of CI BV is acting as a lessor of operation leases of office furniture. The concerning furniture is sold by Koninklijke Ahrend to CI BV. The Board of Directors of both companies is equal. As such policy-making influence by Royal Ahrend management is deemed to be present (RJ 217.202/205/206). As such CI BV is added to the scope of consolidation of Koninklijke Ahrend.

### Issued share capital

The total number of paid up shares is 17,001,113 (2018: 17,001,113). The authorized capital amounts to €35,000,000 divided in 70 million shares of nominal €0.50. All issued shares are held by Stonehaven 2006 BV.

### Agio reserve

The agio reserve has not changed during 2019.

### Legal reserve

The legal reserves are recognised in connection with the following:

- Currency translation reserve
- Capitalised development costs of €85K (2018: €107K).
- Undistributable reserve for positive results from associate and direct increases in value of Ahrend Gulf amounting to € 358K (2018: € 94).

(in thousands of euros)

	Currency translation reserve	Capitalized development costs	Reserve for participations	Total
Carrying amount at 1 January 2019	(1,480)	107	94	(1,279)
Additions / utilization	330	(22)	264	572
Carrying amount at 31 December 2019	(1,150)	85	358	(707)

### Other reserves

The prior year profit is added to the other reserves.

### Proposed appropriation of result

The result is appropriated in accordance with article 4.1.1 of the Articles of Association, which states that the board of directors shall determine, with the approval of the supervisory board, the portion of the result to be added to reserves.

## Provisions (24)

Movements in the provision for subsidiaries with a negative equity is as follows:

(in thousands of euros)

Carrying amount at 1 January 2019	104.644
Change in 2019	(98.572)
Carrying amount at 31 December 2019	6.072

The beginning balance of 2019 was mainly related to Ahrend Support BV. The provision as per 1 January 2019 covered the net amount of equity minus directly related receivables. As such the change in provision 2019 amounting to €98.6mio does not reconcile to the amount shown as movement of the participating interest in group companies of €135.2mio (note 21). The deficit of €36.6mio is related to the other receivables.

The provision ultimo 2019 is related to three subsidiaries. The negative equity is caused by the fact that the respective companies were loss making in the past. It is expected that the negative equity position at these companies will recover in the future.

## Current liabilities (25)

The current liabilities as per December 31, 2018 consisted of a liability to a group company. No current liabilities are present ultimo 2019.

## Arrangements and commitments not shown in the balance sheet

The company has issued downstream guarantees pursuant to Section 403 of Book 2 of the Dutch Civil Code for all Dutch group companies. The company is also acting as guarantor for amounts owed by foreign group companies to credit institutions, also undertaking to maintain equity of any group company financed by credit institutions at a specific level. Amounts owed by group companies to credit institutions (loans and bank debt) came to zero at 31 December (2018: zero). Sister company CI BV had a bank debt of €2mio ultimo 2019 (2018: zero).

Koninklijke Ahrend BV and its Dutch subsidiaries form a fiscal unity for corporate income tax purposes with Stonehaven 2006 BV and CI BV, and as such, jointly and severally liable for the tax liabilities of the Dutch group companies forming part of the fiscal unit. All Dutch subsidiaries within the Royal Ahrend Group are included in one fiscal unit regarding the value added taxes.



## Notes to the company profit and loss account

### Wages and salaries

Koninklijke Ahrend BV has no employees (2018: no employees). The Board of Directors are employed at Ahrend Support BV. Please refer to page 47 for the remuneration of members of the Board of Directors and Supervisory Board.

### Amortization and depreciation of intangible fixed assets (26)

(in thousands of euros)	2019	2018
Goodwill	1,402	1,402
Total	1,402	1,402

### Income taxes (27)

The tax payable/receivable on the profit or loss in the company's profit and loss account can be broken down as follows.

(in thousands of euros)	2019	2018
Tax on profit or loss for current financial year	351	351
Deferred tax assets/liabilities, or changes made to them	(1,325)	533
Total tax payable/receivable	(974)	884

## **Events after the balance sheet date for the company financial statements**

*Please refer to page 48 for the events after the balance sheet date for the consolidated financial statements.*

## Signatories to the financial statements

Sint-Oedenrode, 16 April 2020

Board of Directors:

W.H.L.M.G. Sterken

R.M. Verspuij

J. Keyval

Supervisory board:

J.L.M. Van Meerbeeck

C.W. Van der Waaij

M. Schabos

A.S. Vink

P.A. Doodeman

## **Other information**

### **Articles of Association provisions governing profit appropriation**

The result is appropriated in accordance with article 4.1.1 of the Articles of Association, which states that the board of directors shall determine, with the approval of the supervisory board, the portion of the result to be added to reserves.



## *Independent auditor's report*

To: the general meeting and the supervisory board of Koninklijke Ahrend B.V.

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### *Report on the financial statements 2019*

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#### *Our opinion*

In our opinion, the financial statements of Koninklijke Ahrend B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2019 of Koninklijke Ahrend B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2019;
- the consolidated and company profit and loss account for the year then ended;
- the consolidated statements of comprehensive income for the year ended 31 December 2019; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of Koninklijke Ahrend B.V. in accordance with the 'Wet toezicht accountants-organisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands.

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Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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### ***Material uncertainty related to going concern***

We draw attention to going concern section in the financial statements in which management has described the possible impact and consequences of the corona virus (COVID-19) as well as the measures taken and planned to deal with these events and circumstances. This note also indicates that significant uncertainties remain and that currently it is not reasonably possible to estimate the impact and consequences of the corona virus (COVID-19) on the going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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### ***Report on the other information included in the annual report***

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the board of directors' report;
- the supervisory board report;
- key figures; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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### ***Responsibilities for the financial statements and the audit***

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#### ***Responsibilities of the board of directors and the supervisory board for the financial statements***

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

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### ***Our responsibilities for the audit of the financial statements***

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Eindhoven, 16 April 2020  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.W.J.M. Dohmen RA



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## ***Appendix to our auditor's report on the financial statements 2019 of Koninklijke Ahrend B.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board 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.