Excerpt of the **2020** Annual Report

INTERNATIONAL SUPPLIER
OF HOME DECORATION GOODS

Translation disclaimer: This document is a free translation of the French language version of the consolidated financial statements for the twelve-month period ended 31 December 2020 produced for the convenience of English speaking readers. In the event of any ambiguity or conflict between statements or other items contained herein and the original French version, the relevant statement or item of the French version shall prevail. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, this English version has not been audited by the company's statutory auditors and in all matters of interpretation of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and U10 expressly disclaims all liability for any inaccuracy herein.

Figures in presented herein (excluding tables) expressed as "K€" in the original French document have been rounded off accordingly to the nearest thousandth (000s).

Annual consolidated financial statements
31 December 2020

1. Consolidated balance sheet

BALANCE SHEET – ASSETS			2020		2019
(€ thousands)	**Note**	**Gross value**	**Amortisations**	**Net**	**Net**
Goodwill	5.2.1.1	40,354	40,354		
Intangible assets	5.2.1.2	3,200	2,626	574	558
Property, plant and equipment	5.2.1.3	30,752	14,638	16,114	17,145
Financial assets	5.2.1.4	1,733	0	1,733	1,732
Total fixed assets		**76,039**	**57,617**	**18,421**	**19,435**
Inventories	5.2.2.1	48,010	311	47,699	51,809
Trade receivables	5.2.2.2	28,708	367	28,341	34,272
Other receivables and prepaid expenses	5.2.2.2	9,797	2,144	7,653	7,544
Cash and marketable securities	5.2.2.3	17,787	0	17,787	20,634
Total current assets		**104,301**	**2,822**	**101,480**	**114,258**
TOTAL		**180,340**	**60,439**	**119,901**	**133,693**

BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2020	2019
(€ thousands)			
Capital		17,261	17,261
Additional paid-in capital		12,807	12,807
Treasury shares		-134	-54
Reserves and income		8,717	11,421
Shareholders' equity attributable to the Group	4	**38,650**	**41,435**
Non-controlling interests		1,221	1,316
Total shareholders' equity	4	**39,871**	**42,751**
Borrowings and financial liabilities	5.2.5.1	38,419	56,409
Provisions for contingencies and expenses	5.2.4	3,275	1,481
Provisions for deferred taxes	5.3.6	2,046	1,969
Trade payables	5.2.5.2	24,156	22,316
Other liabilities and accruals	5.2.5.2	12,135	8,767
Total payables		**80,031**	**90,942**
TOTAL		**119,901**	**133,693**

2. Consolidated income statement

Consolidated income statement (€ thousands)	Note	2020	2019	2019 Pro forma - Excl. Dutexdor & proceeds from the disposal
Revenue	5.3.1	145,216	178,371	161,000
Other operating income		361	2,179	2,054
Total operating income		**145,577**	**180,550**	**163,054**
Cost of sales		-101,359	-121,771	-111,188
Staff costs	5.3.2.1	-16,432	-19,712	-17,559
External charges	5.3.2.2	-23,441	-29,638	-26,062
Taxes and similar payments		-1,894	-1,914	-1,782
Other operating expenses		-469	-2,135	-1,614
Operating profit before depreciation and amortisation (EBITDA)		**1,982**	**5,380**	**4,849**
		-1,807	-1,530	-1,487
Allowances for depreciation and reserves	5.3.3	175	3,850	3,361
		77	419	388
Operating profit		**-1,256**	**-1,353**	**-1,186**
Net financial expense	5.3.4	**-1,179**	**-934**	**-798**
Net exceptional items	5.3.5	**-2,178**	**576**	**-174**
Corporate income tax	5.3.6	524	-435	-435
Consolidated net income		**-2,659**	**3,057**	**1,954**
Attributable to:				
U10 Group shareholders		-2,734	2,790	1,806
Non-controlling interests		75	267	149
Earnings per share		**-0.16**	**0.16**	**0.10**

Dutexdor was sold on 13 December 2019.

3. Consolidated statement of cash flows

(€ thousands)	Note	2020	2019
Consolidated net income		**-2,659**	**3,057**
Adjustments for non-cash income and expense items		2,696	1,968
Allowances for depreciation and reserves	5.2.1.1 à 5.2.1.3	1,712	1,962
Changes in provisions for contingencies and expenses	5.2.4	1,806	42
Change in deferred tax	5.3.6	-829	402
Proceeds from the disposal of fixed assets		13	-571
Miscellaneous		-6	132
Cash flows from consolidated companies		**37**	**5,025**
Change in operating working capital requirements		15,549	12,262
Inventories	5.2.2.1	4,110	7,716
Trade receivables and related accounts	5.2.2.2	5,008	5,306
Trade payables	5.2.5.2	2,410	-3,031
Other trade receivables and payables	5.2.2.2 et 5.2.5.2	4,022	2,270
Net cash provided by operating activities		**15,587**	**17,286**
Of which income tax payments		479	1,289
Acquisition of intangible assets	5.2.1.2	-272	-484
Acquisition of property, plant and equipment	5.2.1.3	-441	-842
Acquisition of financial assets	5.2.1.4	-72	-78
Proceeds from asset disposals	5.2.1.2 à 5.2.1.4	25	962
Impact of changes in Group structure		0	1,541
Net cash used in investing activities		**-760**	**1,098**
Dividends paid	4	-170	-122
Changes in equity		0	6
Treasury shares	4	-80	15
Debt issuance	5.2.5.1	19,625	250
Cash advances received (repayments)	5.2.5.1	-124	-3,084
Repayment of debt	5.2.5.1	-4,040	-6,825
Change in accrued interest	5.2.5.1	67	-1
Net cash provided by financing activities		**15,278**	**-9,761**
Impact of foreign exchange fluctuations		567	-184
Net change in cash and cash equivalents		**30,671**	**8,439**
Opening cash and cash equivalents	5.2.5.1	-17,760	-26,199
Closing cash and cash equivalents	5.2.5.1	12,911	-17,760

The statement of consolidated cash flows was prepared according to the indirect method on the basis of net income of fully consolidated companies. Cash and cash equivalents correspond to liquid assets and short-term securities minus current bank facilities and overdrafts.
Interest payments in the financial year amounted to €430,000 (€686,000 at 31 December 2019).

4. Statement of changes in consolidated shareholders' equity

(€ thousands)	Number of shares [1]	Capital	Additional paid-in capital	Reserves and income	Treasury shares	Foreign currency translation adjustments	Shareholders' equity attributable to the Group	Non-controlling interests	Total
Consolidated equity at 31/12/2018	**17,226,396**	**17,261**	**12,807**	**4,372**	**-72**	**4,714**	**39,081**	**5,565**	**44,646**
Profit for the period				**2,790**			**2,790**	**267**	**3,057**
Net gains and losses recognised directly in equity				-		-10	-10	2	-8
Total gains and losses recognised in 2019		-	-	**2,790**	-	**-10**	**2,780**	**269**	**3,049**
Treasury shares	1,269	-		-10	17		7		7
Distribution of dividends of subsidiaries				-			-	-119	-119
Other changes				-4			-4		-4
Changes in the consolidation scope				-429			-429	-4,399	-4,828
Consolidated equity at 31/12/2019	**17,227,665**	**17,261**	**12,807**	**6,718**	**-55**	**4,704**	**41,435**	**1,316**	**42,751**
Profit for the period				**-2,734**			**-2,734**	**75**	**-2,659**
Net gains and losses recognised directly in equity						36	36		36
Total gains and losses recognised in 2020		-	-	**-2,734**	-	**36**	**-2,698**	**75**	**-2,623**
Treasury shares	-66,763			-6	-80		-86		-86
Distribution of dividends of subsidiaries							-	-170	-170
Other changes				-1			-1		-1
Consolidated equity at 31/12/2020	**17,160,902**	**17,261**	**12,807**	**3,978**	**-135**	**4,739**	**38,650**	**1,221**	**39,871**

(1) after eliminating treasury shares

5. Notes to the consolidated financial statements

The consolidated financial statements of U10 Group were approved by the Board of Directors on 31 March 2021.

Annual highlights
Covid-19 related health crisis :
2020 was impacted by the health crisis precipitated by the Covid-19 epidemic which started in China at the beginning of the year and from there spread to the rest of the world including France beginning in March 2020.

A number of decisions were adopted by the government imposing lockdowns and the closure of businesses.

During the lockdown period in France between March and May 2020, the subsidiaries U10, Fred Olivier and La Nouba closed down their logistical warehouses and most of their administrative services.

During those periods when closures were imposed on businesses classified as "non-essential", the operational subsidiaries were allowed to partially function by complying with social distancing measures to guarantee employee health and safety.

The health crisis' impact on the financial statements is described in note 5.3.8 thereto.

Other significant events:
Two property leases expired and an option to extend a lease was exercised in the period. These concern two storage facilities located in Thizy les Bourgs.

5.1. Significant accounting policies

Basis of presentation and statement of compliance
The consolidated financial statements for the period ended 31 December 2020 have been prepared on the basis of French GAAP as defined by CRC Regulation No. 99-02 and amendments thereto of the French accounting rules committee (Comité de la Réglementation Comptable or CRC), and notably based on Regulation No. 2005-10 of 3 November 2005 and Regulation No. 2015-07 of the French accounting standards authority (Autorité des Normes Comptables or ANC) of 23 November 2015.
ANC regulation 2020-01, published on 6 March 2020, will apply starting from the 2021 financial year for the preparation of French GAAP consolidated financial statements. Its application will have a limited impact on the Group's consolidated accounts.

Basis of preparation and presentation

In accordance with ANC Regulation No. 2018-01, the Group has applied the applicable standards for preparing its consolidated financial statements and is concerned only by pension obligations and other employee benefits thereunder.

Basis of consolidation

As of 31 December 2020, the Group consisted of 15 companies. All companies of the Group close their accounts on 31 December.

Type of activity	Name	Date of creation or acquisition of controlling interest	2020 Ownership interest (%)	2020 Consolidation method	2019 Ownership interest (%)	2019 Consolidation method	Business
Corporate services	U10 Corp	Creation 4 May 1994	-	Full consolidation	-	Full consolidation	Parent company
Home	U10	Creation 12 December 2003	100 %	Full consolidation	100 %	Full consolidation	A B2B supplier of home decorations and interior design products
	FRED OLIVIER	Creation 13 June 2018	100 %	Full consolidation	100 %	Full consolidation	A company specialised in the design of textile products and tableware
	LA NOUBA	1 Jul .2014	50.95 %	Full consolidation	50.95 %	Full consolidation	Company specialised in the sale of party goods
	DUTEXDOR	Creation 2 May 2006			65 % until 13/12/2019	Full consolidation	Specialised in the design of clothing accessory lines for French food superstores and specialised retailers Sold on 13 December 2019.
	U-WEB	Creation 16 August 2011	51 %	Full consolidation	51 %	Full consolidation	Specialised in the sale of home decor and furnishing products on online marketplaces
Asia	SMERWICK GROUP	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A holding company incorporated in Hong Kong for all companies based in Asia
	LONGFIELD LIMITED	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company based in Shanghai incorporated in Hong Kong for articles originating from China
	SMERWICK LIMITED	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company incorporated in Hong Kong specialised in goods originating from other countries of Asia through its Taiwan branch office.
	SMERWICK TAIWAN BRANCH LIMITED	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company incorporated under the laws of Taiwan specialised in goods originating from other countries of Asia
	MADE IN U10 (ex. HENGWEI ASIA LIMITED)	1 Jul .2006	72.69 %	Full consolidation	72.69 %	Full consolidation	A trading company incorporated in Hong Kong for articles originating from China
	LONGGANG LIMITED	3 Jun. 2010	72.69 %	Full consolidation	72.69 %	Full consolidation	A company incorporated under the laws of China providing services for export customers.
	HENGWEI SH	6 May 2011	72.69 %	Full consolidation	72.69 %	Full consolidation	A company incorporated under the laws of China specialised in trade and the distribution of products for the Chinese market
	HENGQIN MANAGEMENT CONSULTING CO LTD	18 November 2016	72.69 %	Full consolidation	72.69 %	Full consolidation	A company incorporated under the laws of China providing services for export customers.
	NEWPRO ASIA LIMITED	1 Jan. 2013	50.1 % (controlling interest) 36,42 % (ownership interest)	Full consolidation	50.1 % (controlling interest) 36,42 % (ownership interest)	Full consolidation	A trading company incorporated under the laws of Hong Kong for articles originating from China
	U10 LIMITED	Creation 11 September 2015	72.69 %	Full consolidation	72.69 %	Full consolidation	Company incorporated in Hong Kong and governed by Hong Kong law specialised in the export of Home product ranges;

Consolidation method

Because U10 Corp exercises exclusive control over all companies in which it has shareholdings, all companies are fully consolidated.

Foreign currency translation methods

The results of foreign companies outside the euro zone are translated into euros at the average exchange rate of the period and their balance sheets are translated at the year-end exchange rate. Translation differences are presented separately under equity

Goodwill arising from the acquisition of a foreign company is considered as an asset of the latter and consequently stated in the functional currency of the entity. Since the switch to French GAAP, the gross value of goodwill represents a fixed amount and is fully amortised. Goodwill created after the transition to French GAAP is translated at the year-end exchange rate. No new goodwill has been created since the adoption of French GAAP.

Exchange rates for relevant currencies are as follows:

(Per euro)	31 December 2020		31 December 2019	
	Average rate	Closing rate	Average rate	Closing rate
US dollar (USD)	1.14128	1.2271	1.119583	1.1234

Foreign currency transactions

Expenses and income in foreign currency are translated at the exchange rate in effect on the transaction date. Monetary balances in foreign currency are translated at the closing rate. Unrealised currency gains or losses are recognised under income of the period. Currency gains and losses on sales are included under the relevant line item of operating income or expenses.

5.2. Notes to the balance sheet

5.2.1. Fixed assets

Goodwill

Goodwill is the difference between the acquisition cost of business combinations (excluding transactions costs) and the Group's share of the fair values of identifiable assets acquired and liabilities and contingent liabilities assumed on the acquisition date. These amounts are recorded in the functional currency of the acquired companies. The amounts of fair value and goodwill must be finalised within one year of the acquisition date. Modifications made after this date are recognised in the income statement, including those relating to deferred tax assets.

The Group measures non-controlling interests when acquired either at fair value (full goodwill method) or on the basis of the Group's share in the net assets of the acquired company (partial goodwill method). This option is applied for each acquisition.

When non-controlling interests are acquired after control has been obtained, the difference between consideration paid and the share in equity acquired is recognised directly in consolidated reserves. In the same way, in the case of a disposal without loss of control, the impact is recognised directly in consolidated reserves.

Goodwill is recorded under a separate line in the balance sheet at cost after deducting amounts of impairment that may be recognised. Negative goodwill is recorded directly in the income statement in the year control is acquired. Losses, when they arise, are recognised under «other exceptional income and expenses» if the event at the origin of this impairment meets this definition and are not reversible except in the case of disposals.

Amortisations

Goodwill is amortised over a maximum period of 10 years.

Since the adoption of French GAAP, the Group has adopted the amortisation plan as if amortisation expenses were applied without interruption while taking into account ANC Regulation No. 2015-07 of 23 November 2015.

5.2.1.1. Goodwill

CGU - (€ thousands)	2020 Gross value	2020 Amortisations	2020 Net value	2019 Net value
Home	20,515	20,515	-	-
Fashion articles	-	-	-	-
Asia	19,839	19,839	-	-
Total	**40,354**	**40,354**	**-**	**-**

5.2.1.2. Intangible assets

Intangible assets are recognised at acquisition cost.

The rules for the amortisation, depreciation and impairment of Group assets comply with CRC Regulation No. 2002-10. Amortisation is calculated on a straight-line or accelerated basis over their useful lives.

– Drawings / designs: 1 to 4 years

– Software, licenses: 1 to 5 years

– Other intangible assets: 3 years

Due to the nature of the Group's business, it does not have research and development expenditures.

Intangible assets (€ thousands)	2020 Gross value	2020 Amortisations	2020 Net value	2019 Net value
Models and drawings	985	784	200	240
Software, patents, licenses	2,015	1,841	174	195
Other intangible assets	200	-	200	123
Total	**3,200**	**2,626**	**574**	**558**

Intangible assets (€ thousands)	Opening net balance	Acquisitions	Allowances	Other changes	Closing net balance
Models and drawings	240	177	-217	-	200
Software, patents, licenses	195	19	-114	75	174
Other intangible assets	123	77	-	-	200
Total	**558**	**272**	**-331**	**75**	**574**

On the basis of tests performed, no impairment charges were recorded.

5.2.1.3. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost.

The rules for the amortisation, depreciation and impairment of Group assets comply with CRC Regulation No. 2002-10. Amortisation is calculated on a straight-line or accelerated basis over their useful lives.

– Buildings: 10 to 30 years

– General installations: 3 to 20 years

– Equipment and machinery: 1 to 8 years

– Transportation equipment: 2 to 5 years

– Office furniture and equipment 2 to 10 years

Finance leases have been restated in relation to their materiality level for the presentation of financial statements when the value at inception of the property exceeds €100,000. To this purpose, only land and buildings of U10 and U10 Corp financed by leases were restated in the balance sheet under property, plant and equipment with the corresponding debt recognised in the income statement as a depreciation allowance and financial expense.

Property, plant and equipment (€ thousands)	2020 Gross value	Amortisations	Net value	2019 Net value
Land	1,965	-	1,965	1,900
Buildings	18,788	7,217	11,571	12,355
Machinery and equipment	699	604	95	142
Fittings	7,414	5,286	2,128	2,287
Rolling stock	189	156	32	54
Office furniture and equipment	1,660	1,375	286	212
Assets in progress	36	-	36	195
Total	**30,752**	**14,639**	**16,113**	**17,145**

Property, plant and equipment include the restatement of capital leases for the land and building of U10 with a gross value of €11,204,000 and an accumulated depreciation of €1,961,000. The impact of the restatement of the capital lease on the income statement was €360,000 after taking into account deferred taxes.
Two property leases expired and an option to extend a lease was exercised in the period. The impact of the exercise of the option for the year represents an expense of €66,000.

Property, plant and equipment (€ thousands)	Opening net balance	Acquisitions	Disposals	Allowances	Other changes	Closing net balance
Land	1,900	66				1,965
Buildings	12,355			-773	-11	11,571
Machinery and equipment	142	15		-59	-3	95
Fittings	2,287	29	70	-396	137	2,127
Rolling stock	54			-20		32
Office furniture and equipment	212	209	-70	-133	66	287
Assets in progress	195	122			-281	36
Total	**17,145**	**441**	**0**	**-1,380**	**-92**	**16,114**

5.2.1.4. Financial assets

Financial assets consist of blocked bank deposits and deposits and guarantees that are recognised at cost.

Immobilisations financières en k€	Opening	Acquisitions in the period	Disposals in the period	Internal account transfers	Foreign currency translation adjustments	Closing balance
Loans to personnel	3	3	-6			
Deposits and guarantees paid	939	11	-18	-16	-6	911
Other non-current financial assets	790	59		16	-44	822
Total	**1,732**	**74**	**-24**		**-50**	**1,733**

Only loans to personnel are short-term.
Deposits and guarantees paid correspond notably to security deposits for the use of premises.
The line item «other non-current financial assets» includes bank balances for €739,000 (€766,000 in 2019) as security for short-term bank credit lines.

5.2.2. Current assets

5.2.2.1. Inventories

Inventories consisting mainly of trade goods are recorded at the weighted average unit cost, including the purchase price (less discounts granted) and incidental expenses, and notably customs and transport expenses. A provision for impairment is recorded when the cost is considered to exceed the probable realisation price on the basis of the market price, sales prospects and risks related to obsolescence. Depreciation rates may consequently differ from one subsidiary to another according to the nature of products sold and distribution channels.

Inventory in € thousands	2020 Gross value	2020 Impairment	2020 Net value	2019 Gross value	2019 Impairment	2019 Net value
Raw materials and other supplies	470		470	455		455
Trade goods	47,540	-311	47,229	51,659	-305	51,354
Total	**48,010**	**-311**	**47,699**	**52,113**	**-305**	**51,809**

5.2.2.2. Trade receivables

Trade receivables subject to assignment are restated and eliminated from «Trade receivables and related accounts» only when the risks and benefits associated with these receivables are substantially transferred. In order to cover the risk of default, the Group's French companies have credit insurance with EULER HERMES. An allowance for doubtful accounts is recorded for receivables when there exists a collection risk. These provisions are determined on the basis of an individual assessment of this risk that may depend on several factors (disputes, financial decision, payment delays, etc.).

Current receivables in € thousands	2020 Gross value	2020 Impairment	2020 Net value	2019 Net value
Trade receivables and related accounts	28,708	367	28,341	34,272
Total	**28,708**	**367**	**28,341**	**34,272**

Receivables assigned to the factor are reclassified as trade receivables since the risks and rewards of these receivables are not transferred to the factor. These amounts totalled €9,459,000 at 31 December 2020 compared with €12,978,000 for the prior year.

Trade receivables of French companies are partially covered by credit insurance policies, all with maturities of less than one year.

Other receivables and deferred taxes:

Other receivables and deferred taxes	2020 Gross value	2020 Impairment	2020 Net value	2019 Net value
Advances and down payments paid	1,343	0	1,343	730
Employee-related receivables	10	0	10	4
Tax receivables	1,976	0	1,976	1,891
Other receivables	4,196	2,144	2,052	2,592
Income tax receivables	17	0	17	563
Prepaid expenses	827	0	827	1,241
Deferred tax assets	1,429	0	1,429	523
Total	**9,797**	**2,144**	**7,653**	**7,544**

Tax receivables correspond to receivables for corporate income tax. Other tax receivables consist mainly of VAT able to be deducted or recovered with maturities of less than one year (current portion).

Sundry accounts receivable include mainly:
- trade receivables linked to C3M's disposal in 2009 for €2,142,000 that have been fully depreciated. Debt collection procedures are still in progress to obtain payment of these receivables, while others were recognised under losses (fully written down since 2016);
- amounts pledged as security in connection with litigation procedure with the tax authorities in the amount of €779,000;
- accrued income relating to a commercial dispute in the amount of €733,000;
- supplier credit notes in the amount of €366,000.

They have maturities of between 1 and 5 years, with the exception of supplier credit notes due within one year.

Prepaid expenses represent operating items with maturities of less than one year (current portion)

5.2.2.3. Cash and cash equivalents

Cash and cash equivalents consist of bank credit lines.

Current account balances subject to restrictions for periods exceeding three months at the closing date (for example, when pledged as security) are reclassified under financial assets.

Cash and cash equivalents in € thousands	2020	2019
Cash at banks, current account advances	17,787	20,634
Total	**17,787**	**20,634**

As indicated in note 5.2.1.4, restricted bank account balances amounting to €739,000 are classified as financial assets (€766,000 in 2019). There are no short-term securities.
There are no cash amounts subject to restrictions (exchange controls, etc.).

5.2.3. Shareholders' equity

5.2.3.1. Stock option plans

No stock option plan was in progress in the period under review.

5.2.3.2. Share capital information

Treasury shares

Treasury shares are excluded from shareholders' equity on the basis of their acquisition and disposal price for the Group. Impairment charges, as applicable, and gains or losses from disposals, recorded in the separate financial statements upon disposal, are recognised directly under shareholders' equity in the consolidated financial statements for their amount net of the corresponding tax.

There exist no specific procedures and objectives set in advance. Changes and the management of share capital are undertaken on the basis of opportunities.
Within the framework of the share buyback program authorised by the annual general meeting of the shareholders, U10 Corp has implemented a liquidity agreement for market making purposes for its shares. As at 31 December 2020, U10 Corp held 34,936 shares under the liquidity agreement and 64,907 shares purchased for the purpose of cancellation at the next shareholders' general meeting.

Changes in share capital in the period:

	2019	Increase	Decrease	2020
Number of shares comprising the share capital*	17,260,745			17,260,745
Dilutive equity instruments:				
Total number of the potential shares	**17,260,745**	**0**	**0**	**17,260,745**
*Of which treasury shares	33,080	66,763		99,843

The par value of the share is €1.

5.2.3.3. Dividends paid to parent company shareholders

A dividend was not distributed in 2020.

5.2.4. Provisions for contingencies and expenses

Provisions for retirement severance benefits

Group employees, in accordance with applicable local laws and regulations, are covered by supplementary retirement and severance benefits. Addition, the Group is required to contribute to retirement funds in countries where it operates.

For defined contribution schemes, the charge corresponding to premium payments is recognised under profit and loss for the period.

For defined benefit schemes, the value of retirement commitments defined in accordance with contractual provisions is determined annually according to the projected unit credit method and based on actuarial assumptions for life expectancy estimates, employee turnover, seniority of employees, wage increases and discount rates.

In 2019 and 2020, the Group applied the following assumptions:

	2020		2019	
	French companies	Foreign companies	French companies	Foreign companies
Discount rate	0.50 %	1.25 %	1.80 %	1.50 %
Wage growth rate	1.5% -2%	2.00 %	2.00 %	2.00 %

In light of the provisions of the collective bargaining agreements that apply to the main companies of the Group, the commitment for long-service awards (seniority bonuses) is not considered as material.

Other provisions

Provisions are recorded when the Group has a present obligation resulting from a past obligating event expected to result in an outflow of economic resources able to be reasonably estimated.

Information on contingent liabilities is presented in the notes when they represent a significant amount.

Actuarial gains and losses are recognised under profit or loss of the period.

(€ thousands)	Opening	Allowances	Provisions used in the period	Reversal of unused provisions	Impact of foreign exchange fluctuations	Closing balance
Provisions for retirement severance benefits	1,241	296	-15	-86	-12	1,423
Employee-related litigation contingencies	240	475	-11			704
Sales-related litigation		1,148				1,148
Total	**1,481**	**1,919**	**-27**	**-86**	**-12**	**3,275**

Other lawsuit contingencies relate to the estimated risks with respect to labour and tax disputes in progress

Sensitivity tests:
Based on a discount rate of 0 %, the provision for severance benefits payable to French employees upon retirement would amount to €86,000.

5.2.5. Borrowings and financial liabilities

5.2.5.1. Net financial debt

Net financial debt amounted to €20,631,000 at year-end compared with €35,774,000 at 31 December 2019.
Medium-term borrowings consist primarily of fixed -rate loans (€26,588,000). Floating-rate debt totalled €6,820,000, originating entirely from the restatement of capital leases. Floating-rates applied are generally the 3-month Euribor plus a margin.
The Group has obtained several Covid-relief government-guaranteed loans for an amount totalling €14,625,000. The cost of the 0.5% government guarantee is spread over the 12 months of the initial loan period and recognised as a financial expense.
Only companies of the Smerwick subgroup had recourse to bank credit lines in US dollars.

- **Changes in financial debt and breakdown by nature**

Financial debt (€ thousands)	Opening	Increase	Decrease	Foreign currency translation adjustments	Closing balance
Other borrowings → 1 year at inception	9,691	19,625	-2,728		26,588
Finance leases	8,132	-	-1,312		6,820
Borrowings → 1 year at inception	**17,823**	19,625	**-4,040**	-	**33,408**
Other payables	188	-	-124		64
Accrued interest	3	-	67		70
Bank overdrafts and credit lines	38,394	-32,053	0	-1,465	4,876
Other borrowings	**38,585**	-32,053	**-57**	**-1,465**	**5,011**
Total borrowings	**56,408**	**-12,428**	**-4,097**	**-1,465**	**38,419**
Cash and cash equivalents	-20,634	-6,312	8,462	697	-17,787
Cash and cash equivalents	**-20,634**	-6,312	**8,462**	**697**	**-17,787**
Net financial debt	**35,774**	**-18,741**	**4,365**	**-768**	**20,631**

• **Breakdown of financial debt by maturity and rate profile**

Net financial debt (€ thousands)	Closing balance	o.w. < 1 year	o.w. > 1 year < 5 years	o.w. > 5 years	o.w. fixed rate	o.w. floating-rate
Other borrowings > 1 year at inception	26,588	3,205	22,256	1,127	26,588	-
Finance leases	6,820	909	3,707	2,204	-	6,820
Borrowings > 1 year at inception	**33,408**	**4,114**	**25,962**	**3,331**	**26,588**	**6,820**
Other payables	64	64				
Accrued interest	70	70				
Bank overdrafts and credit lines	4,876	4,876				
Other borrowings	**5,011**	**5,011**	-	-		
Total borrowings	**38,419**	**9,125**	**25,962**	**3,331**		
Cash and cash equivalents	-17,787	-17,787				
Cash and cash equivalents	**-17,787**	**-17,787**	**-**	**-**		
Net financial debt	**20,631**	**-8,662**	**25,962**	**3,331**		

• **Covenants**

The covenants established for the loan obtained by U10 maturing in 2021 were respected on 31 December 2020.

• **Interest rate risk hedging**

See paragraph «Interest rate hedges» in note 5.6 «off-balance sheet commitments».

5.2.5.2. Trade and other payables

(€ thousands)	2020	2019
Trade payables	24,156	22,316
Total	**24,156**	**22,316**

Trade payables have maturities of less than one year.

(€ thousands)	2020	2019
Advances and instalments received on orders	467	466
Employee-related payables	2,925	1,874
Tax payables	3,616	2,025
Payables on fixed assets	163	221
Dividends payable	558	439
Partners' current accounts	61	90
Tax payables (income tax)	241	3
Other payables	4,105	3,649
Deferred revenue	-	1
Total	**12,135**	**8,767**

Other tax payables include mainly VAT payables.
Miscellaneous payables include mainly accrued credit notes.
Operating liabilities have maturities of less than one year, with the exception of deferred tax and social security related liabilities mentioned in note 5.3.8.

5.3. Notes to the income statement

5.3.1. Revenue

Revenue is recognised when the customer order is delivered (completed sales basis). Invoices in foreign currencies are translated into euros at the monthly average exchange rate published by the official French publication for legal notices (Journal Official). Sales of companies that prepare their financial statements in foreign currencies are translated at the average exchange rate of the period (see section on Foreign currency translation methods).

Revenue by geographical segment is as follows (excluding inter-company sales):

Revenue (non-Group) (€ thousands)	2020		2019		2019 Excl. Dutexdor	
France	120,208	83 %	150,643	84 %	134,507	84 %
European Union	11,701	8 %	13,940	8 %	13,630	8 %
Outside European Union	13,307	9 %	13,788	8 %	12,863	8 %
Total	**145,216**		**178,371**		**161,000**	

The largest customer accounts for 21.9 % of sales.

5.3.2. Operating profit

5.3.2.1. Staff costs and workforce

(€ thousands)	2020	2019	2019 Excl. Dutexdor
Wages and salaries	12,252	14,643	13,068
Payroll taxes	4,180	5,069	4,491
Total	**16,432**	**19,712**	**17,559**

Headcount at 31 December	2020	2019
Marketing / Communication	11	12
Purchasing	39	37
Commercial	100	111
Logistics	110	113
Administration / Finance	36	39
IT	9	8
Total	**304**	**319**

Average headcount of the period	2020	2019
Marketing / Communication	12	20
Purchasing	38	42
Commercial	103	125
Logistics	110	134
Administration / Finance	37	45
IT	8	7
Total	**308**	**373**

5.3.2.2. Total operating expenses

The main operating income and expense aggregates are as follows:

(€ thousands)	2020	2019
Total external services, including mainly:	23,441	29,638
Transport	9,129	10,570
Rent and rental charges	3,967	5,205
Costs of intermediaries and fees	2,801	3,255
Advertising, publications	2,603	3,345
Travel and entertainment expenses	1,081	1,247
Maintenance & repairs	864	1,227
External staff costs	750	1,642
Insurance premium	686	871
Other net operating income and expenses	469	2,135
Total	**23,910**	**31,774**

5.3.3. Allowances for depreciation and reserves

Allowances (+) net of reversals (-) (in € thousands)	2020	2019
Net allowances for depreciation of fixed assets	1,712	1,961
Net allowances for inventory impairment	6	-593
Net allowances for bad debt	-94	73
Other net allowances	183	89
Net current operating provisions	**1,807**	**1,530**
Other net current operating provisions	1,617	-50
Total allowances (net of reversals) of the period	**3,424**	**1,480**

5.3.4. Net financial expense

(€ thousands)	2020	2019
Net financial expense	-916	-1,022
Of which: - Cost of net debt	-430	-686
- Other	-486	-336
Non-operating income/(losses)	-263	87
Total	**-1,179**	**-934**

5.3.5. Net exceptional items

Net exceptional items

Exceptional profit or loss includes items which are by nature unusual, significant and non-recurring. This includes gains and losses from asset disposals, goodwill impairment for which the obligating event meets this definition, the impact of redundancy plans, material litigation.

Other exceptional income and expenses concern mainly provisions for litigation expenses, expenses and income from prior periods, asset disposals and non-recurring expenses.

5.3.6. Corporate income tax

Current and deferred tax

French companies that are more than 95%-held are included in the French tax group providing for tax integration between the U10 Corp, U10 and FRED OLIVIER. The tax savings in 2020 from this tax-sharing arrangement amounted to €466,000.

Timing differences between taxable income and reported net income give rise to the recognition of deferred taxes under the liability method.

Deferred tax assets relating to tax loss carryforwards are recognised only when they can be allocated to temporary tax differences or future tax benefits.

The allocation of future taxable income is taken into account when a reasonable likelihood of occurrence or recovery has been determined based on forward-looking information approved by Group management. In practice, forecasts are adopted, as a matter of prudence, for three-year periods, except in special cases.

Within the same tax entity (company, tax consolidation group) deferred tax assets and liabilities are offset, regardless of their maturity, when the tax entity has the right to offset its current tax assets and liabilities and the deferred tax assets and liabilities concerned are levied by the same tax authorities.

Deferred tax assets and liabilities are not discounted.

The company was subject to a tax audit for the financial years 2013 to 2015. The tax adjustment notification received from the tax authorities was contested by the company. Litigation proceedings were instigated at the end of the reporting period. Because the amounts in question are contested in their entirety, a provision was recorded for this amount in the period.

- **Reconciliation of the theoretical income tax with actual income tax expense**

(€ thousands)	2020	2019
Profit before tax	-3,183	3,492
Theoretical tax rate	28.00 %	28.00 %
Theoretical tax at the standard French tax rate	-891	978
Impact of foreign tax	-195	-187
Impact of changes in tax rates	-91	
Impact of permanent differences	489	-157
Use in the period of deferred taxes not recognized at the beginning of the period (on loss carryforwards)	124	-174
Impact of tax credits and tax deficiency adjustments		-33
Other	42	8
Actual tax expense	**-524**	**435**

- **Breakdown of income tax expense**

(€ thousands)	2020	2019
Current tax	305	35
Deferred tax	-829	400
Total	**-524**	**435**

- **Deferred taxes**

Deferred tax receivables and payables are presented according to their net amount by company.

Breakdown of deferred tax by nature (€ thousands)	2020 deferred tax assets	2020 deferred tax liabilities	2019 deferred tax assets	2019 deferred tax liabilities
Restatement of capital leases	1,007	1,718		1,664
Provision for retirement severance payments	358		303	
Tax-driven provisions		273		243
Other timing differences	64	55	117	62
Total	**1,429**	**2,046**	**523**	**1,969**

5.3.7. Earnings per share

Earnings per share

Basic earnings per share (before dilution) are calculated on the basis of the weighted average number of shares outstanding in the period under review, less treasury shares.

Diluted net earnings per share are determined using the treasury method. When basic earnings per share are negative, diluted earnings per share are identical to the former.

At 31 December 2020, there was a total of 17,260,745 shares. There are no dilutive securities.

5.3.8. Impact of the Covid-19 health crisis on the 2020 accounts

U10 group has benefited from the Covid-19 relief measures provided by public authorities, including the payment of hours covered by the national furlough scheme and has obtained the necessary funding to secure its financial situation. On that basis, U10 Corp and U10 obtained several loans in 2020, including seven government-backed loans for a total amount of €19,625,000.
The Group also benefited from deferred payments for social security contributions, loan and VAT payments.

The following items benefited from payment deferrals:
– Borrowings: €1,312,500 deferred in 2021, 2022 and 2023
– Social security contributions: €923,000 deferred in 2021, 2022 and 2023
– VAT: €1,158,000 (settled in January 2021)

The impact on annual results were as follows:
– A decrease in revenue
– Compensation for furloughed hours: +€732,000
– Additional costs related to additional procurement costs: -€470,000

5.4. Segment information

Segment information

The Group is specialised in developing and marketing a range of product lines for the home furnishings and personal goods segments.

It is organised into two main geographical regions:

– the Europe division shipping directly to stores or the logistics platforms of France or international customers, the ranges it designs
– the Asia division whose activity includes sourcing, quality control and the marketing of ranges created by U10 Group which addresses the international distribution sector.

2020	Europe Division	Asia Division	Total
Revenue	114,980	30,236	145,216
Intangible assets	574	0	574
Property, plant and equipment	16,091	22	16,113
Financial assets	1,195	539	1,733

2019	Europe Division	Asia Division	Total
Revenue	139,451	38,920	178,371
Intangible assets	558	-	558
Property, plant and equipment	17,111	34	17,145
Financial assets	1,145	587	1,732

5.5. Pro forma income statement

There were no changes in the Group's scope of consolidation in the period.

5.6. Off-balance sheet commitments

The Group has implemented procedures to identify the main commitments and ensure the disclosure of material commitments.

The following table shows all off-balance sheet commitments with the exception of leases in progress and outstanding interest owed on loan agreements.

Off-balance sheet commitments (€ thousands)	Main characteristics		2020	2019
RELATED TO THE GROUP STRUCTURE			none	none
Related to financing				
1/ Other commitments given				
Pledges of equity interests		1-2	-	-
Bank account pledges	Bank account pledges as security for a loan	(1)	-	-
Hedging instruments	Interest rate hedges for debt	(1)	-	-
2/ Other commitments received				
Guarantees given by third parties to banks of consolidated companies			-	-
Related to operating activities				
1/ Other commitments given				
Capital leases (not restated)			135	123
Hedging instruments	Forward exchange agreements for the purchase of US dollars		-	3,298
	Euro forward sales agreements		-	-
2/ Reciprocal commitments				
Documentary credit for suppliers			6,690	12,830

(1) Outstanding loan balance at the end of the period

- **Guarantees**

For information, guarantees given to banks of Group companies in the form of first demand guarantees or comfort letters permit local subsidiaries to obtain bank overdrafts facilities or treasury advances. At 31 December 2020, these guarantees amounted to €18,621,000 with the corresponding overdrafts amounting to €4,482,000.

- **Foreign exchange hedges**

Forward exchange purchase agreements were implemented within the framework of the hedging policy for covering commercial transactions (trade good purchases).

No exchange rate hedges were in force at 31 December 2020

- **Interest rate hedges and other commitments**

There were no interest rate hedges in force at 31 December 2020.

To the best of the Company's knowledge, information disclosed in these notes does not contain any omissions concerning the existence of significant off-balance sheet commitments.

- **Commitments received and reciprocal agreements**

The Group has recourse to the documentary credit for certain suppliers and customers. The amount of the corresponding reciprocal agreements at 31 December 2020 totalled €6,690,000.

5.7. Related parties

Directors and officers include the Chairman, the Chief Executive Officer, Deputy Chief Executive Officers and members of the Board of Directors of U10 Corp.
Transactions with related parties disclosed below concern companies having a common director or officer with U10 Corp.

5.7.1. Related parties

Related party transactions in the period amounted to €98,000 for services rendered, €1,254,000 for services received. Receivables and payables amounted to respectively €2,000 and €469,000 (including the current account advance).

5.7.2. Compensation of directors and officers

Executive compensation in 2020 amounted to €325,000 (excluding social charges), unchanged in relation to 2019.
The members of the management have not received any advances, credits or post-employment benefits from the Company as at 31 December 2020.

5.8. Subsequent events

In the context of the Covid-19 epidemic and under the provisions provided for by the government, U10 has decided to repay the government-backed loans over a period of five years, benefiting from the additional one-year grace period available under this measure.

5.9. Fees paid to Auditors and members of their network by the Group

Fees paid to U10 Corp's statutory auditors as well as members of their network are presented below.

(€ thousands)	2020						2019					
	EXCO network		ORFIS member of ALLINIAL GLOBAL		Total		EXCO network		ORFIS member of ALLINIAL GLOBAL		Total	
Audit												
Statutory auditing	91	100 %	33	95 %	123	99 %	141	94 %	49	97 %	191	95 %
– Issuer	26	29 %	33	100 %	59	48 %	34	24 %	49	100 %	83	44 %
– Fully consolidated subsidiaries	64	71 %			64	52 %	108	76 %			108	56 %
Other audit-related services			1.6	5 %	1.6	1 %	8.4	6 %	1.3	3 %	9.7	5 %
– Issuer			1.6	100 %	1.6	100 %			1.3	100 %	1.3	13 %
– Fully consolidated subsidiaries							8.4	100 %			8.4	87 %
Subtotal	91	100 %	34	100 %	125	100 %	150	100 %	51	100 %	200	100 %
Other services												
Legal. tax and employee-related services												
Information technology												
Internal audit												
Other												
Subtotal												
Total	91	100 %	34	100 %	125	100 %	150	100 %	51	100 %	200	100 %

Statutory auditors' report
on the consolidated financial statements

Fiscal year ended 31 December 2020

To the U10 Corp's general meeting,

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of U10 CORP for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and its assets and liabilities as at December 31, 2020 in accordance with French generally accepted accounting principles.

Basis for opinion

Audit framework
We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of this report.

Independence
We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from 1 January 2020 to the date of our report.

Basis of our assessments

Due to the global crisis related to the Covid-19 pandemic, the preparation and audit of the consolidated financial statements of this period were carried out under specific conditions. In particular, this crisis and the exceptional measures taken in connection with the public health emergency have resulted in multiple consequences for companies, particularly for their business, their financing, as well as increased uncertainties about their future outlook. Certain measures, such as restrictions on travel and remote working have also affected the internal organisation of companies and the procedures for conducting audits.

In this complex and constantly changing context, in accordance with the requirements of articles L. 823-9 and R. 823-7 of the French commercial code ("code de commerce") relating to the justification of our assessments, we bring your attention the following assessments which in our professional judgment, were of most significance in the audit of the consolidated financial statements of the period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Note 5.2.2.1 hereto describes the accounting rules applied for the measurement of inventory. As part of our assessment, we reviewed the appropriateness of the accounting treatment applied by the Group for the measurement of inventory. We have ensured, by means of samples, that these principles were correctly applied.

Specific procedures

As required by French law and regulations, we also performed the specific verifications, in accordance with professional standards applicable in France, of the information provided on the group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The consolidated financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

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

As specified by article L. 823-10-1 of the French commercial code ("code de commerce"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditors exercise professional judgement throughout the audit. They also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Roanne and Villeurbanne – 27 April 2021

The Statutory Auditors
[French original signed by:]

EXCO HESIO	ORFIS
Frédéric Villars	Bruno Genevois

Members of the Lyon Regional Association
of Statutory Auditors

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

Annual consolidated financial statements 31 December 2020

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