ACTONA COMPANY A/S

Smedegårdvej 6, Tvis, DK-7500 Holstebro

ANNUAL REPORT 2015/16

1 JULY 2015 – 31 AUGUST 2016
(14 months)

CVR 12 14 37 45

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on 31/1 2017

Hans Henrik Kjølby
Chairman

ACTONA
COMPANY

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MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Actona Company A/S for the financial year 1 July 2015 - 31 August 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31. August 2016 and of the results of the Company's operations for 2015/16.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the Review.

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

Holstebro, 22 November 2016

Executive Board

Torben Skov Villadsen

Board of Directors

Hans Henrik Kjølby
Chairman

Torben Skov Villadsen

Ole Lund Andersen

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the shareholders of Actona Company A/S

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Actona Company A/S for the financial year 1 July 2015 – 31 August 2016, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 August 2016 and of the results of the Company's operations for the financial year 1 July 2015 – 31 August 2016 in accordance with the Danish Financial Statements Act.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Statement on the Management's review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Holstebro, 22 November 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no 33 77 12 31

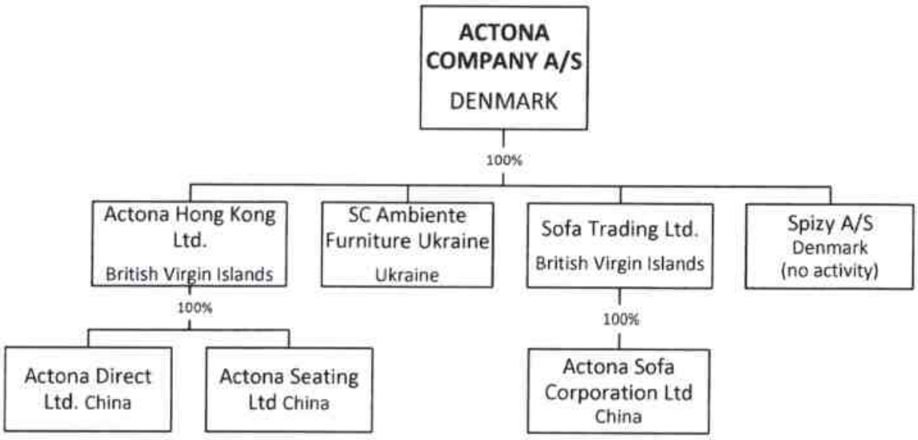
Jesper Lund
State Authorised Public Accountant

Carsten Jensen
State Authorised Public Accountant

COMPANY INFORMATION

The Company	**Actona Company A/S** Smedegårdvej 6 Tvis DK-7500 Holstebro Telephone: +45 96 13 51 11 Website; www.actonacompany.com E-mail: info@actonacompany.com CVR no: 12 14 37 45 Financial Year: 1 September – 31 August Municipality of reg. office: Holstebro, Denmark
Main activity	As previous years, the Company's main activity has consisted in design, production, trading and distribution of furniture for retailers in more than 80 different countries.
Board of Directors	Hans Henrik Kjølby, Chairman Torben Skov Villadsen Ole Lund Andersen
Executive Board	Torben Skov Villadsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Hjaltesvej 16 7500 Holstebro
Lawyers	Kirk Larsen & Ascanius Bredgade 67 6900 Skjern
Bankers	Sydbank A/S Dalgasgade 22 7400 Herning
Consolidated Financial Statements	The Company and subsidiaries are included in the Consolidated Financial Statements of the ultimate parent J.S. Reklame, Århus ApS, CVR no 70 99 02 10

GROUP CHART


ACTONA COMPANY A/S
DENMARK
100%
Actona Hong Kong Ltd.
British Virgin Islands
SC Ambiente Furniture Ukraine
Ukraine
Sofa Trading Ltd.
British Virgin Islands
Spizy A/S
Denmark
(no activity)
100%
Actona Direct Ltd. China
Actona Seating Ltd China
100%
Actona Sofa Corporation Ltd
China

FINANCIAL HEADLIGHTS

	(14 months) 2015/16	2014/15	2013/14	2012/13	2011/12
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit and loss					
Revenue	1.396.795	1.245.202	1.118.314	1.178.049	1.239.927
Gross profit/loss	214.091	168.875	153.075	158.156	201.592
Profit/loss before financial income and expenses	83.671	53.820	39.114	40.223	73.471
Net financials	14.774	17.511	-11.991	-7.841	-8.265
Net profit/loss for the year	81.436	56.323	20.028	25.092	46.307
Balance sheet					
Balance sheet total	506.824	474.492	491.018	520.077	596.000
Equity	232.501	206.981	162.142	156.978	165.758
Other information					
Average number of employees	221	234	253	266	285
Ratios					
Gross margin	15,3%	13,6%	13,7%	13,4%	16,3%
Profit margin	6,0%	4,3%	3,5%	3,4%	5,9%
Return on assets *	14,2%	11,3%	8,0%	7,7%	12,3%
Solvency ratio	45,9%	43,6%	33,0%	30,2%	27,8%
Return on equity *	31,8%	30,5%	12,6%	15,5%	31,5%

The financial ratios have been calculated in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts.

*) The ratios for 2015/16 have been annualized to 12 months.

MANAGEMENT'S REVIEW

The Annual Report of Actona Company A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Because of new ownership Actona Company A/S has decided to change the financial year to 1 September – 31 August. As a result, the current financial year covers the period 1 July 2015 to 31 August 2016 and hence the results of the operations in the financial year comprises of 14 months.

DEVELOPMENT IN THE YEAR

The past year and follow-up on development expectations from last year

After approval from Danish Competition and Consumer Authority at the end of January 2016 the shares in Actona Company A/S were sold to AC Holding A/S, which is mainly owned by J.S. Reklame, Århus ApS. A minor part of the shares is owned by the executive board in Actona Company A/S.

The Company's income statement for the 14 month 2015/16 shows a profit of DKK 81,4 million, and the Company's balance sheet at 31 August 2016 shows equity of DKK 232,5 million.

The expectations for the year 15/16 have largely been achieved. The company did not entirely achieve the expected turnover in Actona Company A/S, but turnover realized in subsidiaries exceeded expectations and the total net result was realized at a significantly higher level than expected.

The revenue for 2015/16 was DKK 1.397 million compared to DKK 1.245 million last year. The export share increased also this year and is well over 80%.

The company and subsidiaries managed to keep a dedicated focus on cost control. In addition to this the currency hedging employed and a satisfactory development of the activity and results in the subsidiaries made it possible to increase the net profit for the 14 months in 2015/16 to DKK 81,4 million compared to DKK 56,3 million in the 12 months for 2014/15.

Equity increased to DKK 232,5 million at 31 August 2016 compared to DKK 207 million last year. Besides addition of profit for the year, equity at 31 August 2016 was reduced by distribution of dividend of DKK 45 million and DKK 10,9 million due to adjustment of forward exchange transactions and interest rate swaps.

For 2015/16 dividend distribution of DKK 75 million is proposed.

Capital resources

The Company's cash flows from operating activities exceed investments etc. made during the year. Consequently, cash and cash equivalents increased by DKK 95,1 million in 2015/16.

MANAGEMENT'S REVIEW

SPECIFIC RISKS

Market risks

Actona Company A/S has no specific market risks apart from normal risk from raw material price developments, freight rate adjustments and general market risks.

Foreign exchange risks

Due to activities in a number of different countries, results, cash flows and equity are affected by the development in exchange rates and interest rates in respect of a number of currencies.

According to the Company's foreign exchange policy, efforts are made to hedge partly against commercial foreign exchange exposure. Hedging mainly takes place by means of forward exchange contracts to cover expected purchases.

Over the years, foreign exchange fluctuations have affected the Company's financial statements to a considerable extent, both positively and negatively.

Interest rate risks

The long-term loans from mortgage credit institutes, DKK 78,9 million, bear a fixed rate of interest. Based on the floating rate debt, moderate changes in the level of interest will not have any material, direct effect on earnings.

Credit risks

The Company endeavors to insure all its trade receivables in order to cover losses due to inability to pay Despite this and efficient credit management, the granting of credit is, however, subject to ordinary commercial risk.

STRATEGY AND OBJECTIVES

Strategy

Actona Company's vision is to achieve a position as one of the world's most attractive suppliers of furniture.

We wish to be the point of reference within the business for the segment for high-quality furniture with attractive prices and a wide consumer appeal. Through large-scale advantages, Actona Company is able to offer a wide range of solutions designed to meet requirements throughout the value chain from design of the range of products over logistics solutions to price/quality level and services.

Targits and expectations for the year

For the coming year Actona Company expects an increase in sales. The result is expected to be at the same level as 15/16 corrected for currency gains and the change in accounting period.

INTELLECTUAL CAPITAL RESOURCES

Readiness and adaptability are key strategic priorities of the Company. Therefore, the Company is constantly seeking to obtain new knowhow.

The Company obtains its unique knowhow primarily through the Company's permanent staff and its strategic business partners within product development

MANAGEMENT'S REVIEW

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Actona Company A/S is aware of its role as part of society and knows that the company's reputation is based on its behaviour and daily actions.

Globalisation increases the necessity to act in a socially responsible manner and to overcome ethical challenges in a sensible way. This particularly applies to companies which, like Actona Company A/S, operate globally.

Focus on human rights

To ensure and document that Actona Company A/S complies with current CSR conventions, the company has been a member of the Business Social Compliance Initiative (BSCI) for 7 years.

Actona Company A/S has incorporated the BSCI Code of Conduct, into own policies. The BSCI Code of conduct comprises 11 principles for good corporate ethics. The areas in the Code of Conduct include human rights, labour rights, Health and Safety, environment and corruption. Audits are carried out by BSCI approved third parties based on risk assessment taking into account geography and product type. If necessary the auditor will issue a correction action plan (CAP), on how to improve conditions not fully in line with BSCI requirements. If a correction action plan is issued, Actona Company A/S closely monitors the execution in order to ensure that conditions are improved to a satisfactory level.
During the financial year more than 25%of the suppliers to Actona Company A/S received audits based on BSCI guidelines.

The company has policies that require that all products are produced with respect for core labour standards based on ILO conventions and the UN Declaration of Human Rights, health and safety standards, anti-corruption and human rights.

Focus on environmental impact

Being a trading company, the activities in Actona Company A/S only impose a very limited direct environmental impact.
Therefore, the main focus in terms of reducing the global footprint made by the company is to affect suppliers to reduce their impact by implementing new and cleaner technologies within the production.
Actona Company A/S follows the framework from the BSCI organization, which requires compliance with local environmental regulations. As part of the BSCI audits performed, environmental impacts such as wastewater treatment and chemical storage are therefore also audited.

Concerning the company´s own activities, Actona Company A/S cooperates with external third parties in order to map consumption and pinpoint areas to improve. An independent report made during the financial year, showed that the consumption of electricity and heating has been reduced with respectively 18% and 10%.

To increase the percentage of waste being recycled, Actona Company A/S cooperates with external partners that Recycle the packaging materials.

As for external transport contractors, Actona Company A/S constantly encourage the partners to minimize their environmental impact.

Actona Company A/S has a zero tolerance policy regarding use of Illegally harvested wood, and control that the wood used in products originates from legal sources.
Furthermore Actona Company A/S became FSC certified during the financial year, and will gradually increase the percentage of FSC certified wood used for products within the coming years.

Focus on social relations

The employees are the greatest asset in Actona Company A/S and a safe and healthy working environment is a key condition for the company's ongoing success. This is along with other initiatives secured through a dedicated HR department and a clear HR strategy aimed at attracting and maintaining qualified employees at all levels.

As part of the strategy, Actona Company A/S conducts yearly surveys on employee satisfaction and welfare. The latest survey shows, that the goal for employee satisfaction has been reached.

Workplace safety is constantly monitored and secured with proper education of warehouse people. There were 4 minor work related accidents in the financial year resulting in only limited absence.

Goals and policies for the underrepresented gender

Actona Company A/S has adopted target figures for the underrepresented gender in the top management body and has set a target rate of at least 25% for female representation on the Board of Directors of the company within the coming years. The target has not been achieved in 2015/16.

Regarding other management positions, Actona Company A/S has adopted policies to ensure diversity between the genders. Currently there is an equal distribution between men and women at other management positions.

SUBSEQUENT EVENTS

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

INCOME STATEMENT 1 JULY 2015 - 31 AUGUST 2016

	Note	(14 months) 2015/16 TDKK	2014/15 TDKK
Revenue		**1.396.795**	**1.245.202**
Other operating income		2.681	4.606
Expenses for raw materials and consumerables		-1.116.474	-1.000.407
Other external expenses		-68.911	-80.526
Gross profit		**214.091**	**168.875**
Staff expenses	1	-120.174	-106.034
Depreciation, amortisation and impairment of intangible and tangible assets		-10.246	-9.021
Profit before financial income and expenses		**83.671**	**53.820**
Income from investments in subsidiaries		21.928	8.241
Financial income	2	547	14.475
Financial expenses	3	-7.701	-5.205
Profit before tax		**98.445**	**71.331**
Tax on profit/loss for the year	4	-17.009	-15.008
Net profit for the year		**81.436**	**56.323**

Distribution of profit

Proposed dividend for the year	75.000	45.000
Retained earnings	6.436	11.323
	81.436	**56.323**

BALANCE SHEET 31 AUGUST

	Note	31/8 2016	30/6 2015
		TDKK	TDKK
Assets			
Land and buildings		108.134	116.143
Other fixtures and fittings, tools and equipment		3.022	4.314
Property, plant and equipment	5	**111.156**	**120.457**
Investments in subsidiaries	6	22.505	14.312
Fixed asset investments		**22.505**	**14.312**
Fixed assets in total		**133.661**	**134.769**
Inventories	7	**93.829**	**109.317**
Trade receivables		122.700	132.592
Receivables from group enterprises		49.569	68.916
Other receivables		1.916	18.184
Prepayments		4.662	4.230
Receivables		**178.847**	**223.922**
Current asset investments		**5**	**84**
Cash at bank and in hand		**100.482**	**6.400**
Current assets in total		**373.163**	**339.723**
Assets		**506.824**	**474.492**

BALANCE SHEET 31 AUGUST

	Note	31/8 2016 TDKK	30/6 2015 TDKK
Liabilities and equity			
Share capital		967	967
Retained earnings		156.534	161.014
Proposed dividend for the year		75.000	45.000
Equity	8	**232.501**	**206.981**
Provision for deferred tax	9	3.209	3.976
Other provisions		0	16.186
Provisions		**3.209**	**20.162**
Mortgage loans		73.939	78.863
Long-term debt	10	**73.939**	**78.863**
Mortgage loans	10	4.982	5.075
Credit institutions	10	0	1.122
Trade payables		70.790	69.563
Payables to group enterprises		44.819	17.651
Corporation tax		11.169	17.299
Other payables		65.415	57.776
Short-term debt		**197.175**	**168.486**
Total debt		**271.114**	**247.349**
Liabilities and equity		**506.824**	**474.492**
Contingent assets, liabilities and other financial obligations	11		
Related parties and ownership	12		

NOTES TO THE ANNUAL REPORT

	(14 months) 2015/16	2014/15
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	107.000	93.609
Pensions	6.524	5.909
Other social security expenses	3.738	3.341
Other staff expenses	2.912	3.175
	120.174	**106.034**
Including remuneration to the Executive Board and Board of Directors	**3.684**	**2.999**
Average number of employees	**221**	**234**
2 Financial income		
Interest received from group enterprises	499	604
Other financial income	48	13.871
	547	**14.475**
3 Financial expenses		
Interest paid to group enterprises	48	46
Other financial expenses	7.653	5.159
	7.701	**5.205**
4 Tax on profit/loss for the year		
Current tax for the year	14.007	19.478
Deferred tax for the year	-768	-239
	13.239	**19.239**
Which breaks down as follows:		
Tax on profit/loss for the year	17.009	15.008
Tax on changes in equity	-3.770	4.231
	13.239	**19.239**

NOTES TO THE ANNUAL REPORT

5 Property, plant and equipment	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 July 2015	175.575	18.693
Additions for the year	0	1.163
Disposals for the year	0	-2.020
Cost at 31 August 2016	175.575	17.836
Impairment losses and depreciation at 1 July 2015	59.432	14.379
Depreciation for the year	8.009	2.237
Reversal of depreciation of disposals for the year	0	-1.802
Impairment losses and depreciation at 31 August 2016	67.441	14.814
Carrying amount at 31 August 2016	**108.134**	**3.022**
Depreciated over	25 years	3-6 years

6 Investments in subsidiaries	31/8 2016	30/6 2015
	TDKK	TDKK
Cost at 1 July 2015	32.321	32.321
Additions for the year	0	0
Cost at 31 August 2016	32.321	32.321
Value adjustments at 1 July 2015	-34.195	-37.181
Exchange adjustment	2.451	-5.255
Net profit/loss for the year	21.832	7.763
Change in intercompany profit on inventories	96	478
Value adjustments at 31 August 2016	-9.816	-34.195
Equity investments with negative net asset value transferred to provisions	0	16.186
Carrying amount at 31 August 2016	**22.505**	**14.312**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Actona Hong Kong Ltd	British Virgin Islands	TUSD 50	100%
S.C Ambiente Furniture Ukraine	Ukraine	TUAH 7.093	100%
Sofa Trading Limited	British Virgin Islands	TUSD 50	100%
Spizy A/S	Denmark	TDKK 1.500	100%

NOTES TO THE ANNUAL REPORT

7 Inventories	31/8 2016 TDKK	30/6 2015 TDKK
Finished goods and goods for resale	**93.829**	**109.317**

8 Equity	Share capital TDKK	Retained earnings TDKK	Proposed dividend for the year TDKK	Total TDKK
Equity 1 July 2015	967	161.014	45.000	206.981
Exchange adjustments relating to foreign entities	0	2.451	0	2.451
Ordinary dividend paid	0	0	-45.000	-45.000
Fair value adjustment of hedging instruments	0	-17.137	0	-17.137
Tax on fair value adjustment of hedging instruments	0	3.770	0	3.770
Net profit/loss for the year	0	6.436	75.000	81.436
Equity 31 August 2016	**967**	**156.534**	**75.000**	**232.501**

The share capital consists of 966.500 shares of DKK 1. No shares carry specific rights.

There have been no changes in the share capital during the last 5 years.

9 Provision for deferred tax	31/8 2016 TDKK	30/6 2015 TDKK
Fixed assets	3.422	3.530
Trade receivables	-264	-88
Inventories	-550	0
Other adjustments	601	534
Provision	**3.209**	**3.976**

Deferred tax has been provided at 22% corresponding to the current tax rate.

10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Mortgage loans		
After 5 years	53.482	58.507
Between 1 and 5 years	20.457	20.356
Long-term debt	73.939	78.863
Within 1 year	4.982	5.075
	78.921	**83.938**

NOTES TO THE ANNUAL REPORT

	31/8 2016	30/6 2015
	TDKK	TDKK

11 Contingent assets, liabilities and other financial obligations

Lease commitments

Total future commitment from rental contracts and operational lease contracts:

	31/8 2016	30/6 2015
Within 1 year	4.755	5.745
Between 1 and 5 years	9.309	10.840
After 5 years	0	0
	14.064	**16.585**
Hereoff commitment regarding lease of buildings with non-cancellable periods up to 5 years	10.672	13.109

Security

The following assets have been placed as security with mortgage credit institutes and credit institutions:

	31/8 2016	30/6 2015
Land and buildings with a carrying amount of	108.134	116.143
Cash at bank and in hand	3.747	6.145

Contingent liabilities

The Danish enterprises of the Group are jointly and severally liable for the tax on the Group's jointly taxed income etc. The total amount is stated in the Annual Report of J.S. Reklame Århus, ApS, which is the management company in the joint taxation.

In order to hedge the exchange rate relating to the payment of purchases in foreign currencies, forward exchange contracts in USD for an amount of DKK 32,8 million, have been entered into at 31 August 2016. Compared with the forward rate at the balance sheet date, the contracts have a positiv value of DKK 0,7 million. The entire amount relates to future purchases of goods and, consequently, the adjustment of the exchange adjustments has been recognised in equity.

In order to hedge the payment of interest on mortgage loans of DKK 78.9 million, the Company has entered into interest rate swaps. At the balance sheet date, the contracts have a negativ value of DKK 14,1 milion that has been recognised in equity.

12 Related parties and ownership

Controlling interest

AC Holding A/S, Brabrand, parent company

J.S. Reklame, Århus ApS, Brabrand, ultimate owner

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or atleast 5% of the share capital:

AC Holding A/S, Brabrand

Consolidated Financial Statements

The Company is included in the Group Annual Report of J.S. Reklame, Århus ApS, CVR-no 70990210.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The Financial Statements of Actona Company A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium enterprises of reporting class C.

With reference to section 112,1 in the Danish Financial Statements Act the consolidated Financial Statements have not been disclosed. The Financial Statements of Actona Company A/S and subsidiaries are included in the Consolidated Financial Statements of J.S. Reklame, Århus ApS.

With reference to section 86 in the Danish Financial Statements Act the Cash Flow Statement have not been disclosed. The Cash Flow Statements of Actona Company A/S and subsidiaries are included in the Consolidated Financial Statements of J.S. Reklame, Århus ApS, which also include Consolidated Cash Flow Statements.

The accounting policies applied remain unchanged from previous years.

The Annual Report for 2015/16 is presented in DKK 1.000s (TDKK).

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner (DKK) is used as the measurement currency. All other currencies are regarded as foreign currencies.

ACCOUNTING POLICIES

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Segment information - revenue

The entity is recognized as a single business unit, trading one type of product and operating on a single geographical market. As a result of this, it is not relevant to segment the revenue into business units and geographical markets.

ACCOUNTING POLICIES

INCOME STATEMENT

Revenue
Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk has been made before year end. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables
Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses
Other external expenses comprise expenses for premises, sales and distribution as well as administration expenses.

Staff expenses
Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses
Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries
The items "Income from investments in subsidiaries" in the income statement include the proportionate share of the profit for the year less goodwill amortization.

Financial income and expenses
Financial income and expenses comprise interest, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year
Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The Company is jointly taxed with Danish related companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme. J.S. Reklame, Århus ApS is administrator in the joint taxation.

ACCOUNTING POLICIES

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	25 years
Other fixtures and fittings, tools and equipment	3-6 years

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

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

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

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

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

ACCOUNTING POLICIES

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair value at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity - dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes totax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the onaccount taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period. Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan.

Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

ACCOUNTING POLICIES

FINANCIAL HIGHLIGHTS

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on assets	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$