ACTONA COMPANY A/S

Smedegårdvej 6, Tvis, DK-7500 Holstebro

ANNUAL REPORT 2016/17

1 SEPTEMBER 2016 – 31 AUGUST 2017

CVR 12 14 37 45

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on 31/1 2018

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 September 2016 - 31 August 2017.

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 2017 and of the results of the Company's operations for 2016/17.

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, 28 November 2017

Executive Board

Torben Skov Villadsen

Board of Directors

Hans Henrik Kjølby Chairman	Torben Skov Villadsen	Ole Lund Andersen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Actona Company A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 august 2017 and of the results of the Company's operations for the financial year 1 September 2016 - 31 August 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Actona Company A/S for the financial year 1 September 2016 - 31 August 2017, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

Holstebro, 28 November 2017

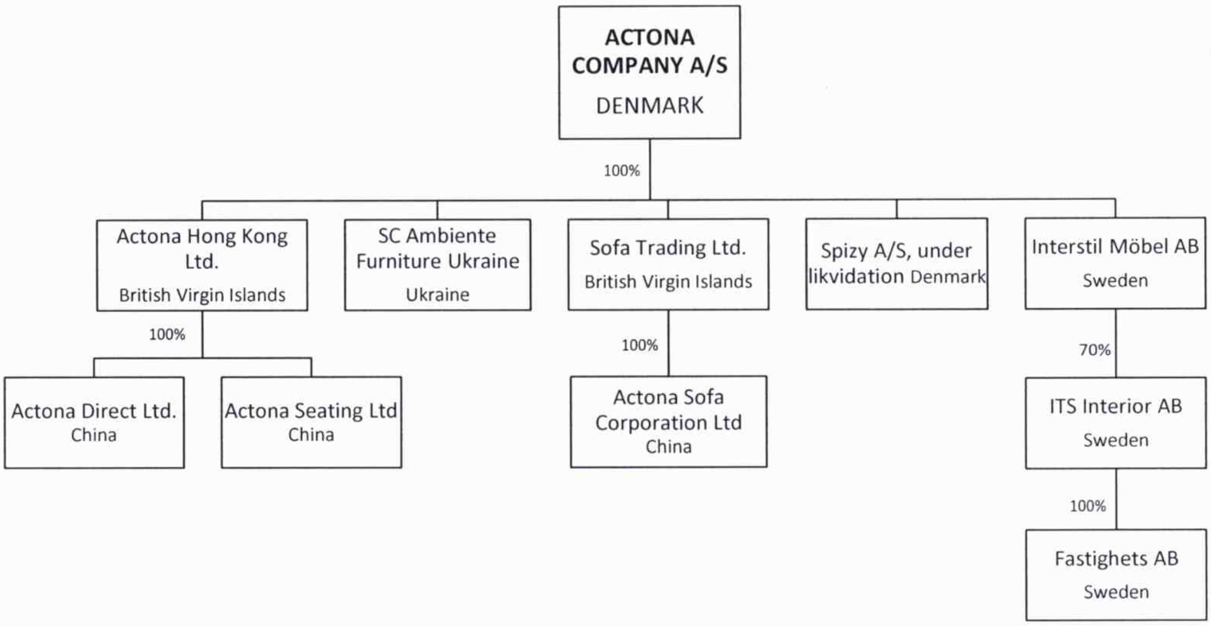
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no 33 77 12 31

Jesper Lund	Carsten Jensen
State Authorised Public Accountant	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, under likvidation Denmark
Interstil Möbel AB
Sweden
100%
Actona Direct Ltd.
China
Actona Seating Ltd
China
100%
Actona Sofa Corporation Ltd
China
70%
ITS Interior AB
Sweden
100%
Fastighets AB
Sweden

FINANCIAL HEADLIGHTS

	2016/17	(14 months) 2015/16	2014/15	2013/14	2012/13
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit and loss					
Revenue	1.227.296	1.396.795	1.245.202	1.118.314	1.178.049
Gross profit	202.609	214.091	168.875	153.075	158.156
Profit before financial income and expenses	87.523	83.671	53.820	39.114	40.223
Net financials	13.104	14.774	17.511	-11.991	-7.841
Net profit for the year	81.981	81.436	56.323	20.028	25.092
Balance sheet					
Balance sheet total	627.634	506.824	474.492	491.018	520.077
Equity	194.381	232.501	206.981	162.142	156.978
Other information					
Average number of employees	218	221	234	253	266
Ratios					
Gross margin	16,5%	15,3%	13,6%	13,7%	13,4%
Profit margin	7,1%	6,0%	4,3%	3,5%	3,4%
Return on assets *	13,9%	14,2%	11,3%	8,0%	7,7%
Solvency ratio	31,0%	45,9%	43,6%	33,0%	30,2%
Return on equity *	38,4%	31,8%	30,5%	12,6%	15,5%

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 2016/17 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.

DEVELOPMENT IN THE YEAR

The acquisition of Interstil A/S

With effect from the end of the accounting year 2016/17 the activities in the Lars Larsen Group related company Interstil A/S in Horsens were acquired by Actona Company A/S. Because of that, total balance sheet value has increased significantly.

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

The revenue for 2016/17 was DKK 1.227 million compared to DKK 1.397 million for the last 14 months accounting year, which correspond to an increase of 5% for a twelve months period. Still the export share exceeds 80%.

Due to reducing of activities with low margin, cost controlling and effective management of the subsidiaries the Company reached a profit of DKK 82 million in 2016/17, which is at the same level as the previous 14 months period. The achieved results exceeded last year's expectations and the board considers it as very satisfactory.

At 31. August 2017 the equity was DKK 194 million compared to DKK 233 million last year. The decrease is due to distribution of dividend of DKK 120 million.

For 2016/17 dividend distribution of DKK 80 million is proposed.

Capital resources

The Company's cash flows from operating activities were lower than the paid dividend for the year. Consequently, cash and cash equivalents decreased by DKK 50,2 million in 2016/17.

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.

MANAGEMENT'S REVIEW

Interest rate risks

The long-term loans from mortgage credit institutes, DKK 73,8 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

Due to the takeover of activities in Interstil A/S Actona Company expects a major increase in sales. Because of one-time expenses related to the takeover the result is expected to be a little lower than realized in 2016/17.

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

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 International Labour Organization (ILO) conventions and declarations, the United Nations (UN) Guiding Principles on Business and Human Rights as well as guidelines for multinational enterprises of the Organization for Economic Co-operation and Development (OECD) the company has been a member of the Business Social Compliance Initiative (BSCI) for 8 years.

MANAGEMENT'S REVIEW

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, the company closely monitors the execution in order to ensure that conditions are improved to a satisfactory level.

Some 85% of total revenue in 2016/17 originated from suppliers who received audits based on BSCI guidelines during the financial year.

Focus on environmental and climate impact

Actona Company A/S aims to reduce the CO2 emissions from our own operations and the supply chain.

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 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 is on the same level as the year before.

To increase the percentage of waste being recycled, the company cooperates with external partners that recycle the packaging materials.

As for external transport contractors, the company constantly encourage the partners to minimize the 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.

Actona Company A/S is FSC certified, and will gradually increase the percentage of FSC certified wood used for products. During the year the company has focused on preparing external partners for FSC certification.

Focus on social relations

The employees are the greatest asset in the company 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, the company conducts yearly surveys on employee satisfaction and welfare. The latest survey shows, that the goal for employee satisfaction has been reached and that the overall result is slightly better than the year before.

Workplace safety is constantly monitored and secured with proper education of warehouse people. There were 3 minor work related accidents in the financial year resulting in only limited absence.

MANAGEMENT'S REVIEW

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 2016/17.

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

INCOME STATEMENT 1 SEPTEMBER 2016 - 31 AUGUST 2017

	Note	(12 months) 2016/17 TDKK	(14 months) 2015/16 TDKK
Revenue		**1.227.296**	**1.396.795**
Other operating income		987	2.681
Expenses for raw materials and consumerables		-973.330	-1.116.474
Other external expenses		-52.344	-68.911
Gross profit		**202.609**	**214.091**
Staff expenses	1	-107.113	-120.174
Depreciation of tangible assets		-7.973	-10.246
Profit before financial income and expenses		**87.523**	**83.671**
Income from investments in subsidiaries		16.315	21.928
Financial income	2	275	547
Financial expenses	3	-3.486	-7.701
Profit before tax		**100.627**	**98.445**
Tax on profit/loss for the year	4	-18.646	-17.009
Net profit for the year		**81.981**	**81.436**

BALANCE SHEET 31 AUGUST

	Note	2017	2016
		TDKK	TDKK
Assets			
Development projects completed		10.579	0
Intangible assets	5	**10.579**	**0**
Land and buildings		101.269	108.134
Other fixtures and fittings, tools and equipment		3.056	3.022
Leasehold improvements		12	0
Property, plant and equipment	6	**104.337**	**111.156**
Investments in subsidiaries	7	67.941	22.505
Other receivables	8	10.720	0
Fixed asset investments		**78.661**	**22.505**
Fixed assets in total		**193.577**	**133.661**
Inventories	9	**140.025**	**93.829**
Trade receivables		189.428	122.700
Receivables from group enterprises		49.616	49.569
Other receivables		1.172	1.916
Prepayments		5.155	4.662
Receivables		**245.371**	**178.847**
Current asset investments		**5**	**5**
Cash at bank and in hand		**48.656**	**100.482**
Current assets in total		**434.057**	**373.163**
Assets		**627.634**	**506.824**

BALANCE SHEET 31 AUGUST

	Note	2017 TDKK	2016 TDKK
Liabilities and equity			
Share capital	10	967	967
Reserve for net revaluation under the equity method		4.392	0
Retained earnings		109.022	156.534
Proposed dividend for the year		80.000	75.000
Equity		**194.381**	**232.501**
Provision for deferred tax	11	5.341	3.209
Provisions		**5.341**	**3.209**
Mortgage loans		68.599	73.939
Long-term debt	12	**68.599**	**73.939**
Mortgage loans	12	5.237	4.982
Trade payables		88.678	70.790
Payables to group enterprises		39.015	44.819
Corporation tax		23.396	11.169
Other payables		202.987	65.415
Short-term debt		**359.313**	**197.175**
Total debt		**427.912**	**271.114**
Liabilities and equity		**627.634**	**506.824**

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STATEMENT ON CHANGES IN EQUITY

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity 1 July 2015	967	0	161.014	45.000	206.981
Exchange adjustments relating to foreign entities	0	0	2.451	0	2.451
Ordinary dividend paid	0	0	0	-45.000	-45.000
Fair value adjustment of hedging instruments	0	0	-17.137	0	-17.137
Tax on fair value adjustment of hedging instruments	0	0	3.770	0	3.770
Net profit for the year	0	0	6.436	75.000	81.436
Equity 1 September 2016	**967**	**0**	**156.534**	**75.000**	**232.501**
Exchange adjustments relating to foreign entities	0	-2.107	0	0	-2.107
Ordinary dividend paid	0	0	0	-75.000	-75.000
Extraordinary dividend paid	0	0	-45.000	0	-45.000
Fair value adjustment of hedging instruments	0	0	2.571	0	2.571
Tax on fair value adjustment of hedging instruments	0	0	-565	0	-565
Net profit for the year	0	6.499	-4.518	80.000	81.981
Equity 31 August 2017	**967**	**4.392**	**109.022**	**80.000**	**194.381**

NOTES TO THE ANNUAL REPORT

	(12 months) 2016/17 TDKK	(14 months) 2015/16 TDKK
1 Staff expenses		
Wages and salaries	94.957	107.000
Pensions	5.536	6.524
Other social security expenses	3.204	3.738
Other staff expenses	3.416	2.912
	107.113	**120.174**
Including remuneration to the Executive Board and Board of Directors	**3.017**	**3.684**
Average number of employees	**218**	**221**
2 Financial income		
Interest received from group enterprises	109	499
Other financial income	166	48
	275	**547**
3 Financial expenses		
Interest paid to group enterprises	42	48
Other financial expenses	3.444	7.653
	3.486	**7.701**
4 Tax on profit/loss for the year		
Current tax for the year	17.078	14.007
Deferred tax for the year	2.133	-768
	19.211	**13.239**
Which breaks down as follows:		
Tax on profit/loss for the year	18.646	17.009
Tax on changes in equity	565	-3.770
	19.211	**13.239**

NOTES TO THE ANNUAL REPORT

5 Intangible assets

	Development projects completed
	TDKK
Cost at 1 September 2016	0
Addition from acquisition	12.824
Cost at 31 August 2017	12.824
Impairment losses and depreciation at 1 September 2016	0
Addition from acquisition	2.245
Impairment losses and depreciation at 31 August 2017	2.245
Carrying amount at 31 August 2017	**10.579**

6 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 September 2016	175.575	17.836	0
Addition from acquisition	0	12.353	1.883
Additions for the year	0	1.178	0
Disposals for the year	0	-3.129	0
Cost at 31 August 2017	175.575	28.238	1.883
Impairment losses and depreciation at 1 September 2016	67.441	14.814	0
Addition from acquisition	0	12.156	1.871
Depreciation for the year	6.865	1.108	0
Reversal of depreciation of disposals for the year	0	-2.896	0
Impairment losses and depreciation at 31 August 2017	74.306	25.182	1.871
Carrying amount at 31 August 2017	**101.269**	**3.056**	**12**
Depreciated over	25 years	3-6 years	

NOTES TO THE ANNUAL REPORT

7 Investments in subsidiaries

	2017	2016
	TDKK	TDKK
Cost at 1 September 2016	32.321	32.321
Addition from acquisition	37.250	0
Additions for the year	0	0
Cost at 31 August 2017	69.571	32.321
Value adjustments at 1 September 2016	-9.816	-34.195
Exchange adjustment	-2.107	2.451
Addition from acquisition	-6.022	0
Net profit/loss for the year	16.119	21.832
Change in intercompany profit on inventories	196	96
Value adjustments at 31 August 2017	-1.630	-9.816
Carrying amount at 31 August 2017	**67.941**	**22.505**

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, under likvidation	Denmark	TDKK 1.500	100%
Interstil Möbel AB	Sweden	TSEK 1.200	100%

8 Other fixed asset investments

	Other receivables
Cost at 1 September 2016	0
Addition from acquisition	10.720
Cost at 31 August 2017	10.720
Carrying amount at 31 August 2017	**10.720**

9 Inventories

	2017	2016
	TDKK	TDKK
Finished goods and goods for resale	**140.025**	**93.829**

NOTES TO THE ANNUAL REPORT

10 Share capital

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

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

11 Provision for deferred tax

	2017	2016
	TDKK	TDKK
Fixed assets	5.799	3.422
Trade receivables	-264	-264
Inventories	-660	-550
Other adjustments	466	601
Provision	**5.341**	**3.209**

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

12 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

	2017	2016
After 5 years	47.677	53.482
Between 1 and 5 years	20.922	20.457
Long-term debt	68.599	73.939
Within 1 year	5.237	4.982
	73.836	**78.921**

13 Contingent assets, liabilities and other financial obligations

Lease commitments

Total future commitment from rental contracts and operational lease contracts:

	2017	2016
Within 1 year	13.493	4.755
Between 1 and 5 years	39.957	9.309
After 5 years	0	0
	53.450	**14.064**
Hereoff commitment regarding lease of buildings with non-cancellable periods up to 5 years	44.295	10.672

NOTES TO THE ANNUAL REPORT

13 Contingent assets, liabilities and other financial obligations (continued)

	2017 TDKK	2016 TDKK

Security

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

	2017 TDKK	2016 TDKK
Land and buildings with a carrying amount of	101.269	108.134
Cash at bank and in hand	12.747	3.747

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 payment of interest on mortgage loans of DKK 73.8 million, the Company has entered into interest rate swaps. At the balance sheet date, the contracts have a negativ value of DKK 10,8 milion that has been recognised in equity.

14 Subsequent events

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

15 Related parties and ownership

Controlling interest

A.C. 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:

A.C. 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.

16 Distribution of profit

	2017 TDKK	2016 TDKK
Extraordinary dividend	45.000	0
Proposed dividend for the year	80.000	75.000
Transfer to equity reserves	-43.019	6.436
	81.981	**81.436**

Transfer to equity reserves is specified as follows:

	2017 TDKK	2016 TDKK
Extraordinary dividend paid	-45.000	0
Reserve for net revaluation under the equity method	6.499	0
Remaining retained earnings	-4.518	6.436
	-43.019	6.436

ACCOUNTING POLICIES

BASIS OF PREPARATION

The Financial Statements of Actona Company A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large 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 2016/17 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.

Business combinations

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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

ACCOUNTING POLICIES

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.

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$