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Jydsk Emblem Fabrik A/S

Sofienlystvej 6-8
8340 Malling
Central Business Registration No
15507586

Annual report 2017

The Annual General Meeting adopted the annual report on 21.02.2018

Chairman of the General Meeting

Name: Mark Stig Hellstern

Contents

Entity details

Entity

Jydsk Emblem Fabrik A/S
Sofienlystvej 6-8
8340 Malling

Central Business Registration No: 15507586
Registered in: Aarhus
Financial year: 01.01.2017 - 31.12.2017

Phone: 70274111
Website: www.jef.dk
E-mail: info@jef.dk

Board of Directors

Hanne Hørup Hellstern, chairman
Bente Højsgaard Steffensen
Mark Stig Hellstern

Executive Board

Mark Stig Hellstern

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Jydsk Emblem Fabrik A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Malling, 21.02.2018

Executive Board

Mark Stig Hellstern

Board of Directors

Hanne Hørup Hellstern chairman	Bente Højsgaard Steffensen	Mark Stig Hellstern

Independent auditor's report

To the shareholders of Jydsk Emblem Fabrik A/S

Opinion

We have audited the financial statements of Jydsk Emblem Fabrik A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Aarhus, 21.02.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Andersen
State Authorised Public Accountant
Identification number (MNE) 34506

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Gross profit	13.969	13.527	12.611	11.320	11.605
Operating profit/loss	2.109	2.224	2.438	2.298	2.169
Net financials	2	142	138	452	(20)
Profit/loss for the year	1.635	1.841	1.957	2.067	1.604
Total assets	11.749	13.114	11.833	12.517	10.656
Investments in property, plant and equipment	455	972	977	76	369
Equity	7.542	7.613	7.672	7.716	7.252
Ratios					
Return on equity (%)	21,6	24,1	25,4	27,6	22,7
Equity ratio (%)	64,2	58,1	64,8	61,6	68,1

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary activity in Jydsk Emblem Fabrik A/S can be divided into eight areas:

- Manufacture of badges and insignia
- Manufacture of trophies
- Manufacture of name plates
- Manufacture of merchandise
- Sale of profile clothing, including prints and embroidery
- Engraving of trophies, gift articles etc.
- Manufacture of and trade in gift articles
- Manufacture of large format prints.

Development in activities and finances

The growth rate of 5% in 2017 was slightly lower than the budgeted 6%, and profit for the year decreased by approx. 10% compared to the previous year. Expectations for 2017 were an increase on the previous year.

The reason, however, is that Jydsk Emblem Fabrik A/S has invested heavily in new technology, new machines and new IT equipment during the year, i.e. investments that were not included in the budget but which have been necessary in order to keep up with the rapid development of internal production.

Management has decided to insource part of the Company’s production, partly because they want to maintain jobs in eastern Jutland, partly because more and more deliveries must be provided faster than before, which means that deliveries from the East and Eastern Europe are no longer competitive due to high freight charges, long delivery time and not least - rising costs in general.

Moreover, the IT department has been upgraded during the year, the sales department has been upgraded with a sales manager, and a procurement manager has been appointed in the procurement department. All initiatives which affect the bottom line, but which are expected to be a sound investment in the long run.

In other words, Jydsk Emblem Fabrik A/S is well prepared for future growth despite a conservative growth strategy and expectations for an increase in revenue in 2018 of only 3.5%.

The Company continues to win many contracts, and in 2017 two major contracts on insignia were extended.

In January, all employees went on a study trip to Thailand, which was the Company's gift to the employees in connection with the celebration of the Company’s 130th anniversary in October 2016.

For 15 successive years, the Company has achieved the highest credit rating (AAA) from Bisnode. Jydsk Emblem Fabrik A/S has received Bisnode’s gold certificate, which is only awarded to 440 Danish enterprises of which Jydsk Emblem Fabrik A/S is the only one in the business that has obtained the gold certificate.

Management commentary

Acquisitions of competing enterprises have been on standby for several years, but in 2016 one acquisition was made, and at the end of 2017 the Company acquired Misstoro.com, an internet-based company selling dog tags throughout Europe.

The Company operates 4 webshops, 3 of which are for end users and 1 for retailers. Expectations for the acquisition are high, and the potential of more than 20 million dogs in Denmark, Sweden, Germany and the Netherlands is even higher.

Profit before tax of DKK 2,111kk is considered less satisfactory.

Expectations for 2017 are an increase in revenue of approx. 3.5%, but the Company strives to improve earnings, primarily by making things smarter.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	Notes	2017 DKK	2016 DKK
Gross profit		**13.968.608**	**13.527.267**
Staff costs	1	(11.181.611)	(10.677.484)
Depreciation, amortisation and impairment losses	2	(677.744)	(625.382)
Operating profit/loss		**2.109.253**	**2.224.401**
Other financial income		136.233	293.903
Other financial expenses	3	(134.612)	(151.568)
Profit/loss before tax		**2.110.874**	**2.366.736**
Tax on profit/loss for the year	4	(475.539)	(525.897)
Profit/loss for the year		**1.635.335**	**1.840.839**
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		1.635.335	1.540.839
Retained earnings		0	300.000
		1.635.335	**1.840.839**

Balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Goodwill		824.107	892.857
Intangible assets	5	**824.107**	**892.857**
Other fixtures and fittings, tools and equipment		1.160.951	1.493.200
Property, plant and equipment	6	**1.160.951**	**1.493.200**
Fixed assets		**1.985.058**	**2.386.057**
Manufactured goods and goods for resale		6.752.444	6.779.912
Prepayments for goods		48.884	209.476
Inventories		**6.801.328**	**6.989.388**
Trade receivables		1.792.652	2.805.819
Receivables from group enterprises		253.777	0
Deferred tax		64.800	37.000
Other receivables		173.136	223.225
Prepayments		153.492	170.175
Receivables		**2.437.857**	**3.236.219**
Other investments		21.192	20.202
Other investments		**21.192**	**20.202**
Cash		**503.685**	**481.673**
Current assets		**9.764.062**	**10.727.482**
Assets		**11.749.120**	**13.113.539**

Balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital	7	1.100.000	1.100.000
Retained earnings		4.806.459	4.972.337
Proposed dividend		1.635.335	1.540.839
Equity		**7.541.794**	**7.613.176**
Trade payables		585.548	1.172.598
Payables to group enterprises		18.537	610.450
Income tax payable		456.553	513.897
Other payables		2.995.356	2.669.041
Deferred income		151.332	534.377
Current liabilities other than provisions		**4.207.326**	**5.500.363**
Liabilities other than provisions		**4.207.326**	**5.500.363**
Equity and liabilities		**11.749.120**	**13.113.539**
Financial instruments	8		
Unrecognised rental and lease commitments	9		
Contingent liabilities	10		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1.100.000	4.972.337	1.540.839	7.613.176
Ordinary dividend paid	0	0	(1.540.839)	(1.540.839)
Other equity postings	0	(212.664)	0	(212.664)
Tax of equity postings	0	46.786	0	46.786
Profit/loss for the year	0	0	1.635.335	1.635.335
Equity end of year	**1.100.000**	**4.806.459**	**1.635.335**	**7.541.794**

Notes

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	8.995.423	8.691.887
Pension costs	1.516.189	1.447.166
Other social security costs	580.881	471.344
Other staff costs	89.118	67.087
	11.181.611	**10.677.484**
Average number of employees	**29**	**27**

	2017 DKK	2016 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	143.750	107.143
Depreciation of property, plant and equipment	533.994	478.834
Profit/loss from sale of intangible assets and property, plant and equipment	0	39.405
	677.744	**625.382**

	2017 DKK	2016 DKK
3. Other financial expenses		
Financial expenses from group enterprises	18.537	22.112
Exchange rate adjustments	66.699	79.269
Other financial expenses	49.376	50.187
	134.612	**151.568**

	2017 DKK	2016 DKK
4. Tax on profit/loss for the year		
Tax on current year taxable income	503.339	513.897
Change in deferred tax for the year	(27.800)	12.000
	475.539	**525.897**

Notes

	Goodwill DKK
5. Intangible assets	
Cost beginning of year	1.285.000
Additions	75.000
Cost end of year	**1.360.000**
Amortisation and impairment losses beginning of year	(392.143)
Amortisation for the year	(143.750)
Amortisation and impairment losses end of year	**(535.893)**
Carrying amount end of year	**824.107**

	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment	
Cost beginning of year	3.253.099
Additions	455.100
Disposals	(722.996)
Cost end of year	**2.985.203**
Depreciation and impairment losses beginning of the year	(1.759.899)
Depreciation for the year	(533.994)
Reversal regarding disposals	469.641
Depreciation and impairment losses end of the year	**(1.824.252)**
Carrying amount end of year	**1.160.951**

	Number	Nominal value DKK
7. Contributed capital		
Ordinary shares	11.000	1.100.000
	11.000	**1.100.000**

Notes

8. Financial instruments

Other payables include the negative fair value of forward exchange contracts of DKK 204,611. The forward exchange contracts have been concluded to hedge the exchange rate of future purchase of goods in USD totalling USD 500,000, (DKK 3,296,130). The fair value adjustment is recognised in equity and is expected to be realised and recognised in the income statement after the balance sheet date. The forward exchange contracts have a maturity of 3-6 months.

	2017 DKK	2016 DKK
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**107.430**	**179.728**
Herof liabilities under rental agreements or leases with group enterprises until expiry	**3.275.138**	**4.021.151**

10. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Hørup Hellstern Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company’s financial statements.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Accounting policies

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life. The amortisation periods used are 7 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Accounting policies

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments
Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.