ScanCom International A/S

Reg. No. 18 47 98 93

ANNUAL REPORT
& CONSOLIDATED FINANCIAL STATEMENT

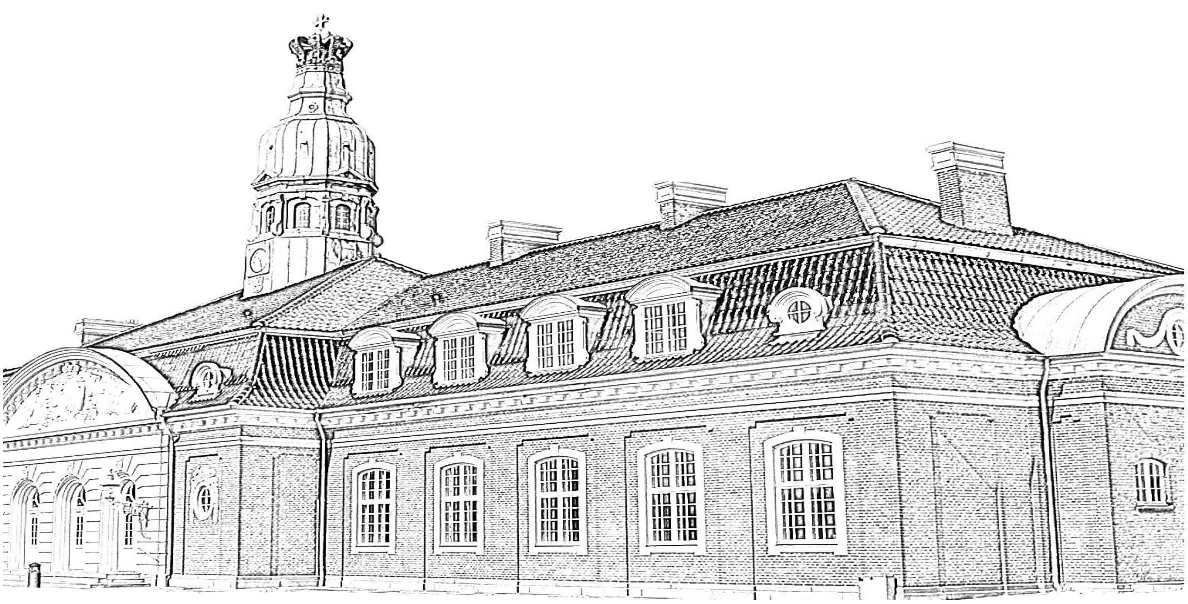
for the year ended 30 June 2017

(22nd financial year)

Adopted at the Annual General Meeting of the Company
on 2nd October 2017

CHAIRMAN - JENS SKYTTE

CONTENTS



STATEMENT BY BOARD OF DIRECTORS AND EXECUTIVE BOARD

Today the Executive Board and the Board of Directors has discussed and approved the Annual Report of the Group and the Parent Company ScanCom International A/S for the financial year 1 July 2016 – 30 June 2017.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act governing class C companies.

In our opinion, the accounting policies and accounting estimates applied are appropriate and the consolidated financial statements and parent company financial statements therefore give a true and fair view of the Group's and Parent Company's assets, liabilities and financial position at 30. June 2017 and of the results of the Group's and the Parent Company's operations and of the Group's cash flows for the financial year 1 July 2016 – 30 June 2017.

In our opinion, the Management's Review includes a fair review of the matters dealt with in the Management's Review.

We recommend the approval of the Annual Report at the Annual General Meeting.

Korsør, September 7th, 2017

Executive Board:

Stig Maasbøl
Chief Executive Officer

Board of Directors:

Jens Skytte Chairman	Hans Henrik Kjølby

Ole Lund Andersen

THE INDEPENDENT AUDITOR'S REPORT

To the shareholders of ScanCom International A/S

Opinion:

We have audited the consolidated financial statements and the financial statements of ScanCom International A/S for the financial year 1 July 2016 - 30 June 2017, which comprise an income statement, balance sheet, cash flows and notes. The consolidated financial statements and the financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, consolidated financial statements and the financial statements give a true and fair view of the Group's and the Company's financial position at 30 June 2017 and of the results of its operations and cash flows for the financial year 1 July 2016 - 30 June 2017 in accordance with the Danish Financial Statements Act.

Basis of opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the consolidated financial statements and the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Group and the Company, 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 responsibility for the financial statements:

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

In preparing the consolidated financial statements and the financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the financial statements unless Management either intends to either liquidate the Group and the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the consolidated financial statements and the financial statements:

Our responsibility is to obtain reasonable assurance as to whether the consolidated financial statements and the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these consolidated financial statements and financial statements.

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

- Identify and assess the risk of material misstatements in the consolidated financial statements and 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.

- Conclude on whether Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could cast significant doubt on the Group's and 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Group and the Company can no longer remain a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the consolidated financial statements and the financial statements reflect 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 which we identify during our audit.

Statement on Management's Review:
Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

THE INDEPENDENT AUDITOR'S REPORT

Our responsibility in connection with our audit of the consolidated financial statements and the financial statements is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements and the financial statements or with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the consolidated financial statements and the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Næstved, September 7th, 2017

ENGELSTED PETERSEN

CVR.nr. 20 65 82 31

Lars Engelsted Petersen

Statsautoriseret revisor

State authorized public accountant

COMPANY INFORMATION

Company	ScanCom International A/S Gl. Banegårdsplads 10 DK-4220 Korsør Telephone: +45 58 35 14 25 Fax: +45 58 35 14 20 Website: www.scancom.net E-mail: info@scancom.net CVR No.: 18 47 98 93 Registered office: Korsør Financial year: 1. July – 30. June
Business Focus	Manufacturing and trade of garden furniture
Shareholders	50.5% BB Holding af 1.7.2009 ApS 49.5% Jysk Holding A/S
Board of Directors	Jens Skytte, Chairman Hans Henrik Kjølby Ole Lund Andersen
Executive Board	Stig Maasbøl – CEO
Bank	Nordea (primary bank)
Auditor	ENGELSTED PETERSEN Statsautoriserede Revisorer Farvergade 9B DK-4700 Næstved
Annual general meeting	The annual general meeting is held on October 2nd, 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS

Key figures (DKK million):	2016/17	2015/16	2014/15	2013/14	2012/13
Income Statement:					
Revenue	886.1	898.1	880.8	672.2	710.6
EBITDA	45.3	47.3	32.6	21.2	39.7
Profit/loss on ordinary operating activities	19.6	22.8	10.3	6.7	16.7
Financial income and expenses, net	-12.0	-9.0	5.1	-12.6	-13.7
Profit/loss on ordinary activities before tax	7.6	13.8	15.4	-5.9	3.0
Tax on profit/loss	-4.4	-7.3	-5.2	0.1	-0.4
Net profit/loss for the year	3.3	6.5	10.1	-5.8	2.6
Balance:					
Balance sheet total	538.3	564.9	593.8	506.1	431.6
Purchases of property, plant and equipment, gross	22.8	31.2	35.0	20.2	12.4
Current Assets	392.6	393.5	427.3	357.9	280.3
Equity	154.0	156.1	152.7	150.3	160.1
Short-term debt	377.6	401.3	432.8	301.3	210.4
Employees:					
Average number of employees	3,144	3,459	3,932	4,415	4,284
Financial Ratios:					
EBITDA-margin	5.1	5.3	3.7	3.2	5.6
EBIT margin	2.2	2.5	1.2	1.0	2.3
Solvency ratio	28.6	27.6	25.7	29.7	37.1
Liquidity ratio	104.0	98.1	98.7	118.8	133.2
Return on equity	2.1	4.2	6.7	-3.7	1.6

EBITDA-margin $$\frac{\text{Earnings before interest, taxes, depreciation and amortization (EBITDA)} \times 100}{\text{Revenue}}$$

EBIT margin $$\frac{\text{Operating profit/loss (EBIT)} \times 100}{\text{Revenue}}$$

Solvency ratio $$\frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$

Liquidity ratio $$\frac{\text{Current assets} \times 100}{\text{Short - term debt}}$$

Return on equity $$\frac{\text{Net profit/loss for the year} \times 100}{\text{Average equity}}$$

Net interest and currency exchange (Mkr.)	2016/17	2015/16	2014/15	2013/14	2012/13
Interest expense	-10.3	-11.4	-8.9	-7.6	-8.2
Currency exchange	-1.8	2.4	14.0	-5.0	-5.5
Year end USD/DKK rate	6.5	6.7	6.7	5.5	5.7

MANAGEMENT'S REVIEW

The year 2016/17

ScanCom achieved an EBITDA of DKK 45.3 million, which is better than estimated primarily due to lower raw material prices and continued operational improvements. The net profit was DKK 3.3 million, impacted by a weaker USD in conversion to DKK.

Equity ratio held steady at 28.6% and in line with the objectives agreed with the primary bank. ScanCom has a positive cash flow from operating activities. This development will, on the basis of the approved budgets for 2017/18, continue in the coming season.

Core activities

The principal activity of ScanCom is to design, sell and manufacture garden furniture. The products are manufactured in the Far East and marketed throughout most of the world. As part of the effort to obtain environment-friendly wood for the furniture production, ScanCom has sawmill activities in Brazil.

Product lines

ScanCom is a versatile supplier and manufacturer of garden furniture made of wood, aluminium, steel mesh, wrought iron, woven materials, plastics and combinations thereof. The garden furniture is continuously upgraded to secure competitive advantages in terms of design and manufacturing. In addition to garden furniture, ScanCom sells timber to external customers.

Strategies and plans

ScanCom was established in 1995. From the outset, products were manufactured according to ScanCom's drawings and directions by contract producers in Vietnam. Over the years, ScanCom has established a significant production of its own. Continued expansion and development of our own production remains a key strategy. In the coming year ScanCom will continue to focus on consolidation and investments in our core product lines. Our market coverage is global and directed towards large retail chains and DIY centers.

Corporate Social Responsibility

ScanCom has a strong belief in the importance of prudent use of nature's resources in addition to a firm commitment towards Social Responsibility. These are values that we continuously develop in close cooperation with our business partners.

As a result ScanCom is the largest producer of garden furniture made from FSC-certified eucalyptus wood. Accordingly, ScanCom is well positioned to comply with the European FLEGT standard dealing with the origin control on wood imported into the EU as well as the similar US Lacey Act.

Other focus areas include the use of recycled materials, such as dust from wood, scrap from aluminium and petan extruded materials.

In terms of chemicals, the quality team is working with standards that as a minimum comply with the EU chemical regulations (REACH).

At ScanCom we value our employees, and believe motivation and devotion to duties are keywords for ensuring quality in our products and high customer service. Corporate Social Responsibility (CSR) is a key factor in ScanCom's way of doing business and we have a dedicated team that continuously monitors and takes action in relation to health and safety.

ScanCom confirms its support to the United Nations Global Compact and has issued its Responsibility Report 2016/2017 (COP report) describing how ScanCom is working within the areas of human rights, labor standards, the environment and anti-corruption. The report is available on www.unglobalcompact.org. The Board of Directors has set a target that at least 20% of the Board of Directors and 20% of the global management should represent the underrepresented gender by 2020. At the moment all 3 Directors are men, and in the global management the split is 20% women and 80% men.

Vietnam
ScanCom's own production in Vietnam is concentrated in Song Than Industrial Park located 20 km north east of central Ho Chi Minh City. ScanCom's administrative office and showroom are located in the same place.

Indonesia
In Indonesia, the manufacturing business PT ScanCom Indonesia is situated in Semarang on Central Java, manufacturing teak furniture for customers.

Brazil
To ensure sufficient access to certified wood both short and long term, ScanCom set up business in Brazil in 2002.
During 2016/17 ScanCom closed down the pine operation in Minas do Leao and intend to divest the facilities or seek to find alternative use of them.

USA
In order to increase sales in North America, ScanCom established ScanCom North America Inc. and the company was operational as of July 2012.

Spain
In October 2015 ScanCom opened its European Design & Commercial Center at Mallorca. ScanCom has a showroom and also designers located at the branch.

Denmark
Part of the head office in Korsør, “Banegaardsbygningen”, was leased to “Fødevarestyrelsen” (a government body) on a 4½ year lease agreement, which commenced in September 2013.

Contract production
From the outset, ScanCom has been working closely with a number of contract manufacturers in Vietnam, Indonesia and Brazil. The use of contract manufacturers forms an important part of ScanCom’s production activities.

Sales and markets
The primary target group is large retail chains and DIY centers requiring large volumes, high quality, modern designs and a high level of reliability of delivery at reasonable prices, supported by efficient distribution. Our products are sold in virtually all European markets, North and South America, Australia and South Africa. In its efforts to be the preferred partner of its customers, ScanCom offers a broad product range, and retail chains can meet their entire demand for quality garden furniture in one place.

For revenue development reference is made to ScanCom’s financial highlights on page 7.

Design, development and research
From its beginning in 1995 ScanCom was established as a company with very close connection to the large retail chains. Accordingly, a major feature of ScanCom’s identity is an ongoing willingness to find innovative designs supporting improved quality, market evolution and price point expectation of the mass market.

MANAGEMENT’S REVIEW

Quality
The right level of quality is essential for our customers and important for efficient production. Finding the balance between speed to market for new products and securing product quality remains a challenge. To improve our quality, we continuously work with new analyzing and fault finding methods. In addition we have expanded our finishing and packaging control of our in-house testing facilities and implemented a strong managerial LEAN approach.

Risks
The management does not consider ScanCom to be particularly exposed to risks beyond the risks normally applicable to the industry. The preparation of financial statements requires the management to adopt assumptions that affect assets and liabilities at the closing date in addition to income and expenses for the period. The management regularly assesses these estimates and judgements.

Estimates and assumptions are based on historical experience and other various factors considered reasonable under the circumstances. Actual results may differ from those estimates as a result of different conditions or assumptions. Reference is made to the section covering accounting policies.

ScanCom has a tax asset in the 2016/2017 accounts and the basis for recognition is the tax value of ScanCom’s estimated taxable income in the next 5 years.

Post balance sheet events
No material events have occurred after the balance sheet date that affect the annual report presented.

Outlook
For the coming season the revenue and EBIT-level is expected to be at a higher level than 2016/17. It is our objective to become more competitive through improved delivery performance, better quality, increased standardization and reduced cost structure. Added to this, in order to consolidate and expand our position in the garden furniture segment, we plan to make further investments in new production methods and capacity expansion.

ACCOUNTING POLICIES

Accounting Class
The annual report for ScanCom International A/S of 2016/2017 has been prepared in accordance with the provisions applying to large corporations, class C.

Reporting currency
The annual report is presented in Danish kroner.

Recognition and measurement in general
There has been no change in accounting policies compared to last year.

Income is recognized in the income statement as earned and includes value adjustments of financial assets and liabilities. All value adjustments, including depreciation, amortization and impairment losses, are recognized in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each individual accounting item below.

Certain financial assets and liabilities are measured at amortized cost, in which case effective interest is recognized over the life of the asset or liability. Amortized cost is determined as the original cost less principal repayments, if any, with the addition of or net of the accumulated amortization of the difference between cost and nominal amount.

For recognition and measurement purposes, due consideration is given to predictable losses and risks arising before the annual report is presented and proving or disproving conditions existing at the balance sheet date. No business-specific uncertainties about recognition and measurement in relation to other furniture manufacturers exist.

Foreign currency translation
Transactions denominated in foreign currency are translated at the exchange rate prevailing at the date of the transaction. Any exchange differences arising between the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognized in the income statement as a financial item.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate prevailing at the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the date when the receivables or payables originated is recognized in the income statement as financial income or financial expenses.

Where the foreign subsidiaries meet the criteria for independent entities, the income statement is translated using an average exchange rate for the year, calculated each month, and the balance sheet items are translated using the exchange rate prevailing at the balance sheet date. Exchange differences arising from the translation of the equity of foreign subsidiaries at the beginning of the year at the exchange rates prevailing at the balance sheet date and from the translation of the income statements based on average exchange rates at the exchange rates prevailing at the balance sheet date are recognized directly in equity.

ACCOUNTING POLICIES

Consolidated financial statements for the group
The consolidated financial statements comprise the Parent Company and the companies, etc., in which the Parent Company directly or indirectly holds more than 50% of the voting rights or in any other way exercises control. All financial statements included in the consolidated financial statements have essentially been prepared using uniform accounting policies.

The consolidated financial statements are prepared as a summary of the individually audited financial statements of the Parent Company and the group enterprises, and intercompany income and expenses, shareholdings and balances are eliminated.

The carrying amount of the Parent Company's equity investments in subsidiaries is eliminated on consolidation on the basis of the equity of the subsidiaries at the balance sheet date.

Income statement

Revenue
Revenue from the sale of commercial and finished goods is recognized in the income statement if delivery has taken place and the risk passed to the buyer before the end of the year, and provided the income can be reliably determined and payment is expected to be made. Revenue is recognized exclusive of VAT and duties and net of discounts relating to sales.

Cost of sales
Cost of sales includes purchased raw materials and finished goods for production and sale as well as own production costs, including wages and salaries and amortization/depreciation, incurred to generate revenue for the year. The commercial businesses recognize the cost of sales, and the manufacturing companies recognize production costs corresponding to revenue for the year, including direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation on plant.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realized and unrealized capital gains and losses on securities, payables and transactions in foreign currencies, amortization of financial assets and liabilities as well as additional tax and tax credits under the on-account tax scheme etc. Financial income and interest expenses are recognized at the amounts relating to the financial year.

Forward contracts used for hedging the receivables and liabilities in foreign currencies in the balance sheet are market value adjusted in the income statement, and the adjustment is recognized as deferred payment/prepayments in the balance sheet under other payables/other receivables.

Corporation tax and deferred tax
The Parent Company is taxed jointly with its Danish subsidiaries.

The Parent Company pays the total Danish tax charge of these companies' taxable income, and deferred tax for the Danish companies is reimbursed by the Parent Company.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit for the year is recognized in the income statement, and the tax expense relating to items taken to equity is recognized directly in equity.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the accounting and taxation treatment of the values of assets and liabilities.

Balance

Assets

Goodwill is measured at cost less accumulated amortization.

Cost is the basis of amortization.

Cost comprises the acquisition cost and any expenses directly attributable to the acquisition.

Amortization is provided on a straight-line basis over the following useful life:

- Goodwill	20 years

Property, plant and equipment

Land and buildings, plant and machinery, fixtures and fittings, tools and equipment are measured at cost plus revaluations and less accumulated depreciation. Land is not depreciated.

The basis of depreciation is cost plus any revaluations and less the expected residual value after the end of the useful life.

Cost comprises the acquisition cost and costs directly attributable to the acquisition up to the date when the asset is available for use.

Assets acquired at a cost of less than DKK 20,000 per unit are recognized as costs in the income statement in the year of acquisition.

Any profit or loss on the disposal of property, plant and equipment is determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement under depreciation.

Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

- Buildings	25 – 50 years
- Plant, machinery and equipment	4 – 10 years
- Computer hardware and software	3 years

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as an instrument used for hedging the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

ACCOUNTING POLICIES

The effective portion of changes in the value of derivative financial instruments used to hedge future transactions is recognized directly in equity until the hedged transactions are realized. At that time, the value changes are recognized together with the hedged transactions.

Foreign currency translation
Assets and liabilities in foreign currencies are translated into Danish kroner at the exchange rates prevailing at the balance sheet date. All translation adjustments are recognized in the income statement with the exception of translation adjustments arising on translation of equity investments in subsidiaries recognized directly in equity.

Investments – equity investments in subsidiaries
The proportionate share of profit after tax of the individual subsidiaries is recognized in the income statement after full elimination of intercompany profit.

Equity investments in subsidiaries are recognized in the balance sheet at the proportionate share of the equity value of the companies, determined according to the Parent company accounting policies plus or less the unrealized intercompany profits or losses.

Net revaluation of equity investments in subsidiaries is taken to the net revaluation reserve according to the equity method under equity to the extent that the carrying amount exceeds the cost of acquisition.

Newly acquired or newly established companies are recognized in the financial statements from the date of acquisition or establishment. Enterprises which have been sold or wound up are recognized up to the date of disposal.

The purchase method is applied to acquisition of subsidiaries or associates, according to which the assets and liabilities of the acquired companies are measured at fair value at the date of acquisition. Provisions are made for the cost of decided plans to restructure the acquired company in connection with the acquisition. The tax effect of the revaluations is taken into consideration.

Positive differences (goodwill) between the acquisition cost and fair value of acquired assets and liabilities, including provisions for restructuring, are recognized as equity investments in subsidiaries or associates and amortized over the useful life determined on the basis of management's experience in the individual business areas. The amortization period cannot exceed 20 years. The carrying amount of goodwill is assessed regularly and written down against the income statement in cases where the carrying amount exceeds future expected net income from the subsidiaries or associates acquired.

Inventories
Inventories are measured at cost. Where the cost exceeds the net realizable value, inventories are written down to this lower value.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct wages and salaries and production overheads. Production overheads comprise indirect materials and wages and salaries as well as maintenance of and depreciation on the machinery, factory buildings and equipment used in the production process and the cost of factory administration and management.

The net realizable value of inventories is determined as selling price less costs of completion and costs involved in executing the sale and is determined with due regard to marketability, obsolescence and movements in expected selling price.

Receivables

Receivables are measured at amortized cost, which usually equals nominal value. Receivables are written down net realizable value for expected losses.

Deferred tax assets

Deferred tax assets are measured to a value corresponding to the likelihood that the tax asset can be utilized over the forthcoming 3 years.

Prepayments

Prepayments comprise costs paid but relating to subsequent financial years.

Equity

Dividends expected to be distributed for the year are shown as a separate item under equity. Dividends are recognized as a liability at the time of their adoption at the Annual General Meeting.

Liabilities other than provisions

Liabilities other than provisions are recognized when a loan is raised at the proceeds received less transactions costs paid. In subsequent periods, liabilities other than provisions are recognized at amortized cost, corresponding to the capitalized value, using the effective interest rate so that the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Other payables, which comprise trade payables, amounts owed to group enterprises and associates and other payables, are measured at amortized cost, which usually equals nominal value.

Cash flow statement

Cash flow from operating activities

Cash flows from operating activities are determined as net profit for the year adjusted for non-cash operating items, change in working capital and corporation tax paid.

Cash flow from investing activities

Cash flows from investing activities comprise payments in connection with the acquisition and sale of companies and activities and the acquisition and sale of intangible assets, property, plant and equipment and investments.

Cash flow from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and dividend payments to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities readily convertible into cash and involving only an insignificant risk of changes in value.

ACCOUNTING POLICIES

Financial ratios

Financial ratios have been calculated in accordance with the standards laid down by the Danish Society of Financial Analysts in "Recommendations & Financial Ratios 2017".

GROUP

INCOME STATEMENT

Note		30 June 2017 DKK '000	30 June 2016 DKK '000
	REVENUE	**886,128**	**898,077**
	Cost of sales	-675,808	-694,943
	CONTRIBUTION MARGIN	**210,320**	**203,134**
	Other external charges	-76,054	-73,877
1	Staff costs	-88,916	-81,934
5	Depreciation	-25,704	-24,524
	PROFIT IN ORDINARY OPERATING ACTIVITIES	**19,646**	**22,799**
	Financial income	1,703	4,673
	Financial expenses	-13,713	-13,643
	PROFIT BEFORE TAX	**7,636**	**13,829**
4	Tax on profit	-4,356	-7,335
5	**PROFIT AFTER TAX**	**3,280**	**6,494**
	Minority interests' share	-5	-40
	NET PROFIT FOR THE YEAR	**3,275**	**6,454**

GROUP

BALANCE SHEET

Note	ASSETS	30 June 2017 DKK '000	30 June 2016 DKK '000
6	Goodwill	7,698	8,365
	Intangible assets	**7,698**	**8,365**
6	Land and buildings	33,607	47,931
6	Fixtures and operating equipment	58,862	72,471
6	Leasehold improvements, etc.	45,466	42,568
	Tangible assets	**137,935**	**162,970**
	NON-CURRENT ASSETS	**145,633**	**171,335**
	Inventories	243,557	260,491
	Inventories	**243,557**	**260,491**
	Trade receivables	64,960	62,294
7	Other receivables	29,948	35,344
	Tax asset	9,423	11,925
	Prepayments	13,141	12,070
	Receivables	**117,472**	**121,633**
	Non-current asset held for sales	15,050	0
	Non-current asset held for sales	**15,050**	**0**
	Cash	16,568	11,402
	Cash	**16,568**	**11,402**
	CURRENT ASSETS	**392,647**	**393,526**
	ASSETS	**538,280**	**564,861**

GROUP

BALANCE SHEET

Note	EQUITY AND LIABILITIES	30 June 2017 DKK '000	30 June 2016 DKK '000
	Share capital	9,901	9,901
	Share premium	99,833	99,833
	Retained earnings	44,312	46,363
	Minority interests' share	101	100
9	**EQUITY**	**154,147**	**156,197**
10	Debt to banks	6,497	7,346
	Interest bearing debt other	0	0
	Long-term debt	**6,497**	**7,346**
10	Current maturities of long-term liabilities than provisions	839	827
	Debt to associated company	20,000	20,000
	Interest bearing debt other	70,132	71,607
	Bank overdraft	189,025	201,308
	Trade payables	44,910	39,660
	Corporation tax payable	3,000	3,657
	Other payables	49,730	64,259
	Current liabilities other than provisions	**377,636**	**401,318**
	LIABILITIES OTHER THAN PROVISIONS	**384,133**	**408,664**
	EQUITY AND LIABILITIES	**538,280**	**564,861**

11 Contingencies, ect.
12 Charges and security provided
13 Related parties
14 Accounting estimates and uncertainties relating to recognition and measurement

GROUP

CASH FLOW STATEMENT

Note		30 June 2017 DKK '000	30 June 2016 DKK '000
	Operating profit	19,646	22,799
	Depreciation	25,704	24,524
	Change in receivables	1,659	1,888
	Change in inventories	16,934	27,609
	Change in trade payables	-9,277	-29,567
	Operating cash flows	**54,666**	**47,253**
	Net interest and exchange gains/loss	-13,175	-15,777
	Impairment of inventories	-1,392	5,002
	Corporation tax paid	-2,511	-5,023
	Cash flows from operating activities	**37,588**	**31,455**
	Purchase of property, plant and equipment	-22,800	-31,246
	Purchase of financial assets	0	0
	Sale of property, plant and equipment	3,499	873
	Cash flows from investing activities	**-19,301**	**-30,373**
	Borrowing	0	0
	Repayments on loans	-838	-2,948
	Change in bank credit	-12,283	-1,488
	Cash flows from financing activities	**-13,121**	**-4,436**
	Change in cash and cash equivalents	**5,166**	**-3,354**
	Cash and cash equivalents as 1 July 2016	11,402	14,756
	Cash and cash equivalents as 30 June 2017	**16,568**	**11,402**

PARENT COMPANY

INCOME STATEMENT

Note		30 June 2017 DKK '000	30 June 2016 DKK '000
	REVENUE	**857,390**	**823,378**
	Cost of sales	-800,249	-777,631
	CONTRIBUTION MARGIN	**57,141**	**45,747**
	Other external expenses	-20,628	-16,863
1	Staff costs	-22,583	-19,460
6	Depreciation	-35	-29
	PROFIT ON ORDINARY OPERATING ACTIVITIES	**13,895**	**9,395**
8	Income from equity investment in group subsidiaries	2,798	7,500
3	Financial income	1,427	2,594
	Financial expenses	-13,420	-11,749
	PROFIT BEFORE TAX	**4,700**	**7,740**
4	Tax on profit	-1,425	-1,286
5	**NET PROFIT FOR THE YEAR**	**3,275**	**6,454**

PARENT COMPANY

BALANCE SHEET

Note	ASSETS	30 June 2017 DKK '000	30 June 2016 DKK '000
6	Fixtures and operating equipment	133	141
6	Leasehold expenses etc.	0	5
	Property, plant and equipment	**133**	**146**
8	Equity investments in subsidiaries	143,987	149,084
	Investments	**143,987**	**149,084**
	NON-CURRENT ASSETS	**144,120**	**149,230**
	Inventories	1,449	399
	Inventories	**1,449**	**399**
	Trade receivables	41,816	34,605
	Receivables from group subsidiaries	312,494	348,302
	Other receivables	4,315	5,167
	Tax assets	1,891	3,056
	Prepayments	1,709	2,377
	Receivables	**362,225**	**393,507**
	Cash	15	19
	Cash	**15**	**19**
	CURRENT ASSETS	**363,689**	**393,925**
	ASSETS	**507,809**	**543,155**

PARENT COMPANY

BALANCE SHEET

Note	EQUITY AND LIABILITIES	30 June 2017 DKK '000	30 June 2016 DKK '000
	Share capital	9,901	9,901
	Share premium	99,833	99,833
	Retained earnings	44,312	46,363
9	**EQUITY**	**154,046**	**156,097**
10	Interest bearing debt other	0	0
	Long-term debt	**0**	**0**
	Debt to associated company	20,000	20,000
	Interest bearing debt other	70,132	71,607
	Bank overdraft	188,805	200,376
	Trade payables	4,358	8,440
	Payables to subsidiaries	43,618	47,954
	Other payables	26,850	38,681
	CURRENT LIABILITIES	**353,763**	**387,058**
	LIABILITIES OTHER THAN PROVISIONS	**353,763**	**387,058**
	EQUITY AND LIABILITIES	**507,809**	**543,155**

11 Contingencies, etc
12 Charges and security provided
13 Related parties
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GROUP AND PARENT COMPANY

EQUITY

Group:

DKK '000	**Share capital**	**Share premium**	**Retained Earnings**	**Proposed dividend**	**Minority interests**	**Total**
Equity 1 July 2015	9,901	99,833	42,976	0	60	152,770
Proposed dividend	0	0	0	0	0	0
Translation adjustments	0	0	-3,067	0	0	-3,067
Transferred from the profit distribution	0	0	6,454	0	40	6,494
Equity 1 July 2016	9,901	99,833	46,363	0	100	156,197
Proposed dividend	0	0	0	0	0	0
Translation adjustments	0	0	-5,326	0	-4	-5,330
Transferred from the profit distribution	0	0	3,275	0	5	3,280
Equity at 30 June 2017	**9,901**	**99,833**	**44,312**	**0**	**101**	**154,147**

Parent company:

DKK '000	**Share capital**	**Share premium**	**Retained Earnings**	**Proposed dividend**	**Total**
Equity 1 July 2015	9,901	99,833	42,976	0	152,710
Proposed dividend	0	0	0	0	0
Translation adjustments	0	0	-3,067	0	-3,067
Transferred from the profit distribution	0	0	6,454	0	6,454
Equity 1 July 2016	9,901	99,833	46,363	0	156,097
Proposed dividend	0	0	0	0	0
Translation adjustments	0	0	-5,326	0	-5,326
Transferred from the profit distribution	0	0	3,275	0	3,275
Equity at 30 June 2017	**9,901**	**99,833**	**44,312**	**0**	**154,046**

NOTE

No. 1 - Staff costs	30 June 2017 DKK '000	30 June 2016 DKK '000
Group:		
Wages and salaries	70,427	63,862
Pension contributions	2,775	2,567
Social security costs	9,177	8,697
Other staff costs	6,537	6,808
	88,916	**81,934**

The Group employed an average staff of 3,144 in 2016/2017 and of 3,459 in 2015/2016.

	30 June 2017 DKK '000	30 June 2016 DKK '000
Parent company:		
Wages and salaries	19,498	16,692
Pension contributions	255	174
Other staff costs	2,830	2,594
	22,583	**19,460**

The Parent Company employed an averaged staff of 18 in 2016/2017 and of 19 in 2015/2016.

Remuneration paid to the Executive Board and Board of Directors amounted to TDKK 4,043.

No. 2 - Auditor's remuneration	30 June 2017 DKK '000	30 June 2016 DKK '000
Audit fee for Engelsted Petersen	485	518
Non-audit services, EP and others	174	276
	659	**794**

NOTE

No. 3 – Financial Income

Parent Company:

Financial income includes TDKK 1,427 from group subsidiaries in 2016/2017 and TDKK 478 in 2015/2016.

No. 4 – Tax on profit	**30 June 2017 DKK '000**	**30 June 2016 DKK '000**
Group:		
Calculated tax on taxable income for the year	2,915	7,797
Adjustment of deferred tax	1,441	-462
	4,356	**7,335**
Parent company:		
Calculated tax on taxable income for the year	260	128
Adjustment of deferred tax, previous years	1,165	1,158
	1,425	**1,286**

No. 5 – Proposal for the distribution of net profit	**30 June 2017 DKK '000**	**30 June 2016 DKK '000**
Group:		
Proposed dividend this year	0	0
Retained earnings	3,275	6,454
Minority interests	5	40
Predisposed	**3,280**	**6,494**
Parent company:		
Proposed dividend this year	0	0
Retained earnings	3,275	6,454
Predisposed	**3,275**	**6,454**

NOTE

No. 6 - Intangible assets and property, plant and equipment

Group:	Goodwill	Leasehold improvements etc.	Land and buildings	Fixtures and operating equipment
Cost at 1 July 2016	13,376	90,338	63,479	202,344
Translation adjustment	0	-2,943	-19,108	-17,088
Reclassification	0	-63	0	-1,930
Additions during the year	0	10,725	0	12,075
Disposals during the year	0	-1,122	0	-4,837
Cost at 30 June 2017	**13,376**	**96,935**	**44,371**	**190,564**
Accumulated depreciation 1 July 2016	-5,011	-47,770	-15,548	-129,873
Translation adjustment	0	1,734	6,011	14,142
Addition depreciation during the year	-667	-5,437	-1,227	-18,425
Disposal during the year	0	4	0	2,454
Accumulated depreciation at 30 June 2017	**-5,678**	**-51,469**	**-10,764**	**-131,702**
Carrying amount at 30 June 2017	**7,698**	**45,466**	**33,607**	**58,862**

Group:	30 June 2017 DKK '000	30 June 2016 DKK '000
Breakdown of depreciation:		
Goodwill	667	667
Leasehold improvements	5,437	5,032
Land and buildings	1,227	1,145
Fixtures and operating equipment	18,425	17,841
Loss/gain on sale of operating equipment & revaluation	-52	-161
	25,704	**24,524**

NOTE

No. 6 – Property, plant and equipment – continued

Parent company:	Leasehold improvements, etc.	Fixtures and operating equipment
Cost at 1 July 2016	5	1,281
Additions during the year	0	26
Disposal during the year	-5	0
Cost at 30 June 2017	**0**	**1,307**
Total depreciation and impairment losses at 1 July 2016	0	-1,140
Depreciation and impairment losses for the year	0	-34
Depreciation at 30 June 2017	**0**	**-1,174**
Carrying amount at 30 June 2017	**0**	**133**

Parent company:

Breakdown of depreciation:	30 June 2017 DKK '000	30 June 2016 DKK '000
Fixtures and operating equipment	34	29
	34	**29**

No. 7 – Other Receivables

Other receivables in the consolidated balance sheet represents TDKK 29,948 of which TDKK 7,336 is a long-term receivable in the Group's Brazilian company.

NOTE

No. 8 – investments in group subsidiaries	Group subsidiaries
Cost at 1 July 2016	218,384
Revaluation to end	-3,305
Cost at 30 June 2017	**215,079**
Total up-downs at 1 July 2016	-69,300
Revaluation to end	-4,591
Net profit	3,466
Amortization goodwill	-667
Total up-downs at 30 June 2017	**-71,092**
Carrying amount at 30 June 2017	**143,987**

Name	Reg. office	Voting share and ownership interest	Net profit	Equity
Banegaardsbygningen ApS	Korsør, DK	100%	235	8,127
ScanCom Vietnam Ltd.	Ho Chi Minh City, VN	100%	10,760	90,354
PT ScanCom Indonesia	Semarang, IN	99%	-13	9,284
ScanCom Hong Kong	Hong Kong	99.99%	2,196	18,971
ScanCom Deutschland GmbH	Oberhausen, DE	100%	884	22,091
ScanCom do Brasil Ltda.	Telemaco Borba, BR	100%	-18,137	-30,231
ScanCom UK Ltd.	Essex, UK	100%	-721	11,608
ScanCom Asia Trading Co. Ltd.	Ho Chi Minh City, VN	100%	5,473	4,753
Raimotech A/S	Korsør, DK	100%	599	495
ScanCom North America, Inc.	California, US	100%	2,013	713
ScanCom International A/S Sucursal EN Espana (en Constitucion)	Mallorca, SP	100%	183	225
			3,471	**136,390**
Minority interests			-5	-101
			3,466	**136,289**
Goodwill at 30 June 2017			**-667**	**7,698**
			2,798	**143,987**

NOTE

No. 9 - Equity

The share capital is made up as follows:			**30 June 2017 DKK '000**	**30 June 2016 DKK '000**
BB holding of 1.7.2009 ApS	No. of shares	Nominal		
CVR No. 32 84 24 37				
Gl. Banegårdsplads 10, DK-4220 Korsør	5,001	1,000	5,001	5,001
Jysk Holding A/S				
CVR-no. 86 00 15 19				
Sødalsparken 18, 8220 Brabrand	4,900	1,000	4,900	4,900
			9,901	**9,901**

No. 10 - Liabilities other than prov.

	Total debt 1 July 2016	**Total debt 30 June 2017**	**Repayments next year**	**Outstanding debt after 5 years**
Group:				
Debt to banks	8,173	7,336	839	3,491
	8,173	**7,336**	**839**	**3,491**

NOTE

No. 11 – Contingencies etc.

Group:
The Group has rental obligations amounting to TDKK 35,600, of which an amount of TDKK 8,707 will be due within the coming year.

ScanCom do Brasil has a non-recorded tax receivable and payroll of TDKK 2,380 (TBRL 1,208) and an unrecorded tax claim of TDKK 2,110 (TBRL 1,071), and a case against a former employee of TDKK 299 (TBRL 152).

ScanCom do Brasil has been issued with demands for additional tax payments regarding tax in the period 2006-2008. ScanCom do Brasil has partially set aside for potential losses TDKK 2,346 (TBRL 1,191) but these cases carry an additional risk of TDKK 6,063 (TBRL 3,078).

ScanCom do Brasil has also tax asset of TDKK 50,750 (TBRL 26,550) which is unrecognized in the financial statements.

The group has no other liabilities than those stated in the financial statements.

Parent Company:

The company is part of a mandatory national joint taxation and will severally be liable for the subsidiaries' income tax.

The Parent Company has issued guarantees in favor of lenders in foreign consolidated companies to the total amount of TDKK 912.

In addition, the Parent Company has no other liabilities than those stated in the financial statements.

No. 12 – Charges and security provided

Group:
As security for debt to banks the Group has granted a charge of TDKK 27,000 on buildings, operating equipment, whose carrying amount was TDKK 23,521 at 30 June 2017.

Parent Company:
As security for debt to banks and credit institutions, the Company has assigned its receivables from group enterprises and granted a company charge of TDKK 50,000 on receivables.

NOTE

No. 13 – Related parties

ScanCom international A/S' related parties:

BB Holding of 1.7.2009 ApS, Gl. Banegårdsplads 10, DK-4220 Korsør
Jysk Holding A/S, Sødalsparken 18, DK-8220 Brabrand

The JYSK group is a customer of ScanCom. Trading activities took place at normal market conditions.

Control:

BB Holding of 1.7.2009 ApS, Gl. Banegårdsplads 10, DK-4220 Korsør

No. 14 - Accounting estimates and uncertainties relating to recognition and measurement

The preparation of financial statements required management to make assumptions that affect assets and liabilities and income and expenditure for the period. The management regularly assesses these estimates and judgements.

Estimates and assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances. Actual results may differ from those estimates under different conditions and assumptions.

The following estimates are significant for the description of the financial position:

Obligations relating to complaints etc.

Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of any pending complaints, and potential lawsuits, etc. will be allocated continuously an estimated amount for bad debt costs of any general complaints, etc. based on management's experience and previous periods' actual costs.

For the recognition of the tax asset it is assumed it can be used within the next 5 years. Estimates for the next 5 years support this, but actual results may differ from those estimates under different conditions and assumptions.

DOING BUSINESS THE RIGHT WAY
THE SCANCOM WAY!

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