

# Jacob Jensen Holding A/S


Hejlskovvej 104, Hejlskov, 7840 Højslev

CVR no. 21 06 72 02

## Annual report 2018

Approved at the Company's annual general meeting on 25 April 2019

Chairman:

  
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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Jacob Jensen Holding A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2018 and of the results of the Group's and the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Hejlskov, 8 April 2019

Executive Board:



Sten Tore Sanberg  
Davidsen

Board of Directors:



Lars Kolind  
Chairman



Kaare Agerholm Danielsen



Sten Tore Sanberg  
Davidsen

## Independent auditor's report

To the shareholders of Jacob Jensen Holding A/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Jacob Jensen Holding A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018, and of the results of the Group's and Parent Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### 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 consolidated financial statements and the parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group 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 rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company 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 as to 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 the 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review 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'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 of the Management's review.

Aarhus, 8 April 2019  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Lone Nørgaard Eskildsen  
State Authorised Public Accountant  
mne32085



## Management's review

### Company details

Name	Jacob Jensen Holding A/S
Address, Postal code, City	Hejlskovvej 104, Hejlskov, 7840 Højslev
CVR no.	21 06 72 02
Established	10 June 1998
Registered office	Skive
Financial year	1 January - 31 December
Website	<a href="http://www.jacobjensen.com">www.jacobjensen.com</a>
Board of Directors	Lars Kolind, Chairman Kaare Agerholm Danielsen Sten Tore Sanberg Davidsen
Executive Board	Sten Tore Sanberg Davidsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Salling Bank

## Management's review

### Business review

The Group's most significant business activities relate to the sale of product design, design and branding services which also include royalty income in connection with the cooperative partners' sale of products under the JACOB JENSEN brand and the customers' use of JACOB JENSEN DESIGN as reference on products designed.

The activities are operated through the Group's three design studios in Denmark, China and Thailand. Together with local universities, the foreign design studios moreover offer local students to train them in Danish design tradition of which JACOB JENSEN through the past 60 years has been and still is a unique exponent.

The parent company's objective is, as a holding company, directly and indirectly to make investments, carry on business and industry and any other business, which in the opinion of the Board of Directors relates thereto.

### Unusual matters having affected the financial statements

#### *Going concern*

The Company has realised a substantial loss in 2018, primarily due to lack of revenue. The cost level has been maintained at budgeted and significant lower level than 2017. The Company's equity is negative DKK 13.8 million. This equity figure does not include the value of The JACOB JENSEN trademark.

Management has taken significant steps to strengthen the sales organisation and sales processes, and the Board remains confident that this will lead to higher revenue and profit in 2019. The majority shareholder has backed the Group with sufficient cash to keep bank debt at the current level. The Board expects bank debt to remain at the current level during 2019, based on dialogue with the bank. Furthermore, if additional financing is needed, Management expects this to be made available from shareholders. The Board has initiated a process to enter into a strategic partnership for the JACOB JENSEN brand. This, together with future profits, expects to reestablish positive equity in the years to come.

The Board expects that future operations can be carried out within the credit lines established. For 2019, the Company expects to make a profit from operations. Based on the above assumptions, Management has presented the financial statements as going concern.

Reference is made to note 2.

### Financial review

2018 was a difficult year for the Group despite significant improvements over the previous year. Despite high sales and marketing costs and overcapacity in the design teams, Management was unable to grow the business to a level matching company capacity. This fact, together with other management issues, lead to termination of the CEO and chief designer in October, followed by an intensive effort to bring the Company back on track.

Gross profit was reduced from DKK 5.2 million to DKK 3.0 million due to lack of productive work. The reduction of personnel costs from DKK 7.0 million to DKK 5.0 million almost balanced the reduced income, which meant that the loss before financials remained almost constant, i.e. DKK 2.2 million against DKK 2.0 million last year. Financial expenses increased due to higher debt, which lead to a pre-tax loss of DKK 3.5 million against last year's loss of DKK 3.2 million.

Realising that carried-forward losses will not be recouped in the near future, the Board has decided to write off the tax asset of DKK 2.5 million entirely, which means that the net loss of the year ends up being DKK 6.2 million. The Board notes that its ambition continues to be to generate sufficient profits to allow the Company to benefit from the carried-forward losses.

As most assets have now been written off and as the value of the JACOB JENSEN trademark and other goodwill have not been booked, the book value of Group's assets is now down at DKK 7.3 Million. As a consequence, negative equity now stands at about DKK 13.8 million.





## Management's review

This very significant negative figure is the result of many years of poor management, which has now been brought to an end. The root causes have been removed, and the Board is confident that the business today is sound. In the years to come, the Company will reduce debt and interest expenses and build positive equity, both through profits from operations and through monetizing the value of the JACOB JENSEN trademark. The Board now considers the product business to be completely closed down, which means that all efforts can now be focused on building the design services and brand licensing business.

## Foreign branches

The Group maintains a branch in Thailand.

## Outlook

As expected, the year 2019 started with a thin project pipeline which has meant low revenue income and operational losses. As the new sales organisation has started to operate, project pipeline is gradually building up, which means that management expects operations to turn profitable from mid year 2019.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
	Gross margin	3,001,444	5,169,277	866,060	785,430
4	Staff costs	-4,970,110	-6,967,253	0	0
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-146,405	-197,452	-74,893	-74,039
	Other operating expenses	-36,702	0	0	0
	<b>Profit/loss before net financials</b>	<b>-2,151,773</b>	<b>-1,995,428</b>	<b>791,167</b>	<b>711,391</b>
	Income from investments in group entities	0	0	-6,724,366	-3,920,740
5	Financial income	14,303	1,955	92,372	20,203
	Financial expenses	-1,321,133	-1,236,514	-202,767	-151,587
	<b>Profit/loss before tax</b>	<b>-3,458,603</b>	<b>-3,229,987</b>	<b>-6,043,594</b>	<b>-3,340,733</b>
6	Tax for the year	-2,461,000	0	-166,246	-151,590
	Other taxes	-290,237	-262,336	0	0
	<b>Profit/loss for the year</b>	<b>-6,209,840</b>	<b>-3,492,323</b>	<b>-6,209,840</b>	<b>-3,492,323</b>
	Recommended appropriation of profit/loss			-6,209,840	-3,492,323
	Retained earnings/accumulated loss			-6,209,840	-3,492,323



Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
		<b>ASSETS</b>			
		<b>Fixed assets</b>			
7	Intangible assets				
	Goodwill	0	0	0	0
		0	0	0	0
8	Property, plant and equipment				
	Land and buildings	5,926,994	5,899,405	5,926,994	5,899,405
	Other fixtures and fittings, tools and equipment	84,567	284,127	74,999	74,999
	Leasehold improvements	20,829	46,983	0	0
		6,032,390	6,230,515	6,001,993	5,974,404
9	Investments				
	Investments in group entities, net asset value	0	0	0	0
	Other receivables	102,993	204,187	0	0
		102,993	204,187	0	0
	<b>Total fixed assets</b>	<b>6,135,383</b>	<b>6,434,702</b>	<b>6,001,993</b>	<b>5,974,404</b>
	<b>Non-fixed assets</b>				
	<b>Receivables</b>				
	Trade receivables	771,016	2,172,557	0	0
10	Deferred tax assets	0	2,455,000	0	0
	Income taxes receivable	0	3,998	0	3,998
	Other receivables	241,142	123,765	39,784	0
	Prepayments	68,657	434	0	0
		1,080,815	4,755,754	39,784	3,998
	Securities and investments	7,490	7,490	0	0
	Cash	59,997	6,187	0	0
	<b>Total non-fixed assets</b>	<b>1,148,302</b>	<b>4,769,431</b>	<b>39,784</b>	<b>3,998</b>
	<b>TOTAL ASSETS</b>	<b>7,283,685</b>	<b>11,204,133</b>	<b>6,041,777</b>	<b>5,978,402</b>



Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK	Group		Parent company	
		2018	2017	2018	2017
		<b>EQUITY AND LIABILITIES</b>			
		<b>Equity</b>			
11	Share capital	1,760,000	1,760,000	1,760,000	1,760,000
	Retained earnings	-15,585,119	-9,375,279	-15,585,119	-9,375,279
	<b>Total equity</b>	<b>-13,825,119</b>	<b>-7,615,279</b>	<b>-13,825,119</b>	<b>-7,615,279</b>
	<b>Provisions</b>				
	Deferred tax	6,000	0	6,000	6,000
9	Provision, investments in group entities	0	0	14,516,985	10,454,568
	<b>Total provisions</b>	<b>6,000</b>	<b>0</b>	<b>14,522,985</b>	<b>10,460,568</b>
	<b>Liabilities other than provisions</b>				
13	<b>Non-current liabilities other than provisions</b>				
	Bank debt	3,005,000	3,005,000	3,005,000	3,005,000
	Other payables	5,987,679	6,024,305	0	0
		<b>8,992,679</b>	<b>9,029,305</b>	<b>3,005,000</b>	<b>3,005,000</b>
	<b>Current liabilities other than provisions</b>				
13	Current portion of long-term liabilities	2,325,456	245,842	2,018,611	0
	Bank debt	7,717,790	7,345,498	38,803	36,103
	Prepayments received from customers	928,542	1,137,500	0	0
	Trade payables	300,089	219,673	87,251	43,931
	Joint taxation contribution payable	0	0	166,246	0
	Payables to shareholders and management	0	4,651	0	0
	Other payables	833,913	836,943	28,000	48,079
	Deferred income	4,335	0	0	0
		<b>12,110,125</b>	<b>9,790,107</b>	<b>2,338,911</b>	<b>128,113</b>
	<b>Total liabilities other than provisions</b>	<b>21,102,804</b>	<b>18,819,412</b>	<b>5,343,911</b>	<b>3,133,113</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,283,685</b>	<b>11,204,133</b>	<b>6,041,777</b>	<b>5,978,402</b>

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Special items
- 12 Treasury shares
- 14 Contractual obligations and contingencies, etc.
- 15 Collateral



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Statement of changes in equity

DKK	Group		
	Share capital	Retained earnings	Total
Equity at 1 January 2017	1,560,000	-7,682,956	-6,122,956
Capital increase	200,000	1,800,000	2,000,000
Transfer through appropriation of loss	0	-3,492,323	-3,492,323
Equity at 1 January 2018	1,760,000	-9,375,279	-7,615,279
Transfer through appropriation of loss	0	-6,209,840	-6,209,840
Equity at 31 December 2018	1,760,000	-15,585,119	-13,825,119

DKK	Parent company		
	Share capital	Retained earnings	Total
Equity at 1 January 2017	1,560,000	-7,682,956	-6,122,956
Capital increase	200,000	1,800,000	2,000,000
Transfer through appropriation of loss	0	-3,492,323	-3,492,323
Equity at 1 January 2018	1,760,000	-9,375,279	-7,615,279
Transfer through appropriation of loss	0	-6,209,840	-6,209,840
Equity at 31 December 2018	1,760,000	-15,585,119	-13,825,119

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Jacob Jensen Holding A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Consolidated financial statements

##### *Control*

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

##### *Preparation of consolidated financial statements*

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

#### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services, which comprises designing products, is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time limited software licences is accrued and recognised on a straight line basis over the term of the licence according to the terms of the licence agreement.

Sale of indefinite software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

###### Gross margin

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

###### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

###### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

###### External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

###### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3 years
Land and buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the parent company's income statement.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

##### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Other taxes comprise taxes paid to other countries.

### Balance sheet

#### Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

#### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

#### Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Other securities and investments

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Securities and investments

Securities and investments consisting in listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Equity

###### *Treasury shares*

Purchases and sales of treasury shares are taken directly to equity under "Retained earnings".

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Going concern uncertainties

The Group has realised a substantial loss in 2018, primarily due to lack of revenue. The cost level has been maintained at budgeted and significant lower level than 2017. The Company's equity is negative DKK 13.8 million. This equity figure does not include the value of The JACOB JENSEN trademark.

Management has taken significant steps to strengthen the sales organisation and sales processes, and the Board remains confident that this will lead to higher revenue and profit in 2019. The majority shareholder has backed the Group with sufficient cash to keep bank debt at the current level. The Board expects bank debt to remain at the current level during 2019, based on dialogue with the bank. Furthermore, if additional financing is needed, Management expects this to be made available from shareholders. The Board has initiated a process to enter into a strategic partnership for the JACOB JENSEN brand. This, together with future profits, expects to reestablish positive equity in the years to come.

The Board expects that future operations can be carried out within the credit lines established. For 2019, the Company expects to make a profit from operations. Based on the above assumptions, Management has presented the financial statements as going concern.

#### 3 Special items

##### Group

As stated in last year's Management's review, the loss for 2017 is mainly affected by the remaining close-down of the activities in relation to the product business. The close-down costs primarily related to personnel costs. According to Management, these activities differ from the primary operations and are therefore included in this note.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

DKK	Group		Parent company	
	2018	2017	2018	2017
<b>Expenses</b>				
Payroll relating to employees discharged	0	1,394,256	0	0
Costs relating to employees discharged	0	129,520	0	0
	<u>0</u>	<u>1,523,776</u>	<u>0</u>	<u>0</u>
<b>Special items are recognised in the below items of the financial statements</b>				
Gross margin	0	129,520	0	0
Staff costs	0	1,394,256	0	0
<b>Net profit on special items</b>	<u>0</u>	<u>1,523,776</u>	<u>0</u>	<u>0</u>

**Consolidated financial statements and parent company financial statements 1 January - 31 December**
**Notes to the financial statements**

DKK	Group		Parent company	
	2018	2017	2018	2017
<b>4 Staff costs and incentive programmes</b>				
Wages/salaries	4,561,529	6,532,192	0	0
Pensions	118,478	144,000	0	0
Other social security costs	38,126	53,285	0	0
Other staff costs	251,977	237,776	0	0
	<u>4,970,110</u>	<u>6,967,253</u>	<u>0</u>	<u>0</u>
	Group		Parent company	
	2018	2017	2018	2017
Average number of full-time employees	13	19	0	0

**Parent company**

The Parent Company has no employees.

**Incentive programmes**

In 2017, the Parent Company introduced an incentive plan aimed at certain persons in the Group and its Board of Directors.

The total number of shares for which employees and members of the Board of Directors may become eligible is 177,000 at a price of DKK 1,000 and it is a condition for exercising the warrants that the holder of the warrant has not left the Group of own will.

DKK	Group		Parent company	
	2018	2017	2018	2017
<b>5 Financial income</b>				
Interest income group entities	0	0	92,372	20,203
Other financial income	14,303	1,955	0	0
	<u>14,303</u>	<u>1,955</u>	<u>92,372</u>	<u>20,203</u>
<b>6 Tax for the year</b>				
Estimated tax charge for the year	0	0	166,246	151,590
Deferred tax adjustments in the year	2,461,000	0	0	0
	<u>2,461,000</u>	<u>0</u>	<u>166,246</u>	<u>151,590</u>

**Parent company**

The estimated tax charge for the year includes tax refunds received/paid, totalling DKK 166,246 between jointly taxed entities.



Consolidated financial statements and parent company financial statements 1 January -  
31 December

Notes to the financial statements

7 Intangible assets

	<u>Parent company</u>
	<u>Goodwill</u>
DKK	
Cost at 1 January 2018	25,000
Cost at 31 December 2018	25,000
Impairment losses and amortisation at 1 January 2018	25,000
Impairment losses and amortisation at 31 December 2018	25,000
Carrying amount at 31 December 2018	<u>0</u>

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK	Group			Total
	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	
Cost at 1 January 2018	6,784,164	1,576,973	220,641	8,581,778
Additions in the year	102,482	0	0	102,482
Disposals in the year	0	-735,556	0	-735,556
Cost at 31 December 2018	6,886,646	841,417	220,641	7,948,704
Impairment losses and depreciation at 1 January 2018	884,759	1,292,846	173,658	2,351,263
Depreciation in the year	74,893	45,357	26,154	146,404
Reversal of depreciation and impairment of disposals	0	-581,353	0	-581,353
Impairment losses and depreciation at 31 December 2018	959,652	756,850	199,812	1,916,314
Carrying amount at 31 December 2018	5,926,994	84,567	20,829	6,032,390
Depreciated over	50 years	3-5 years	3-5 years	
		Parent company		
	Land and buildings	Other fixtures and fittings, tools and equipment	Total	
Cost at 1 January 2018	6,784,164	424,628	7,208,792	
Additions in the year	102,482	0	102,482	
Cost at 31 December 2018	6,886,646	424,628	7,311,274	
Impairment losses and depreciation at 1 January 2018	884,759	349,629	1,234,388	
Depreciation in the year	74,893	0	74,893	
Impairment losses and depreciation at 31 December 2018	959,652	349,629	1,309,281	
Carrying amount at 31 December 2018	5,926,994	74,999	6,001,993	
Depreciated over	50 years	3-5 years		

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 9 Investments

DKK	<u>Parent company</u> <u>Investments in</u> <u>group entities,</u> <u>net asset value</u>
Cost at 1 January 2018	27,272,631
Cost at 31 December 2018	27,272,631
Value adjustments at 1 January 2018	-27,272,631
Share of the profit/loss for the year	-6,724,366
Transferred	6,724,366
Value adjustments at 31 December 2018	-27,272,631
Carrying amount at 31 December 2018	<u>0</u>

#### Parent company

<u>Name</u>	<u>Legal form</u>	<u>Domicile</u>	<u>Interest</u>
<b>Subsidiaries</b>			
Jacob Jensen Design A/S	Aktieselskab	Hejlskov, Danmark	100.00%

#### 10 Deferred tax assets

##### Group

A deferred tax asset of DKK 8,848 thousand has not been recognised due to the material uncertainty in utilising it.

DKK	<u>Parent company</u>	
	<u>2018</u>	<u>2017</u>
<b>11 Share capital</b>		
Analysis of the share capital:		
1,760 shares of DKK 1,000.00 nominal value each	1,760,000	1,760,000
	<u>1,760,000</u>	<u>1,760,000</u>

Analysis of changes in the share capital over the past 5 years:

DKK	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Opening balance	1,760,000	1,560,000	660,000	520,000	500,000
Capital increase	0	200,000	900,000	140,000	20,000
	<u>1,760,000</u>	<u>1,760,000</u>	<u>1,560,000</u>	<u>660,000</u>	<u>520,000</u>



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Notes to the financial statements

12 Treasury shares

Parent company

	Number	Nominal value DKK	Share of capital
Purchased in the year	586,000	586,000	33.29%
Balance at 31 December 2018	586,000	586,000	33.29%

In connection with his resignation, Timothy Jacob Jensen has transferred his shares to the Company. The Board has so far not chosen to cancel the shares, but to retain these as treasury shares.

13 Non-current liabilities other than provisions

	Group			
DKK	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	3,005,000	0	3,005,000	0
Payables to shareholders and management	2,018,611	2,018,611	0	0
Other payables	6,294,524	306,845	5,987,679	0
	<u>11,318,135</u>	<u>2,325,456</u>	<u>8,992,679</u>	<u>0</u>
	Parent company			
DKK	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	3,005,000	0	3,005,000	0
Payables to shareholders and management	2,018,611	2,018,611	0	0
	<u>5,023,611</u>	<u>2,018,611</u>	<u>3,005,000</u>	<u>0</u>

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 14 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

##### Other financial obligations

##### Other rent and lease liabilities:

DKK	Group		Parent company	
	2018	2017	2018	2017
Rent and lease liabilities	7,000	2,348,000	0	0

##### Group

The Company has liabilities under operating leases for cars, totalling DKK 7 thousand, with remaining contract terms of 2-3 years.

##### Parent company

As management company, the company is jointly taxed with other Danish group entities. Together with other jointly taxed group entities the Company has joint and several liability for the payment of income taxes.

#### 15 Collateral

##### Group

As security for the Group's debt to banks and other lenders, the Group has placed floating charges, worth a total of DKK 23,750 thousand. The total carrying amount of the assets placed as collateral is DKK 6,803 thousand.

##### Parent company

As security for the Parent Company's debt to banks and other lenders, the company has placed assets or other as collateral worth a total of DKK 16,750 thousand. The total carrying amount of the assets having been put up as collateral is DKK 7,418 thousand.

The Company has provided a joint and several guarantee to the subsidiary as security for the Company's debt to banks.

The balances with the Parent Company have been assigned to the Company's bank.

The Company has issued a letter of pledge regarding the Company's shares in the subsidiary at a nominal amount of DKK 1,780 thousand.