Jacob Jensen Holding A/S

Hejlskovvej 104, Hejlskov, 7840 Højslev

CVR no. 21 06 72 02

Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:

Building a better working world

Contents

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 2016.

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 2016 and of the results of the Group's and the Company's operations for the financial year 1 January - 31 December 2016.

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, 31 May 2017
Executive Board:

Timothy Jacob Jensen

Board of Directors:

Lars Kolind Chairman	Kenneth Spencer Chang	Jens Bredo

Timothy Jacob Jensen

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 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both 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 2016, and of the results of the Group and parent Company's operations for the financial year 1 January - 31 December 2016 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the Parent Company 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 consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Independent auditor's report

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 31 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lone N. Eskildsen

Lone Nørgaard Eskildsen
State Authorised Public Accountant

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	www.jacobjensen.com
E-mail	hq@jacobjensen.com
Board of Directors	Lars Kolind, Chairman Kenneth Spencer Chang Jens Bredo Timothy Jacob Jensen
Executive Board	Timothy Jacob Jensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark
Bankers	Salling Bank

Management's review

Management commentary

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 of.

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

The loss for the year is negatively affected by the close-down of part of the activities in the Company. Close-down costs relate to the activities surrounding product sale and company-driven product development.

Going concern

In the year under review, the Company's shareholders made a contribution of DKK 9,000 thousand to finance the winding up of loss-making activities; and having adjusted the organisational structure as part of the changed strategy, future operations are expected to be effected within the credit lines established. For 2017, the Company expects to enjoy positive results of operations and to reestablish equity in the foreseeable future through own earnings and the conclusion of strategic cooperations.

Reference is made to note 2 for more details.

Financial review

The income statement for 2016 shows a loss of DKK 23,087,487 against DKK 7,149,463 last year, and the group's balance sheet at 31 December 2016 shows a negative equity of DKK 6,122,955.

The loss for the year, which Management considers to be very unsatisfactory, primarily relates to the fact that the planned expansion, within the Group's existing framework, to develop, market and sale products under the JACOB JENSEN brand in the course of the year turned out not to be economically viable. Mid 2016, the strategic focus was consequently changed which implied massive costs for the close-down in the form of development costs incurred and the payment of liabilities in respect of suppliers and employees.

In future, the Company will focus on its original core business; sale of product design, design and branding services. At the same time, the Company will look into and assess the potential of utilising and capitalising the JACOB JENSEN brand e.g. through strategic cooperations.

Thus, Management is of the opinion that the JACOB JENSEN brand, in cooperation with the right partners within technology, manufacturing, marketing and sale, holds considerable unutilised potential in the global competition for which design and brand are important parameters in relation to the optimisation of market extension, revenue and earnings.

Outlook

For 2017, the Company expects to report a profit and to reestablish equity within a foreseeable future through own earnings and the conclusion of strategic cooperations.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK	2016	2015	2016	2015
	Gross margin	-202,602	-1,530,597	603,576	379,293
4	Staff costs	-9,827,723	-6,066,676	0	0
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-233,245	-403,944	-74,039	-74,039
	Other operating expenses	-11,444,610	-82,056	0	0
	Profit/loss before net financials	-21,708,180	-8,083,273	529,537	305,254
	Income from investments in group entities	0	0	-23,373,404	-7,205,104
5	Financial income	3,217	2,417	14,376	83,714
	Financial expenses	-1,126,788	-326,019	-152,635	-103,501
	Profit/loss before tax	-22,831,751	-8,406,875	-22,982,126	-6,919,637
6	Tax for the year	0	1,457,695	-105,361	-229,826
	Other taxes	-255,736	-200,283	0	0
	Profit/loss for the year	-23,087,487	-7,149,463	-23,087,487	-7,149,463
	Recommended appropriation of profit/loss				
	Retained earnings/accumulated loss			-23,087,487	-7,149,463
				-23,087,487	-7,149,463

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	Group 2016	Group 2015	Parent company 2016	Parent company 2015
	ASSETS				
	Fixed assets				
7	**Intangible assets**				
	Acquired intangible assets	0	241,483	0	0
	Goodwill	0	0	0	0
	Development projects in progress and prepayments for intangible assets	0	3,832,720	0	0
		0	4,074,203	0	0
8	**Property, plant and equipment**				
	Land and buildings	5,973,444	6,047,483	5,973,444	6,047,483
	Other fixtures and fittings, tools and equipment	169,555	272,650	74,999	74,999
	Leasehold improvements	88,115	144,226	0	0
		6,231,114	6,464,359	6,048,443	6,122,482
9	**Investments**				
	Investments in group entities, net asset value	0	0	0	4,093,339
	Other receivables	208,558	94,515	0	0
		208,558	94,515	0	4,093,339
	Total fixed assets	6,439,672	10,633,077	6,048,443	10,215,821
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	0	1,252,545	0	0
	Prepayments for goods	0	740,972	0	0
		0	1,993,517	0	0
	Receivables				
	Trade receivables	2,407,099	1,501,549	0	0
	Receivables from group entities	0	0	0	825,949
10	Deferred tax assets	2,455,000	2,455,000	0	0
	Income taxes receivable	2,000	4,000	2,000	4,000
	Other receivables	475,023	1,946,715	22,618	2,551
	Deferred income	26,822	304,720	12,212	10,119
		5,365,944	6,211,984	36,830	842,619
	Securities and investments	11,515	8,645	0	0
	Cash	9,626	4,867,114	0	0
	Total non-fixed assets	5,387,085	13,081,260	36,830	842,619
	TOTAL ASSETS	11,826,757	23,714,337	6,085,273	11,058,440

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	Group 2016	Group 2015	Parent company 2016	Parent company 2015
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	1,560,000	660,000	1,560,000	660,000
	Retained earnings	-7,682,955	7,304,532	-7,682,955	7,304,532
	Total equity	-6,122,955	7,964,532	-6,122,955	7,964,532
	Provisions				
	Deferred tax	0	0	6,000	6,000
9	Provision, investments in group entities	0	0	9,049,550	0
	Total provisions	0	0	9,055,550	6,000
	Liabilities				
11	**Non-current liabilities other than provisions**				
	Bank debt	3,005,000	3,005,000	3,005,000	3,005,000
	Other payables	6,734,612	4,766,056	0	0
		9,739,612	7,771,056	3,005,000	3,005,000
	Current liabilities				
11	Current portion of long-term liabilities	0	61,877	0	0
	Bank debt	5,131,404	4,572,157	18,508	35,847
	Prepayments received from customers	480,265	239,400	0	0
	Trade payables	381,155	1,230,784	0	2,061
	Payables to shareholders and management	1,796	1,364	0	0
	Other payables	1,713,947	1,480,000	120,270	45,000
	Deferred income	501,533	393,167	8,900	0
		8,210,100	7,978,749	147,678	82,908
	Total liabilities other than provisions	17,949,712	15,749,805	3,152,678	3,087,908
	TOTAL EQUITY AND LIABILITIES	11,826,757	23,714,337	6,085,273	11,058,440

1 Accounting policies
2 Going concern uncertainties
3 Special items
12 Contractual obligations and contingencies, etc.
13 Collateral

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

	Group		
DKK	Share capital	Retained earnings	Total
Equity at 1 January 2016	660,000	7,304,532	7,964,532
Capital increase	900,000	8,100,000	9,000,000
Transfer through appropriation of loss	0	-23,087,487	-23,087,487
Equity at 31 December 2016	1,560,000	-7,682,955	-6,122,955

	Parent company		
DKK	Share capital	Retained earnings	Total
Equity at 1 January 2016	660,000	7,304,532	7,964,532
Capital increase	900,000	8,100,000	9,000,000
Transfer through appropriation of loss	0	-23,087,487	-23,087,487
Equity at 31 December 2016	1,560,000	-7,682,955	-6,122,955

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Jacob Jensen Holding A/S for 2016 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.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Reporting currency

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

Consolidation

The consolidated financial statements comprise the parent company, Jacob Jensen Holding A/S, and entities controlled by the parent. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power of an entity. Control may also exist by virtue of an agreement or articles of association or when the parent otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.

The existence and impact of potential voting rights that are actually exercisable or convertible are taken into account when assessing whether control exists.

The consolidated financial statements have been 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 in so far as they do not reflect impairment.

Entities acquired or formed are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Corporate acquisitions are accounted for using the purchase method, according to which the acquired entity's identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Restructuring costs decided by the acquiring entity must be recognised in the income statement. Allowance is made for the tax effect of revaluations made. Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met. Goodwill and negative goodwill from acquired entities can be adjusted until 12 months after the year of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Entities over which the Group has significant influence are considered associates. The Group is considered to have significant influence when it directly or indirectly holds between 20% and 50% of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

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".

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, change in inventories of finished goods and work in progress, work performed for own account and capitalised, 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 non-current assets.

Cost of sales

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

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised 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
Trademark registrations	5 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.

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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 areidentifiable 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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

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 non-current 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

Equity

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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

2 Going concern uncertainties

In the year under review, the Company's shareholders made a contribution of DKK 9,000 thousand to finance the winding up of loss-making activities; and having adjusted the organisational structure as part of the changed strategy, future operations are expected to be effected within the credit lines established. For 2017, the Company expects to enjoy positive results of operations and to reestablish equity in the foreseeable future through own earnings and the conclusion of strategic cooperations.

3 Special items

Group

As stated in the Management's review, the loss for the year is negatively affected by the dissolution of part af the Company's activities. The costs of the close-down relate to the product sale and company-driven product development activities. 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.

	Group		Parent company	
DKK	2016	2015	2016	2015
Expenses				
Inventory write-downs	1,190,941	0	0	0
Termination of manufacturing contracts, etc.	6,179,466	0	0	0
Payroll relating to employees discharged	523,038	0	0	0
Costs relating to employees discharged	127,340	0	0	0
Impairment loss re. fixed assets scrapped	4,074,203	0	0	0
	12,094,988	0	0	0
Special items are recognised in the below items of the financial statements				
Gross margin	127,340	0	0	0
Staff costs	523,038	0	0	0
Other operating expenses	11,444,610	0	0	0
Net profit on special items	12,094,988	0	0	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK	2016	2015	2016	2015
4	**Staff costs and incentive programmes**				
	Wages/salaries	9,225,934	5,787,487	0	0
	Pensions	207,876	133,089	0	0
	Other social security costs	53,247	67,933	0	0
	Other staff costs	340,666	78,167	0	0
		9,827,723	6,066,676	0	0

	Group		Parent company	
	2016	2015	2016	2015
Average number of full-time employees	21	18	0	0

Parent company

The parent Company has no employees.

Incentive programmes

In 2016, 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 190,000 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.

		Group		Parent company	
	DKK	2016	2015	2016	2015
5	**Financial income**				
	Interest income group entities	0	0	14,354	82,832
	Other financial income	3,217	2,417	22	882
		3,217	2,417	14,376	83,714
6	**Tax for the year**				
	Estimated tax charge for the year	0	-822,133	105,361	84,277
	Deferred tax adjustments in the year	0	-746,002	0	-232
	Tax adjustments, prior years	0	110,440	0	145,781
		0	-1,457,695	105,361	229,826

Parent company

The estimated tax charge for the year includes tax refunds received/paid, totalling DKK 105,361 between jointly taxed entities.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK	Group Acquired intangible assets	 Development projects in progress and prepayments for intangible assets	 Total
Cost at 1 January 2016	254,193	3,832,720	4,086,913
Disposals in the year	-254,193	-3,832,720	-4,086,913
Cost at 31 December 2016	0	0	0
Impairment losses and amortisation at 1 January 2016	12,710	0	12,710
Reversal of amortisation/depreciation and impairment of disposals	-12,710	0	-12,710
Impairment losses and amortisation at 31 December 2016	0	0	0
Carrying amount at 31 December 2016	0	0	0

DKK	Parent company Goodwill
Cost at 1 January 2016	25,000
Cost at 31 December 2016	25,000
Impairment losses and amortisation at 1 January 2016	25,000
Impairment losses and amortisation at 31 December 2016	25,000
Carrying amount at 31 December 2016	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK	Group: Land and buildings	Group: Other fixtures and fittings, tools and equipment	Group: Leasehold improvements	Group: Total
Cost at 1 January 2016	6,784,164	2,544,194	220,641	9,548,999
Disposals in the year	0	-1,164,074	0	-1,164,074
Cost at 31 December 2016	6,784,164	1,380,120	220,641	8,384,925
Impairment losses and depreciation at 1 January 2016	736,681	2,271,544	76,415	3,084,640
Depreciation in the year	74,039	103,095	56,111	233,245
Reversal of depreciation and impairment of disposals	0	-1,164,074	0	-1,164,074
Impairment losses and depreciation at 31 December 2016	810,720	1,210,565	132,526	2,153,811
Carrying amount at 31 December 2016	5,973,444	169,555	88,115	6,231,114
Amortised over	50 years	3-5 years	3-5 years	

DKK	Parent company: Land and buildings	Parent company: Other fixtures and fittings, tools and equipment	Parent company: Total
Cost at 1 January 2016	6,784,164	424,628	7,208,792
Cost at 31 December 2016	6,784,164	424,628	7,208,792
Impairment losses and depreciation at 1 January 2016	736,681	349,629	1,086,310
Depreciation in the year	74,039	0	74,039
Impairment losses and depreciation at 31 December 2016	810,720	349,629	1,160,349
Carrying amount at 31 December 2016	5,973,444	74,999	6,048,443
Amortised over	50 years	3-5 years	

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Investments

DKK	Parent company Investments in group entities, net asset value
Cost at 1 January 2016	16,272,631
Additions in the year	9,000,000
Cost at 31 December 2016	25,272,631
Value adjustments at 1 January 2016	-12,179,292
Share of the profit/loss for the year	-23,373,404
Transferred	10,280,065
Value adjustments at 31 December 2016	-25,272,631
Carrying amount at 31 December 2016	0

Parent company

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

10 Deferred tax assets

Group

Of the deferred tax asset, DKK 2,200 thousand is expected to be utilised more than one year as of the balance sheet date.

A further deferred tax asset of DKK 5,017 thousand have not been recognised due to the material uncertainty in utilising it.

11 Long-term liabilities

	Group			
DKK	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	3,005,000	0	3,005,000	0
Other payables	6,734,612	0	6,734,612	2,137,753
	9,739,612	0	9,739,612	2,137,753

	Parent company			
DKK	Total debt at 31/12 2016	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	3,005,000	0	3,005,000	0
	3,005,000	0	3,005,000	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

12 **Contractual obligations and contingencies, etc.**

Contingent liabilities

Other contingent liabilities

	Group		Parent company	
DKK	2016	2015	2016	2015
Other contingent liabilities	0	10,355,000	0	0
	0	10,355,000	0	0

Group

The royalty payments have been assigned to the Group's bank.

Other financial obligations

Other rent and lease liabilities:

	Group		Parent company	
DKK	2016	2015	2016	2015
Rent and lease liabilities	3,095,000	3,880,000	0	0

Group

Rent and lease liabilities include a rent obligation totalling DKK 2,696 thousand in interminable rent agreements with remaining contract terms of 1-7 years. Furthermore, the Company has liabilities under operating leases for cars, totalling DKK 399 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 jointl and several liability for payment of income taxes.

13 **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 8,638 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 us as collateral is DKK 7,527 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 1,779,000.