Jacob Jensen Holding A/S

Hejlskovvej 104, Hejlskov, 7840 Højslev

CVR no. 21 06 72 02

Annual report 2017

Approved at the Company's annual general meeting on 6 March 2018

Chairman:

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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 2017.

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 2017 and of the results of the Group's and the Company's operations for the financial year 1 January - 31 December 2017.

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, 6 March 2018
Executive Board:

Timothy Jacob Jensen

Board of Directors:

Lars Kolind Chairman	Kenneth Spencer Chang	Sten Tore Sanberg Davidsen
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 2017, 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 2017, and of the results of the Group's and Parent Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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" (herinafter 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, 6 March 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lone N. Eskildsen

Lone Nørgaard Eskildsen
State Authorised Public Accountant
MNE no.: 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	www.jacobjensen.com
E-mail	hq@jacobjensen.com
Board of Directors	Lars Kolind, Chairman Kenneth Spencer Chang Sten Tore Sanberg Davidsen 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

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

2017 marked a significant improvement compared to 2016 where the Board decided to terminate the product business in order to return to its core: design services and brand licensing. The Group incurred a loss of DKK 3,9 million, 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 and amounted to DKK 1.5 million in the financial year.

Going concern

In the year under review, the Company's shareholders made a contribution of DKK 2 million to finance the winding up of loss-making activities; and having adjusted the organisational structure as part of the changed strategy, the Board expects that future operations can be carried out within the credit lines established. For 2018, the Company expects to make a profit from operations. The Board has initiated a process to enter into a strategic partnership for the JACOB JENSEN brand, which it expects will reestablish equity in 2018 or 2019.

Reference is made to note 2 for more details.

Financial review

The income statement for 2017 shows a loss of DKK 3,492,323 against a loss of DKK 23,087,487 last year, and the group's balance sheet at 31 December 2017 shows a negative equity of DKK 7,615,278.

The loss for the year, which Management considers to be unsatisfactory, is mainly due to a delay in the realisation of the goals set in connection with changes to the Company's strategy and activity base mid 2016 combined with further close-down costs related to the strategy change.

In the past year focus has been on bringing the Company back to profitable growth. The Company has made good progress and is improving. The Company's activity base and the actions taken make the Board expect that 2018 will mark our return to profit.

The Board is of the opinion that the JACOB JENSEN brand, in cooperation with the right partners within technology, manufacturing, marketing and sales, holds considerable commercial and financial potential which is not fully utilised today.

Outlook

For 2018, 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 1 January - 31 December

Income statement

Note	DKK	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	Gross margin	5,169,277	-202,602	785,430	603,576
4	Staff costs	-6,967,253	-9,827,723	0	0
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-197,452	-233,245	-74,039	-74,039
	Other operating expenses	0	-11,444,610	0	0
	Profit/loss before net financials	-1,995,428	-21,708,180	711,391	529,537
	Income from investments in group entities	0	0	-3,920,740	-23,373,404
5	Financial income	1,955	3,217	20,203	14,376
	Financial expenses	-1,236,514	-1,126,788	-151,587	-152,635
	Profit/loss before tax	-3,229,987	-22,831,751	-3,340,733	-22,982,126
6	Tax for the year	0	0	-151,590	-105,361
	Other taxes	-262,336	-255,736	0	0
	Profit/loss for the year	-3,492,323	-23,087,487	-3,492,323	-23,087,487
	Recommended appropriation of profit/loss				
	Retained earnings/accumulated loss			-3,492,323	-23,087,487
				-3,492,323	-23,087,487

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

Balance sheet

Note	DKK	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	ASSETS				
	Fixed assets				
7	**Intangible assets**				
	Goodwill	0	0	0	0
		0	0	0	0
8	**Property, plant and equipment**				
	Land and buildings	5,899,405	5,973,444	5,899,405	5,973,444
	Other fixtures and fittings, tools and equipment	284,127	169,555	74,999	74,999
	Leasehold improvements	46,983	88,115	0	0
		6,230,515	6,231,114	5,974,404	6,048,443
9	**Investments**				
	Investments in group entities, net asset value	0	0	0	0
	Other receivables	204,187	208,558	0	0
		204,187	208,558	0	0
	Total fixed assets	6,434,702	6,439,672	5,974,404	6,048,443
	Non-fixed assets				
	Receivables				
	Trade receivables	2,172,557	2,407,099	0	0
10	Deferred tax assets	2,455,000	2,455,000	0	0
	Income taxes receivable	3,998	2,000	3,998	2,000
	Other receivables	123,765	475,023	0	22,618
	Deferred income	434	26,822	0	12,212
		4,755,754	5,365,944	3,998	36,830
	Securities and investments	7,490	11,515	0	0
	Cash	6,187	9,626	0	0
	Total non-fixed assets	4,769,431	5,387,085	3,998	36,830
	TOTAL ASSETS	11,204,133	11,826,757	5,978,402	6,085,273

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

Balance sheet

Note	DKK	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	1,760,000	1,560,000	1,760,000	1,560,000
	Retained earnings	-9,375,278	-7,682,955	-9,375,278	-7,682,955
	Total equity	-7,615,278	-6,122,955	-7,615,278	-6,122,955
	Provisions				
	Deferred tax	0	0	6,000	6,000
9	Provision, investments in group entities	0	0	10,454,568	9,049,550
	Total provisions	0	0	10,460,568	9,055,550
	Liabilities other than provisions				
11	**Non-current liabilities other than provisions**				
	Bank debt	3,005,000	3,005,000	3,005,000	3,005,000
	Other payables	5,316,682	6,734,612	0	0
		8,321,682	9,739,612	3,005,000	3,005,000
	Current liabilities other than provisions				
11	Current portion of long-term liabilities	953,465	0	0	0
	Bank debt	7,345,498	5,131,404	36,103	18,508
	Prepayments received from customers	1,137,500	480,265	0	0
	Trade payables	219,672	381,156	43,930	0
	Payables to shareholders and management	4,651	1,796	0	0
	Other payables	836,943	1,713,946	48,079	120,270
	Deferred income	0	501,533	0	8,900
		10,497,729	8,210,100	128,112	147,678
	Total liabilities other than provisions	18,819,411	17,949,712	3,133,112	3,152,678
	TOTAL EQUITY AND LIABILITIES	11,204,133	11,826,757	5,978,402	6,085,273

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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	-7,682,955	-6,122,955
Capital increase	200,000	1,800,000	2,000,000
Transfer through appropriation of loss	0	-3,492,323	-3,492,323
Equity at 31 December 2017	1,760,000	-9,375,278	-7,615,278

DKK	Parent company		
	Share capital	Retained earnings	Total
Equity at 1 January 2017	1,560,000	-7,682,955	-6,122,955
Capital increase	200,000	1,800,000	2,000,000
Transfer through appropriation of loss	0	-3,492,323	-3,492,323
Equity at 31 December 2017	1,760,000	-9,375,278	-7,615,278

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 2017 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.

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, 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 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.

Income 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.

Shares of profit/loss after tax in associates are recognised in the consolidated income statement after elimination of a proportionate share of unrealised intra-group gains/losses.

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 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.

Investments in subsidiaries

Equity investments in subsidiaries and associates 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.

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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.

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

In the year under review, the Company's shareholders made a contribution of DKK 2 million to finance the winding up of loss-making activities; and having adjusted the organisational structure as part of the changed strategy, the Board expects that future operations can be carried out within the credit lines established. For 2018, the Company expects to make a profit from operations. The Board has initiated a process to enter into a strategic partnership for the JACOB JENSEN brand, which it expects will reestablish equity in 2018 or 2019.

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	
	2017	2016	2017	2016
Expenses				
Inventory write-downs	0	1,190,941	0	0
Termination of manufacturing contracts, etc.	0	6,179,466	0	0
Payroll relating to employees discharged	1,394,256	523,038	0	0
Costs relating to employees discharged	129,520	127,340	0	0
Impairment loss re. fixed assets scrapped	0	4,074,203	0	0
	1,523,776	12,094,988	0	0
Special items are recognised in the below items of the financial statements				
Gross margin	129,520	127,340	0	0
Staff costs	1,394,256	523,038	0	0
Other operating expenses	0	11,444,610	0	0
Net profit on special items	1,523,776	12,094,988	0	0

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Notes to the financial statements

DKK	Group 2017	Group 2016	Parent company 2017	Parent company 2016
4 Staff costs and incentive programmes				
Wages/salaries	6,532,192	9,225,934	0	0
Pensions	144,000	207,876	0	0
Other social security costs	53,285	53,247	0	0
Other staff costs	237,776	340,666	0	0
	6,967,253	9,827,723	0	0

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Average number of full-time employees	19	21	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 2017	Group 2016	Parent company 2017	Parent company 2016
5 Financial income				
Interest income group entities	0	0	20,203	14,354
Other financial income	1,955	3,217	0	22
	1,955	3,217	20,203	14,376
6 Tax for the year				
Estimated tax charge for the year	0	0	151,590	105,361
	0	0	151,590	105,361

Parent company

The estimated tax charge for the year includes tax refunds received/paid, totalling DKK 151,590 between jointly taxed entities.

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7 Intangible assets

DKK	Parent company Goodwill
Cost at 1 January 2017	25,000
Cost at 31 December 2017	25,000
Impairment losses and amortisation at 1 January 2017	25,000
Impairment losses and amortisation at 31 December 2017	25,000
Carrying amount at 31 December 2017	0

8 Property, plant and equipment

	Group			
DKK	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	6,784,164	1,380,120	220,641	8,384,925
Additions in the year	0	196,853	0	196,853
Cost at 31 December 2017	6,784,164	1,576,973	220,641	8,581,778
Impairment losses and depreciation at 1 January 2017	810,720	1,210,565	132,526	2,153,811
Depreciation in the year	74,039	82,281	41,132	197,452
Impairment losses and depreciation at 31 December 2017	884,759	1,292,846	173,658	2,351,263
Carrying amount at 31 December 2017	5,899,405	284,127	46,983	6,230,515
Depreciated over	50 years	3-5 years	3-5 years	

	Parent company		
DKK	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	6,784,164	424,628	7,208,792
Cost at 31 December 2017	6,784,164	424,628	7,208,792
Impairment losses and depreciation at 1 January 2017	810,720	349,629	1,160,349
Depreciation in the year	74,039	0	74,039
Impairment losses and depreciation at 31 December 2017	884,759	349,629	1,234,388
Carrying amount at 31 December 2017	5,899,405	74,999	5,974,404
Depreciated over	50 years	3-5 years	

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9 Investments

DKK	Parent company Investments in group entities, net asset value
Cost at 1 January 2017	25,272,631
Additions in the year	2,000,000
Cost at 31 December 2017	27,272,631
Value adjustments at 1 January 2017	-25,272,631
Share of the profit/loss for the year	-3,920,740
Transferred	1,920,740
Value adjustments at 31 December 2017	-27,272,631
Carrying amount at 31 December 2017	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 2,115 thousand is expected to be utilised more than one year as of the balance sheet date.

A further deferred tax asset of DKK 5,713 thousand has not been recognised due to the material uncertainty in utilising it.

11 Non-current liabilities other than provisions

	Group			
DKK	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	3,005,000	0	3,005,000	0
Other payables	6,270,147	953,465	5,316,682	0
	9,275,147	953,465	8,321,682	0

	Parent company			
DKK	Total debt at 31/12 2017	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

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12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	Group		Parent company	
	2017	2016	2017	2016
Rent and lease liabilities	2,348,000	3,095,000	0	0

Group

Rent and lease liabilities include a rent obligation totalling DKK 2,216 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 132 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.

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 8,363 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 7,453 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 1,780,000.