# Jacob Jensen Holding A/S

Hejlskovvej 104, Hejlskov, 7840 Højslev

CVR no. 21 06 72 02

## Annual report 2020

Approved at the Company's annual general meeting on 14 June 2021

Chair of the meeting:

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## 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 2020.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 14 June 2021
Executive Board:

Sten Tore Sanberg Davidsen

Board of Directors:

| | | |
|---|---|---|
| Lars Kolind<br>Chair | Søren Holst | Sten Tore Sanberg Davidsen |

## Independent auditor's report

### To the shareholders of Jacob Jensen Holding A/S

### Opinion

We have audited the financial statements of Jacob Jensen Holding A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 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 Company 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 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 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 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:

- 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 Company's internal control.

## Independent auditor's report

- 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 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 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.

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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 14 June 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085

Nikolai Holm Pedersen
State Authorised Public Accountant
mne45896

# 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 |
| | |
| Board of Directors | Lars Kolind, Chair<br>Søren Holst<br>Sten Tore Sanberg Davidsen |
| | |
| Executive Board | Sten Tore Sanberg Davidsen |
| | |
| Auditors | EY Godkendt Revisionspartnerselskab<br>Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark |
| | |
| Bankers | Salling Bank |

# Management's review

## Business review

The holding company, Jacob Jensen Holding A/S, is wholly-owner of Jacob Jensen Design A/S (JJD), which operates a branch in Thailand and is the wholly-owner of Jacob Jensen Design (Hong Kong) Holding Limited, which serves as holding company for Jacob Jensen Design Shanghai Ltd.

Following a difficult year in 2019, Jacob Jensen Holding A/S struggled to recover in 2020. The company was severely hit by the Covid-19 pandemic both in Asia and in Europe, where client projects and partnerships were put on hold or abandoned across the board. Mindful of the financial consequences of this development, the board decided to maintain the staff intact in all three design studios and instead concentrate on building a stronger foundation for post Covid-19 business.

The design service business in Shanghai was greatly strengthened by establishing of a new downtown design studio fully in line with the Group's Timeless Nordic Design values. The new studio is well positioned for face-to-face collaboration with current and future key clients in China. Despite severe drawbacks following the pandemic, several new clients were signed up, not only for specific projects, but indeed for long-term partnerships, which will help grow the business in 2021 and on.

JACOB JENSEN DESIGN Bangkok partners with King Mongkutt University Thonburi on building stronger design community in South East Asia. The studio hosts a high-level academic design education programme, where young designers learn the unique JACOB JENSEN DESIGN methodology in a hands-on setting. Students work on real projects for real clients under guidance of professors in Design from KMUTT and the studio management. The studio was severely hit by the pandemic. Studio staff and KMUTT professors managed to continue both the business and the education programme despite severe restrictions and setbacks.

JACOB JENSEN DESIGN Denmark was also severely hit as client projects were postponed or called off. Despite restrictions, the studio managed to carry through several design projects, which will form the basis for a range of new JACOB JENSEN brand products in 2021 and 2022.

The JACOB JENSEN BRAND business made significant progress during the year; paving the way for significant growth in 2021 and on. New partnership agreements were signed and existing agreements were refocused and clarified.

The company contributes particularly to UN Sustainable Development Goals (SDG) 4, 5, 8, 9 and 12:

- SDG Goal 4, Quality Education: The Group runs an academic design education program in Bangkok together with a leading University in South East Asia: King Mongkutt's University of Technology Thonburi. This program is unique because it trains designers in a real design studio working environment with real clients and real projects.
- SDG Goal 5, Gender equality: Today, about fifty per cent of the Group's associates are females, and four out of ten management positions (C-level and functional managers) are female.
- SDG Goal 8, Decent work and economic growth: The Group meets all local work standards; the design studios provide highly attractive working environments, and the Company's unique TeamPlay organisational model encourages associates to participate in decision making.
- SDG Goal 9, Industry Innovation and infrastructure: The Group engages primarily in new product development; thus contributing significantly to industry innovation across industries.
- SDG Goal 12, Responsible consumption and production: The Group designs products with a longer than normal lifetime through its Timeless Nordic Design concept. This reduces resource consumption and waste.

While 2019 was a year of cleaning up the business, management looks back on 2020 as a year of investment, both in design services and in the brand business. Financial performance was disappointing, but management is convinced that maintaining the staff and investing in the business will pay off in the years to come. The main shareholder, Kolind A/S, continues to back the business financially.

## Management's review

### Unusual matters having affected the financial statements

*Going concern*

As described above, the majority shareholder Kolind A/S, continues to invest in the business by injecting the necessary cash; initially as debt to be converted into equity at the upcoming Annual General Meeting. This means that bank debt has been kept at current levels. As agreed with the company's bank, interest rates are fixed at a favorable level and repayment of debt has started.

The Board expects that future operations can be carried out within the restructured credit lines. Based on the above assumptions, Management has presented the financial statements on a going basis.

Reference is made to note 2 for more details.

### Financial review

2020 financial performance was severely affected by lockdowns, first in Asia and from March also in Europe. Projects were canceled or postponed across the board and the company saw income from design services dropping dramatically.

Such a situation would normally lead to massive layoff of staff as the majority of company costs is salaries and other staff related costs. After consultations with the majority shareholder, the board decided to suffer the financial loss it would take to keep all staff in the company despite lack of income. Staff members voluntarily accepted a 25% salary reduction on average, with the largest reduction for the higher paid associates. This helped reduce the loss, but it was far from sufficient to avoid the loss.

Consequently the company experienced a DKK 4.4 million loss before tax which amounts to DKK 4.9 million after tax. The loss was financed by loans from the majority shareholder, which the board suggests be converted into equity at this year's Annual General Meeting.

Acknowledging that the debt level for the Group is unsustainable, the Board has agreed with creditors to restructure the group debt and to inject additional equity. Salling Bank and VækstFonden (The Danish Growth Fund) have accepted to write off DKK 8.9 million debt on condition that their remaining debt of DKK 8.7 million is fully repaid by the end of 2028.

The majority shareholder, Kolind A/S converted all loans granted to both Jacob Jensen Design A/S and Jacob Jensen Holding A/S (DKK 6.7 million in total) into equity and invested additional DKK 2.0 million as equity. Consequently, the Group's interest-bearing debt was reduced from DKK 24.4 million to DKK 8.8 million.This debt restructuring eases the financial burden for the Group significantly and gives the Board confidence that the Company can return to profitable and sustainable growth and positive equity in the years to come. The Board thanks creditors for their support and trust in the Company.

The Board recommends that the loss of DKK 4.9 million be added to the accumulated losses.

The Board remains confident that maintaining all staff despite significant drop in income is a sound investment in the future. The knowledge and experience of company staff is essential for growing the business in the years to come.

The Company has owned 17-hectares of forest near to our previous premises for a decade. In January 2020, the forest was sold to Kolind A/S in a cash deal at the market price of DKK 1.7 million. This contributed DKK 0.8 million profit to the Company.

## Management's review

### Foreign branches

The subsidiary, Jacob Jensen Design A/S, maintains a branch in Thailand.

### Events after the balance sheet date

The first quarter of 2021 has seen continued lockdowns and other negative impact on the business. Despite this, the Group has started new design projects and continues to build partnerships around the JACOB JENSEN brand.

### Outlook

Despite a difficult start on the year 2021, the Board sees clear signs of improvement. Clients are restarting investments in new products and other business development activities. With three design studios intact, the Group is well placed to tap into new business. An improved lead generation and funnel management system is in place, which will stimulate growth. New brand partnership agreements have been signed, which will increase brand presence and royalty income.

The board expects operations to turn profitable during the year 2021.

# Financial statements 1 January - 31 December

## Income statement

| Note | DKK | 2020 | 2019 |
|---|---|---|---|
| | **Gross profit** | 1,648,858 | 961,308 |
| 4 | Staff costs | 0 | 0 |
| | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -104,799 | -104,799 |
| | **Profit before net financials** | 1,544,059 | 856,509 |
| | Income from investments in group entities | -6,348,050 | -5,858,314 |
| 5 | Financial income | 415,944 | 221,650 |
| 6 | Financial expenses | -61,261 | -250,317 |
| | **Profit/loss before tax** | -4,449,308 | -5,030,472 |
| 7 | Tax for the year | -409,983 | -205,181 |
| | **Profit/loss for the year** | -4,859,291 | -5,235,653 |
| | | | |
| | **Recommended appropriation of profit/loss** | | |
| | Retained earnings/accumulated loss | -4,859,291 | -5,235,653 |
| | | -4,859,291 | -5,235,653 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | DKK | 2020 | 2019 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Fixed assets** | | |
| 8 | **Property, plant and equipment** | | |
| | Land and buildings | 4,794,002 | 5,822,194 |
| | Other fixtures and fittings, tools and equipment | 74,999 | 74,999 |
| | | 4,869,001 | 5,897,193 |
| 9 | **Investments** | | |
| | Investments in group entities, net asset value | 0 | 0 |
| | | 0 | 0 |
| | **Total fixed assets** | 4,869,001 | 5,897,193 |
| | **Non-fixed assets** | | |
| | Receivables from group entities | 743,033 | 324,840 |
| | | 743,033 | 324,840 |
| | **Total non-fixed assets** | 743,033 | 324,840 |
| | **TOTAL ASSETS** | 5,612,034 | 6,222,033 |
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| 10 | Share capital | 10,551,481 | 1,760,000 |
| | Translation reserve | 18,299 | 0 |
| | Retained earnings | -25,094,063 | -20,234,772 |
| | **Total equity** | -14,524,283 | -18,474,772 |
| | **Provisions** | | |
| | Deferred tax | 6,000 | 6,000 |
| 9 | Provision, investments in group entities | 16,683,450 | 19,247,708 |
| | **Total provisions** | 16,689,450 | 19,253,708 |
| | **Liabilities other than provisions** | | |
| 11 | **Non-current liabilities other than provisions** | | |
| | Bank debt | 2,751,779 | 3,005,000 |
| | | 2,751,779 | 3,005,000 |
| | **Current liabilities other than provisions** | | |
| 11 | Current portion of long-term liabilities | 275,864 | 2,118,611 |
| | Bank debt | 0 | 37,878 |
| | Trade payables | 3,451 | 63,000 |
| | Payables to group entities | 0 | 8,573 |
| | Joint taxation contribution payable | 409,983 | 205,181 |
| | Other payables | 5,790 | 4,854 |
| | | 695,088 | 2,438,097 |
| | | 3,446,867 | 5,443,097 |
| | **TOTAL EQUITY AND LIABILITIES** | 5,612,034 | 6,222,033 |

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

# Financial statements 1 January - 31 December

## Statement of changes in equity

| DKK | Share capital | Translation reserve | Retained earnings | Total |
|---|---|---|---|---|
| Equity at 1 January 2019 | 1,760,000 | 0 | -15,585,119 | -13,825,119 |
| Transfer through appropriation of loss | 0 | 0 | -5,235,653 | -5,235,653 |
| Sale of treasury shares | 0 | 0 | 586,000 | 586,000 |
| **Equity at 1 January 2020** | 1,760,000 | 0 | -20,234,772 | -18,474,772 |
| Capital increase | 8,791,481 | 0 | 0 | 8,791,481 |
| Transfer through appropriation of loss | 0 | 0 | -4,859,291 | -4,859,291 |
| Exchange adjustment | 0 | 18,299 | 0 | 18,299 |
| **Equity at 31 December 2020** | 10,551,481 | 18,299 | -25,094,063 | -14,524,283 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 **Accounting policies**

The annual report of Jacob Jensen Holding A/S for 2020 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.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. 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).

### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

## Income statement

### Revenue

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

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 profit

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

### Other operating income

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

### Other 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.

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

| | |
|---|---|
| Buildings | 50 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

#### Profit/loss 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.

#### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Balance sheet

#### 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.

#### 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".

#### Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

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.

#### Impairment of fixed assets

The carrying amount of property, plant and equipment and investments in subsidiaries 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.

# Financial statements 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.

### 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

*Treasury shares*

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

*Reserve for net revaluation according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

*Translation reserve*

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

*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.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies (continued)

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.

#### 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.

### 2 Going concern uncertainties

While 2019 was a year of cleaning up the business, management looks back on 2020 as a year of investment, both in design services and in the brand business. Financial performance was disappointing, but management is convinced that maintaining the staff and investing in the business will pay off in the years to come. The main shareholder, Kolind A/S, continues to back the business financially.

The majority shareholder Kolind A/S continues to invest in the business by injecting the necessary cash; initially as debt to be converted into equity at the upcoming Annual General Meeting. This means that bank debt has been kept at current levels. As agreed with the company's bank, interest rates are fixed at a favorable level and repayment of debt has started.

The Board expects that future operations can be carried out within the restructured credit lines. Based on the above assumptions, Management has presented the financial statements on a going basis.

### 3 Special items

| DKK | 2020 | 2019 |
|---|---|---|
| **Income** | | |
| Sale of forest | 775,607 | 0 |
| | 775,607 | 0 |
| **Special items are recognised in the below items of the financial statements** | | |
| Gross profit (other operating profit) | 775,607 | 0 |
| **Net profit on special items** | 775,607 | 0 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 4 Staff costs and incentive programmes

The Company has no employees.

**Incentive programmes**

In 2019, the Parent Company introduced an updated 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 200,000 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 at his/her own will.

| | DKK | 2020 | 2019 |
|---|---|---|---|
| 5 | **Financial income** | | |
| | Interest receivable, group entities | 415,944 | 221,650 |
| | | 415,944 | 221,650 |
| 6 | **Financial expenses** | | |
| | Interest expenses, group entities | 33,333 | 100,000 |
| | Other financial expenses | 27,928 | 150,317 |
| | | 61,261 | 250,317 |
| 7 | **Tax for the year** | | |
| | Estimated tax charge for the year | 409,983 | 205,181 |
| | | 409,983 | 205,181 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 8 Property, plant and equipment

| DKK | Land and buildings | Other fixtures and fittings, tools and equipment | Total |
|---|---|---|---|
| Cost at 1 January 2020 | 6,886,645 | 424,628 | 7,311,273 |
| Disposals in the year | -923,393 | 0 | -923,393 |
| Cost at 31 December 2020 | 5,963,252 | 424,628 | 6,387,880 |
| Impairment losses and depreciation at 1 January 2020 | 1,064,451 | 349,629 | 1,414,080 |
| Amortisation/depreciation in the year | 104,799 | 0 | 104,799 |
| Impairment losses and depreciation at 31 December 2020 | 1,169,250 | 349,629 | 1,518,879 |
| **Carrying amount at 31 December 2020** | 4,794,002 | 74,999 | 4,869,001 |
| Depreciated over | 50 years | 3-5 years | |

### 9 Investments

| DKK | Investments in group entities, net asset value |
|---|---|
| Cost at 1 January 2020 | 27,281,204 |
| Cost at 31 December 2020 | 27,281,204 |
| Value adjustments at 1 January 2020 | -27,281,204 |
| Exchange adjustment | 18,299 |
| Share of the loss for the year | -6,348,050 |
| Adjustment of investments with negative equity | 6,329,751 |
| Value adjustments at 31 December 2020 | -27,281,204 |
| **Carrying amount at 31 December 2020** | 0 |

| Name | Legal form | Domicile | Interest |
|---|---|---|---|
| **Subsidiaries** | | | |
| Jacob Jensen Design A/S | Private limited company | Hejlskov, Denmark | 100.00% |
| Jacob Jensen Design (Hong Kong) Holding Limited | Private limited company | Hong Kong, Hong Kong | 100.00% |
| - Yangyan Creative Design (Shanghai) Co., Ltd.* | Private limited company | Shanghai, China | 100.00% |

* Wholly-owned subsidiary of Jacob Jensen Design (Hong Kong) Holding Limited.

# Financial statements 1 January - 31 December

## Notes to the financial statements

| DKK | 2020 | 2019 |
|---|---|---|
| **10 Share capital** | | |
| Analysis of the share capital: | | |
| 10,551,481 shares of DKK 1.00 nominal value each | 10,551,481 | 1,760,000 |
| | 10,551,481 | 1,760,000 |

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

| DKK | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Opening balance | 1,760,000 | 1,760,000 | 1,760,000 | 1,560,000 | 660,000 |
| Capital increase | 8,791,481 | 0 | 0 | 200,000 | 900,000 |
| | 10,551,481 | 1,760,000 | 1,760,000 | 1,760,000 | 1,560,000 |

### 11 Non-current liabilities other than provisions

| DKK | Total debt at 31/12 2020 | Repayment, next year | Long-term portion | Outstanding debt after 5 years |
|---|---|---|---|---|
| Bank debt | 3,027,643 | 275,864 | 2,751,779 | 788,000 |
| | 3,027,643 | 275,864 | 2,751,779 | 788,000 |

### 12 Contractual obligations and contingencies, etc.

#### Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

### 13 Collateral

As security for the 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 which have been provided as collateral is DKK 5,612 thousand.

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

The intercomapny balance with the Danish subsidiary has been assigned to the Company's bank.

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

PENN3O

*Underskrifterne i dette dokument er juridisk bindende. Dokumentet er underskrevet via Penneo™ sikker digital underskrift. Underskrivernes identiteter er blevet registereret, og informationerne er listet herunder.*

*"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."*

**Sten Tore Sanberg Davidsen**
**Direktion**
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