
RCG Tvilum ApS

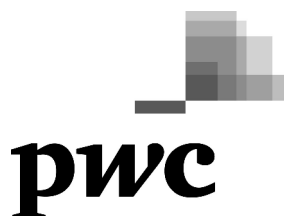
Egon Kristiansens Allè 2, DK-8882 Fårvang

Annual Report for 1 January - 31 December 2016

CVR No 25 72 75 76

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/03 2017

Andrew Robert Long
Chairman



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of RCG Tvilum ApS 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 Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Fårvang, 27 March 2017

Executive Board

Robert Loring Jr.

Cyrus Keavan Nikou

Independent Auditor's Report

To the Shareholder of RCG Tvilum ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of RCG Tvilum ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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 mis-

Independent Auditor's Report

statement, 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 about 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.
- 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

Independent Auditor's Report

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.

Odense, 27 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Michael Nielsson
State Authorized Public Accountant

Mette Holy Jørgensen
State Authorized Public Accountant

Company Information

The Company

RCG Tvilum ApS
Egon Kristiansens Allè 2
DK-8882 Fårvang

CVR No: 25 72 75 76
Financial period: 1 January - 31 December
Municipality of reg. office: Silkeborg

Executive Board

Robert Loring Jr.
Cyrus Keavan Nikou

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Rytterkasernen 21
Postboks 370
DK-5100 Odense C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Net financials	-11	-44	-64	-52	-513
Net profit/loss for the year	-11	-44	-64	-59	-533
Balance sheet					
Balance sheet total	229	240	285	350	573
Equity	229	240	285	349	166

In connection with changes to accounting policies, the comparative figures back to 2012 have not been restated.
See the description under accounting policies.

Management's Review

Main activity

The main activity of the company is to possess investments in subsidiaries. The company owns shares in Tvilum ApS

The main activity of Tvilum ApS is development, production and sales of furniture based on chipboard or MDF, which is covered with foil, melamine or veneer..

Development in the year

The income statement of the Company for 2016 shows a loss of TDKK 10,842, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 229,226.

Investments in subsidiaries have a carrying amount of DKK 229 mill. in 2016 towards DKK 240 mill. in 2015. Value of Tvilum ApS amounts almost to the complete carrying amount.

Targets and expectations for the year ahead

The company expects an improved income from investments in subsidiaries, which also will improve profit/loss in RCG Tvilum ApS.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Other external expenses		-10	-15
Gross profit/loss		-10	-15
Income from investments in subsidiaries	2	-10.931	-44.805
Financial income	3	4	419
Profit/loss before tax		-10.937	-44.401
Tax on profit/loss for the year	4	95	-95
Net profit/loss for the year		-10.842	-44.496

Distribution of profit

Proposed distribution of profit

Retained earnings	-10.842	-44.496
	-10.842	-44.496

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Investments in subsidiaries	5	229.004	239.603
Fixed asset investments		229.004	239.603
Fixed assets		229.004	239.603
Receivables from group enterprises		230	238
Receivables		230	238
Currents assets		230	238
Assets		229.234	239.841

Balance Sheet 31 December

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		503	503
Retained earnings		228.723	239.234
Equity	6	229.226	239.737
Corporation tax		0	95
Other payables		8	9
Short-term debt		8	104
Debt		8	104
Liabilities and equity		229.234	239.841
Capital resources and subsequent events	1		
Contingent assets, liabilities and other financial obligations	7		
Related parties	8		

Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
2016			
Equity at 1 January	503	239.234	239.737
Exchange adjustments	0	331	331
Net profit/loss for the year	0	-10.842	-10.842
Equity at 31 December	503	228.723	229.226
2015			
Equity 1. januar	503	284.178	284.681
Exchange adjustments	0	-448	-448
Net profit/loss for the year	0	-44.496	-44.496
Equity at 31 December	503	239.234	239.737

Notes to the Financial Statements

1 Capital resources and subsequent events

The main activity of the company is the investment in Tvilum ApS. In the annual report 2015 of Tvilum ApS is following listed:

The annual report of 2016 is prepared under the assumption of going concern.

The financing agreement with Midt Factoring A/S is provided against security in trade receivables.

The secured loan agreement with Gordon Brothers Finance Company is provided against security in the company's inventory, machinery & equipment and land & building. The secured loan agreement expires in June 2018 but it contains a possibility to negotiate an extension beyond this date. During the loan period, the company is prohibited from distributing dividend or pay management fee to the shareholders.

The secured loan agreement is subject to certain events of default. If an event of default is continuing the lender may cancel the commitment where upon the company shall repay the secured loan immediately.

The financial covenants are determined based on the company's 2017 budget although the financial covenants do not require a full achievement of the 2017 earnings expectations.

The Budget 2017 is prepared on basis of several assumptions of positive developments, where improved earnings are main targets.

These activities have demonstrated their effects as the company in the first months of 2017 has exceeded targets on both gross profit margin and expenses. The positive developments are expected to continue throughout 2017 and thus ensuring that the financial covenants are being met.

As the assessment of capital resources of the company relies on expectations for the future, uncertainty may be connected to it. Based on the above stated the Executive Board is of the opinion that an event of default; including breach of financial covenants, will not occur during the loan period. Further, the Executive Board is of the opinion, that the company is going concern.

Notes to the Financial Statements

	2016 TDKK	2015 TDKK
2 Income from investments in subsidiaries		
Share of losses of subsidiaries	-10.931	-44.805
	-10.931	-44.805
3 Financial income		
Interest received from group enterprises	4	10
Other financial income	0	409
	4	419
4 Tax on profit/loss for the year		
Current tax for the year	0	95
Adjustment of tax concerning previous years	-95	0
	-95	95

Notes to the Financial Statements

	2016 TDKK	2015 TDKK
5 Investments in subsidiaries		
Cost at 1 January	2.841.969	2.841.969
Cost at 31 December	2.841.969	2.841.969
Value adjustments at 1 January	-2.602.366	-2.557.112
Exchange adjustment	331	-449
Net profit/loss for the year	-10.930	-44.805
Value adjustments at 31 December	-2.612.965	-2.602.366
Carrying amount at 31 December	229.004	239.603

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Tvilum ApS	Fåvang, Denmark	97,926	100%

6 Equity

The share capital consists of 503 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Share capital at 1 January	503	503	503	502	501
Capital increase	0	0	0	1	1
Capital decrease	0	0	0	0	0
Share capital at 31 December	503	503	503	503	502

Notes to the Financial Statements

7 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of RCG Europe ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

There are no security and contingent liabilities at 31 December 2016.

8 Related parties

	<u>Basis</u>	
Controlling interest		
RCG Europe ApS	Majority shareholder	
Ultimate ownership:		
RCG Europe Holdings LLC		
2285 Sherwood Rd.		
San Marino, CA 91108		
USA		

Transactions

All transactions have been affected at arm's length.

All transactions are eliminated in the group Annual report in RCG Europe ApS.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Notes to the Financial Statements

8 Related parties (continued)

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

RCG Europe ApS

Consolidated Financial Statements

RCG Tvilum ApS is a part of the Consolidated Financial Statements of

Name	Place of registered office
RCG Europe ApS	Fårvang

Notes, Accounting Policies

Basis of Preparation

The Annual Report of RCG Tvilum ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2016 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of RCG Europe ApS, the Company has not prepared consolidated financial statements.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, herunder afskrivninger, nedskrivninger og hensatte forpligtelser samt tilbageførsler som følge af ændrede regnskabsmæssige skøn af beløb, der tidligere har været indregnet i resultatopgørelsen.

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are

Notes, Accounting Policies

recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Other external expenses

Other external expenses comprise office expenses, etc.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

Notes, Accounting Policies

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries and associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.