

Frost A/S
Bavne Allé, 6 E Selling
8370 Hadsten
Business Registration No
26676274

Annual report 2017

The Annual General Meeting adopted the annual report on 25.04.2018

Chairman of the General Meeting

Name: Erik Toft Andresen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017	7
Balance sheet at 31.12.2017	8
Statement of changes in equity for 2017	10
Notes	11
Accounting policies	14

Entity details

Entity

Frost A/S
Bavne Allé, 6 E Selling
8370 Hadsten

Central Business Registration No (CVR): 26676274

Registered in: Favrskov

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Erik Toft Andresen, formand
Hans Jørgen Frost
Lene Bisgaard Kristensen
Henrik Bisgaard Thomsen

Executive Board

Hans Jørgen Frost

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Frost A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hadsten, 25.04.2018

Executive Board

Hans Jørgen Frost

Board of Directors

Erik Toft Andresen
formand

Hans Jørgen Frost

Lene Bisgaard Kristensen

Henrik Bisgaard Thomsen

Independent auditor's report

To the shareholders of Frost A/S

Opinion

We have audited the financial statements of Frost A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary 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 commentary 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 commentary.

Aarhus, 25.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Klaus Tvede-Jensen
statsautoriseret revisor
Identification No (MNE) mne23304

Jens Lauridsen
statsautoriseret revisor
Identification No (MNE) mne34323

Management commentary

Primary activities

The company's main activity consists in the development, production and sale of Danish designed products for the home.

Development in activities and finances

The profit for the year was DKK 3,218k, which is considered to be satisfying.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit		10.566.526	7.017.669
Staff costs	1	(5.843.286)	(4.690.735)
Depreciation, amortisation and impairment losses	2	<u>(382.756)</u>	<u>(70.414)</u>
Operating profit/loss		4.340.484	2.256.520
Other financial expenses		<u>(207.536)</u>	<u>(356.687)</u>
Profit/loss before tax		4.132.948	1.899.833
Tax on profit/loss for the year	3	<u>(914.021)</u>	<u>(424.217)</u>
Profit/loss for the year		<u>3.218.927</u>	<u>1.475.616</u>
Proposed distribution of profit/loss			
Ordinary dividend for the financial year		500.000	200.000
Retained earnings		<u>2.718.927</u>	<u>1.275.616</u>
		<u>3.218.927</u>	<u>1.475.616</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Acquired intangible assets		553.440	826.030
Intangible assets	4	553.440	826.030
Other fixtures and fittings, tools and equipment		440.933	254.254
Property, plant and equipment	5	440.933	254.254
Deposits		141.677	141.677
Fixed asset investments		141.677	141.677
Fixed assets		1.136.050	1.221.961
Manufactured goods and goods for resale		9.077.989	9.145.628
Prepayments for goods		556.715	560.926
Inventories		9.634.704	9.706.554
Trade receivables		3.110.192	2.811.833
Receivables from group enterprises		114.570	139.534
Other receivables		255.239	24.887
Income tax receivable		0	91.783
Prepayments		497.027	565.960
Receivables		3.977.028	3.633.997
Cash		3.165.762	170.270
Current assets		16.777.494	13.510.821
Assets		17.913.544	14.732.782

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		500.000	500.000
Retained earnings		11.118.131	8.399.204
Proposed dividend		500.000	200.000
Equity		<u>12.118.131</u>	<u>9.099.204</u>
Deferred tax		120.000	176.000
Provisions		<u>120.000</u>	<u>176.000</u>
Bank loans		526.386	881.298
Non-current liabilities other than provisions	6	<u>526.386</u>	<u>881.298</u>
Current portion of long-term liabilities other than provisions	6	352.700	336.600
Payables to other credit institutions		16.551	2.102.836
Prepayments received from customers		173.666	284.740
Trade payables		3.163.444	1.068.924
Income tax payable		792.021	0
Other payables		650.645	783.180
Current liabilities other than provisions		<u>5.149.027</u>	<u>4.576.280</u>
Liabilities other than provisions		<u>5.675.413</u>	<u>5.457.578</u>
Equity and liabilities		<u>17.913.544</u>	<u>14.732.782</u>
Unrecognised rental and lease commitments	7		
Contingent liabilities	8		
Assets charged and collateral	9		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	8.399.204	200.000	9.099.204
Ordinary dividend paid	0	0	(200.000)	(200.000)
Profit/loss for the year	0	2.718.927	500.000	3.218.927
Equity end of year	500.000	11.118.131	500.000	12.118.131

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	5.266.763	4.247.679
Other social security costs	450.922	387.247
Other staff costs	125.601	55.809
	5.843.286	4.690.735
Average number of employees	12	10
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	272.590	0
Depreciation of property, plant and equipment	110.166	56.544
Profit/loss from sale of intangible assets and property, plant and equipment	0	13.870
	382.756	70.414
	2017	2016
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	970.021	236.217
Change in deferred tax	(56.000)	188.000
	914.021	424.217
		Acquired
		intangible
		assets
		DKK
4. Intangible assets		
Cost beginning of year		826.030
Cost end of year		826.030
Amortisation for the year		(272.590)
Amortisation and impairment losses end of year		(272.590)
Carrying amount end of year		553.440

Notes

	Other fixtures and fittings, tools and equipment DKK
5. Property, plant and equipment	
Cost beginning of year	1.279.347
Additions	<u>296.845</u>
Cost end of year	<u>1.576.192</u>
Depreciation and impairment losses beginning of year	(1.025.093)
Depreciation for the year	<u>(110.166)</u>
Depreciation and impairment losses end of year	<u>(1.135.259)</u>
Carrying amount end of year	<u>440.933</u>

	Due within 12 months 2017 DKK	Due within 12 months 2016 DKK	Due after more than 12 months 2017 DKK
6. Liabilities other than provisions			
Bank loans	<u>352.700</u>	<u>336.600</u>	<u>526.386</u>
	<u>352.700</u>	<u>336.600</u>	<u>526.386</u>

7. Unrecognised rental and lease commitments

The company's total leasing obligations incl. residual values represent DKK 782k. The annual leasing expenses comprise DKK 307k.

The company's total leasing expenses represent DKK 306k, amounting to 6 months rent.

8. Contingent liabilities

The company is liable according to the Companies Tax Code rules from the financial year 2013, for income taxes etc. The company participates in joint taxation (DK) with HJF Holding ApS as the administration company, consequently, is jointly and severally liable as of the 1 July 2012 with other jointly taxed companies for the total tax and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

Notes

9. Assets charged and collateral

A letter of indemnity has been issued with mortgage in the company with a carrying amount of DKK 4,720k secured on unsecured claims, inventories, operating equipment and intellectual property rights.

The accounting value of pledged inventories constitute DKK 9,634k.

The accounting value of pledged simple claims constitute DKK 3,110k.

The accounting value of pledged constitute intangible assets DKK 533k.

The accounting value of pledged constitute property, plant and equipment DKK 441k.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium)

The accounting policies applied to these financial statements are consistent with those applied last year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, own cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as, plant and equipment.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and equipment	3-5 years
Fixtures and fittings	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of manufactured goods and work in progress consists of costs of raw materials and consumables.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.