

Nine United Denmark A/S

Havnen 1

8700 Horsens

CVR No. 26799945

Annual Report 2017/18

16. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 21 November 2018

Rasmus Rønne Christensen
Chairman

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Management's Statement

Today, the Board of Directors and the Executive Board have considered and adopted the Annual Report of Nine United Denmark A/S for the financial year 1 August 2017 - 31 July 2018.

The Annual Report is presented 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 assets, liabilities and financial position of the Group and the Parent Company at 31 July 2018 and of the results of the Group's and Parent Company's operations and the Group's and the Parent Company's cash flows for the financial year 1 August 2017 - 31 July 2018.

In our opinion, the 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.

Horsens, 21 November 2018

Executive Board

Henrik Ellebæk Steensgaard
CEO

Board of Directors

Troels Holch Povlsen
Chairman

Rolf Foged Hvidegaard Hay

John McPhee

Independent Auditor's Report

To the shareholders of Nine United Denmark A/S

Opinion

We have audited the consolidated annual accounts and the annual accounts of Nine United Denmark A/S for the financial year 1 August 2017 to 31 July 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity, cash flow statement and notes, consolidated and for the company respectively. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 July 2018 and of the results of the company's operations and cash flows, consolidated and for the company respectively for the financial year 1 August 2017 to 31 July 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect material misstatements when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

Independent Auditor's Report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluation and maintain professional scepticism throughout the audit. We also:

- * Identify and assess the risk of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of the 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 company's internal control.
- * Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- * Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and 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 consolidated annual accounts and the annual accounts 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 company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- * Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. 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

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Independent Auditor's Report

Furthermore, 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 believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Brande, 21 November 2018

Partner Revision

Statsautoriseret revisionsaktieselskab

CVR-no. 15807776

Claus Lykke Jensen

State Authorised Public Accountant

mne10776

Company information

Company	Nine United Denmark A/S Havnen 1 8700 Horsens
CVR No.	26799945
Date of formation	20 September 2002
Registered office	Horsens
Financial year	1 August 2017 - 31 July 2018
Board of Directors	Troels Holch Povlsen, Chairman Rolf Foged Hvidegaard Hay John McPhee
Executive Board	Henrik Ellebæk Steensgaard, CEO
Auditors	Partner Revision Statsautoriseret revisionsaktieselskab Torvegade 22 7330 Brande CVR No.: 15807776

Management's Review

The Group's principal activities

The Group and Nine United Denmark A/S' principal activities are the design and sale of furniture, lighting and interior products within Denmark and abroad.

Development in activities and financial matters

The Group's Income Statement of the financial year 1 August 2017 - 31 July 2018 shows a result of t.DKK 103.428 and the Balance Sheet of the Group at 31 July 2018 a balance sheet total of t.DKK 282.976 and equity of t.DKK 106.821. The management is satisfied with this performance which follows the expectations from last year.

Particular risks

Beyond ordinary occurring risks, no particular risks are considered to affect the Group.

Currency risks

Activities abroad cause revenue, cash flows and equity to be affected by the exchange and interest rate fluctuations for a number of currencies. It is the Group's policy to hedge commercial currency risks. The hedging takes place primarily through currency transactions to hedge expected purchases and sales within the next 12 months. There are no speculative currency transactions.

Environmental issues

The Group recognises that its actions have an environmental impact and take its responsibility seriously for contributing towards a better environment.

Research and development activities

Besides the ordinary development of furniture and accessories, there are no research and development activities in the Group.

Expectations for the future

Since the North American Market is now licensed and revenue will be recognised by Herman Miller the growth in Group Revenue is expected to be between 1 % and 10 % for the coming year. EBITDA margin is expected to be between 8 % and 11 %.

Post financial year events

Subsequent to the financial year end no events have occurred which would substantially change the financial position of the Group.

Statutory report on the underrepresented gender

The Group is governed by the rules on targets and policies for the gender composition of management, cf. §99b of the Danish Financial Statement Act.

The Group aims to be a tolerant workplace without discrimination of any kind. Employees are hired only based on their skills and experience. Gender, religious belief, age, nationality or other such factors are not considered to be relevant for recruitment.

The target for the underrepresented gender in the Board of Directors is a minimum of 25 % within the next four years. That target is currently not achieved. If changes in the Board of Directors should occur, specific attention will be given to candidates belonging to the underrepresented gender.

On the other management levels, the Group has an equal gender distribution.

Statutory report on corporate social responsibility

The Group is actively working to contribute to a sustainable and environmentally conscious community. The Group aims towards it and its employees having a positive influence not only on the local and national community, but also on an international level.

Management's Review

Locally the Group is involved in first-aid courses for its employees and donations of surplus products to charity organisations for people without a home.

The Group encourages suppliers to meet the same high standards that the Group itself represent, in order to ensure that all production is carried out by people under decent working conditions. To safeguard these principles, the Group aim to work with ISO-certified companies. The majority of the Groups furniture production is located in Europe.

The company also continuously supports non-profit organisations, for example through contributions to the NineUnited-Fond and its charitable works including help to vulnerable children, human development programs, fighting decease and cultural and nature preservation. This work is done locally as well as internationally.

Statutory report on human rights

The Group supports and respects human rights. It is the Group's policy to strive to ensure that human rights are always respected both in relation to employees and business partners.

A part of this is making an effort in creating a sound and safe working environment for all employees in all countries, which the company does. It goes for both the physical and psychological environment. This is demonstrated not only by the natural compliance to legislation on the area but is also reflected in the company's handbook for employees.

In relation to suppliers and business partners we expect that they all consider human rights to be important and that they all do business with a general high moral standard. A natural consequence of the Group's policy is to stop all collaboration with entities about which the Group has become aware, that human rights are not being treated respectfully.

Statutory report on climate

The Group aims continuously for contributing towards a greener future environment. The Group is trying to minimise the impact on the World's climate on several levels. Both by increasing the use of materials coming from sustainable sources, by working with suppliers that live up to the Code of Conduct, by minimising the numbers of chemicals used in production and by developing durable and long-lasting products of a high quality.

As an example the Group aims towards its wood furniture being predominately produced by FSC certified suppliers, which guarantees that the wood does not come from illegal forestry and that it meets the highest environmental standards. Also the Group is aiming towards only using Chrome 3 when electroplating furniture and the Group does not use PVC in any production of furniture.

Key Figures and Financial Ratios

	2017/18	2016/17	2015/16	2014/15	2013/14
Group					
Income Statement:					
Revenue	1.048.910	925.907			
Gross profit	211.318	159.954			
Profit from ordinary operation activities	132.631	91.308			
Financial items	1.028	1.601			
Profit	103.428	71.509			
Balance Sheet:					
Balance Sheet total	282.976	330.500			
Total equity	106.821	192.845			
Investment in tangible assets	3.167	789			
Financial Ratios:					
EBITDA margin (%)	13	10			
Solvency margin (%)	38	58			
Return on equity (%)	69	46			
Gross margin (%)	20	17			
Liquidity ratio (%)	1	2			
Parent					
Income Statement:					
Revenue	1.047.866	925.907	859.670	753.184	580.266
Gross profit	210.660	159.954	118.804	109.223	86.236
Profit from ordinary operation activities	132.898	91.308	55.931	48.407	39.359
Income from investments in group enterprises	-298	0	0	1.846	-239
Financial items	1.063	1.601	-2.809	-2.557	-33
Profit	103.430	71.509	40.932	36.327	29.115
Balance Sheet:					
Balance Sheet total	281.572	330.500	228.957	207.892	194.960
Total equity	106.132	192.845	120.777	109.512	83.218
Investments in tangible assets	3.167	789	1.700	1.130	893
Financial Ratios:					
EBITDA margin (%)	13	10	7	6	7
Solvency ratio (%)	38	58	53	53	43
Return on equity (%)	69	46	36	38	43
Gross margin (%)	20	17	14	15	15
Liquidity ratio (%)	1	2	2	2	2

Accounting Policies

The Annual Report of Nine United Denmark A/S for 2017/18 has been presented in accordance with the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner, thousands (t.DKK).

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company Nine United Denmark A/S and subsidiaries in which Nine United Denmark A/S directly or indirectly holds more than 50% of the voting rights or in other ways has control.

For the consolidation, intercompany income and costs, shareholdings, intercompany balances and dividends as well as realised and unrealised profit and loss are eliminated in connection with transactions between the consolidated enterprises.

Equity investments in subsidiaries are eliminated by the proportionate share of the subsidiaries' market value of net assets and liabilities at the time of acquisition.

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Enterprises sold or liquidated are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not corrected for enterprises newly acquired, sold or liquidated.

The acquisition method is used to purchase new enterprises whereby the newly acquired enterprises' identified assets and liabilities are measured at fair value at the date of acquisition. In connection with the purchase, provisions are made to cover the costs of decided and published restructuring activities in the enterprise acquired. The tax effect of the revaluations made is taken into consideration.

Positive balances (goodwill) between cost and fair value of acquired, identified assets and liabilities, incl. provisions for restructuring activities, are recognised in intangible assets and systematically amortised over the Income Statement based on an individual assessment of the useful economic life, however max. 20 years.

Profit or loss in connection with disposal of subsidiaries and associates is determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, incl. unamortised goodwill and expected costs for sale or liquidation.

Minority Interests

Items of the subsidiaries are recognised in the Consolidated Financial Statements by 100%. The minority interests' proportionate share of the subsidiaries result and equity is adjusted annually and are recognised as separate items under Income Statement and Balance Sheet.

Derivative financial instruments

Forward exchange contracts entered into to hedge future revenues and expenses, classified as and fulfilling the criteria for hedging, are measured at fair value at the balance sheet date, and value adjustments are recognised directly in equity. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively. Fair values of derivative financial instruments are calculated on the basis of current market data and generally accepted valuation methods.

Once the hedged transaction is realised, gains or losses incidental to such hedging transactions are transferred from the equity and recognised with the hedged item.

Accounting Policies

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Group, 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 attributable to the liability will flow out of the Group, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Finance income and expenses.

Receivables, debts and other monetary items in foreign currencies are converted at the exchange rate prevailing at the balance sheet date. The difference between the rate prevailing at the balance sheet date and the rate prevailing at the time when the receivable or payable item arose is included in the Income Statement under Finance income and expenses.

Assets bought in foreign currencies are converted at the exchange rate on the transaction date.

Income Statement

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Other external expenses

Other external expenses comprise expenses regarding distribution, sale, advertisement, administration, premises and loss on receivables.

Staff expenses

Staff expenses comprise wages and salaries, as well as social security contributions, pension contributions etc. for entity staff. Allowances received from public authorities are deducted from staff costs.

Accounting Policies

Amortisation and impairment of intangible and tangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Group. Fixed assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life:

	Useful life
Completed development projects	3-4 years
Patents, licenses, trademarks and similar rights	7 years
Goodwill	5-20 years
Fixtures, fittings, tools and equipment	3-5 years

A profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under depreciation.

Result of equity investments in subsidiaries and associates

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's Income Statement after full elimination of intercompany profit/loss.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding debt and foreign currency transactions, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises the current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Parent Company was subjected to the Danish rules of compulsory joint taxation of a Danish group's Danish Subsidiaries until 7 June 2018, from which date the Parent Company left the joint taxation with Nine United A/S as the administration company.

Up until 7 June 2018 the current Danish corporation tax was distributed by settling the joint taxation contributions between the jointly taxed enterprises in proportion to their taxable income. The Danish income tax was distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance Sheet

Intangible assets

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Capitalised development costs are measured at the lower of recoverable amount and carrying amount.

After completion of the development project the capitalised development costs are amortised over the estimated useful life of the product. The amortisation period is 3-4 years.

Accounting Policies

Patents, licenses, trademarks and similar rights are measured at cost less accumulated amortisation and impairment losses. The amortisation period is 7 years.

Goodwill is measured at cost less accumulated amortisation and impairment losses. The amortisation period is 5-20 years. The period of amortisation for goodwill is determined based on Management's experience in the Company's business areas, and the Management considers it to reflect the best estimate of the useful life of goodwill.

A profit or loss resulting from the sale of intangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under depreciation.

Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

Amortisation and impairment of intangible and tangible assets

The carrying amount of intangible and tangible assets is assessed annually for indicators of impairment in addition to that expressed on depreciation.

An impairment test of tangible assets is performed in the event of indicators of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Recoverable amount is calculated as the higher of net selling price and capital value.

Equity investments in group enterprises and associates

Equity investments in subsidiaries and associates are measured by the equity method.

Equity investments in subsidiaries and associates are measured at the proportionate share of the enterprises' equity value determined according to the group's accounting policies with deduction or addition of unrealised intercompany profit or loss and with the addition or deduction of the residual value of positive or negative goodwill determined according to the acquisition method.

Equity investments in subsidiaries and associates with a negative equity value are measured at DKK 0, and any receivable from these enterprises are written down in so far as the receivable is uncollectible. In so far as the parent company has a legal or actual obligation to cover a negative balance that exceeds the receivable, the residual amount is recognised in provisions.

Net revaluation of equity investments in subsidiaries and associates is classified under a separate reserve for net revaluation by the equity method in equity, in so far as the carrying amount exceeds the cost. Dividends from subsidiaries that are expected to be adopted before the annual report for Nine United Denmark A/S is approved are not tied up in the revaluation reserve.

Profit or loss in connection with disposal of subsidiaries and associates is determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, incl. unamortised goodwill and expected costs for sale or liquidation.

The acquisition method is used to purchase new enterprises whereby the newly acquired enterprises' identified assets and liabilities are measured at fair value at the date of acquisition. In connection with the purchase, provisions are made to cover the costs of decided and published restructuring activities in the enterprise acquired. The tax effect of the revaluations made is taken into consideration.

Accounting Policies

Positive balances (goodwill) between cost and fair value of acquired, identified assets and liabilities, incl. provisions for restructuring activities, are recognised in intangible assets and systematically amortised over the Income Statement based on an individual assessment of the useful economic life, however max. 20 years. Goodwill from acquired enterprises can be adjusted until the end of the year after the acquisition.

Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

The cost of goods for resale, raw materials and consumables are measured at cost comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the expected sales sum less completion costs and expenses necessary to execute the sale and is determined allowing for marketability and obsolescence.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-offs for expected bad debts.

Deferred income, assets

Deferred income recognised in assets comprises prepaid costs regarding subsequent financial years and other accruals.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Equity

Proposed dividends for the year are recognised as a liability at the time of adoption at the Annual General Meeting. Dividends expected to be distributed for the year are disclosed as a separate equity item.

Reserve for development costs includes recognised development costs. The reserve cannot be used for dividends or coverage of dividend. The reserve is reduced or dissolved if the recognised costs are depreciated or deducted from the Group's operations. This is done by transfer directly to equity reserves.

Other financial liabilities

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

Current tax liabilities and deferred tax

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

According to the joint taxation rules Nine United Denmark A/S is proportionate liable to the tax authorities for corporate and income taxes on interest, royalties and dividends occurred within the joint taxation group. The Parent Company left the joint taxation with Nine United A/S as the administration company on 7 June 2018, from which point the liability ceased to exist.

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 on the planned settlement of each liability.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Accounting Policies

Accounting policies Cash Flow Statement

The Cash Flow Statement shows the cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items such as amortisation and impairment losses and provisions. The working capital comprises current assets less short-term liabilities, exclusive of the items that are included in cash and cash equivalents.

Cash flow from the investing activity

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Cash flow from the financing activity

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Explanation of Financial Ratios

Key Figures and Financial Ratios are determined based on "Recommendations & Financial Ratios 2015" issued by the Danish Society of Financial Analysts.

EBITDA margin (%)	=	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Solvency ratio (%)	=	$\frac{\text{Equity} \times 100}{\text{Total liabilities and equity}}$
Return on equity (%)	=	$\frac{\text{Profit/loss for the year}}{\text{Avg. equity}}$
Gross Margin (%)	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Liquidity ratio (%)	=	$\frac{\text{Total current assets}}{\text{Short-term liabilities other than provisions}}$

Income Statement

	Note	Group 2017/18 t.DKK	2016/17 t.DKK	Parent 2017/18 t.DKK	2016/17 t.DKK
Revenue	1	1.048.910	925.907	1.047.866	925.907
Cost of sales		-722.242	-656.618	-721.960	-656.618
Other external expenses		-115.350	-109.335	-115.246	-109.335
Gross profit		211.318	159.954	210.660	159.954
Staff costs	2	-74.546	-65.835	-73.856	-65.835
Depreciation		-4.141	-2.811	-3.906	-2.811
Profit from ordinary operating activities		132.631	91.308	132.898	91.308
Income from investments in group subsidiaries and associates		0	0	-298	0
Finance income	3	1.072	1.610	1.102	1.610
Finance expenses	4	-44	-9	-39	-9
Profit from ordinary activities before tax		133.659	92.909	133.663	92.909
Tax expense on ordinary activities	5	-30.231	-21.400	-30.233	-21.400
Profit		103.428	71.509	103.430	71.509
Group profit broken down as follows:					
Parent's share		103.430	71.509		
Minority's share		-2	0		
		103.428	71.509		

Balance Sheet as of 31 July

	Note	Group 2018 t.DKK	2017 t.DKK	Parent 2018 t.DKK	2017 t.DKK
Assets					
Completed development projects	7	4.381	2.438	4.280	2.438
Acquired intangible assets	8	8.600	1.095	8.600	1.095
Goodwill	9	5.997	0	0	0
Development projects in progress	10	2.463	1.106	2.463	1.106
Intangible assets		21.441	4.639	15.343	4.639
Fixtures, fittings, tools and equipment	11	4.477	2.499	4.175	2.499
Tangible assets		4.477	2.499	4.175	2.499
Long-term investments in group enterprises	12, 13	0	0	7.056	0
Investments		0	0	7.056	0
Fixed assets		25.918	7.138	26.574	7.138

Balance Sheet as of 31 July

	Note	Group 2018 t.DKK	2017 t.DKK	Parent 2018 t.DKK	2017 t.DKK
Manufactured goods and goods for resale		72.154	56.971	70.683	56.971
Inventories		72.154	56.971	70.683	56.971
Short-term trade receivables		123.080	92.517	123.062	92.517
Short-term receivables from group enterprises		0	100.028	2.182	100.028
Current deferred tax	14	3.517	3.638	3.219	3.638
Other short-term receivables		9.633	6.771	9.605	6.771
Deferred income	15	644	1.211	644	1.211
Receivables		136.874	204.165	138.712	204.165
Cash in bank and in hand		48.030	62.226	45.603	62.226
Current assets		257.058	323.362	254.998	323.362
Assets		282.976	330.500	281.572	330.500

Balance Sheet as of 31 July

	Note	Group 2018 t.DKK	2017 t.DKK	Parent 2018 t.DKK	2017 t.DKK
Liabilities and equity					
Contributed capital		4.500	4.500	4.500	4.500
Reserve for development costs		6.743	3.544	6.743	3.544
Retained earnings		94.889	184.801	94.889	184.801
Minority interests		689	0	0	0
Equity		106.821	192.845	106.132	192.845
Prepayments received from customers		7.273	7.183	7.273	7.183
Trade payables		104.809	80.116	104.031	80.116
Payables to group enterprises		0	3.243	670	3.243
Tax payables		25.501	17.059	25.623	17.059
Other payables		38.572	30.054	37.843	30.054
Short-term liabilities other than provisions		176.155	137.655	175.440	137.655
Liabilities other than provisions		176.155	137.655	175.440	137.655
Liabilities and equity		282.976	330.500	281.572	330.500
Contingent Liabilities	16				
Related parties	17				
Fees for auditors elected at the Annual General Meeting	18				

Statement of changes in Equity

Parent

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 August 2017	4.500	3.544	184.801	192.845
Extraordinary dividend agreed	0	0	190.000	190.000
Extraordinary dividend paid	0	0	-190.000	-190.000
Change of investments through net exchange differences	0	0	73	73
Equity transfers to reserves	0	3.199	0	3.199
Profit for the year	0	0	-89.769	-89.769
Hedging instruments to fair value 1 August 2017	0	0	-102	-102
Hedging instruments to fair value 31 July 2018	0	0	-175	-175
Tax of hedging instruments to fair value 1 August 2017	0	0	22	22
Tax of hedging instruments to fair value 31 July 2018	0	0	39	39
Equity 31 July 2018	4.500	6.743	94.889	106.132

The share capital has remained unchanged for the last 5 years.

The share capital contains of 4.500 shares of a nominal value of 1.000 kr. and multiples hereof.

The share capital is not divided in classes.

Statement of changes in Equity

Group	Contributed capital	Reserve for development costs	Retained earnings	Minority interests	Total
Equity 1 August 2017	4.500	3.544	184.801	0	192.845
Change of equity through mergers	0	0	0	691	691
Extraordinary dividend agreed	0	0	190.000	0	190.000
Extraordinary dividend paid	0	0	-190.000	0	-190.000
Change of investments through net exchange differences	0	0	73	0	73
Equity transfers to reserves	0	3.199	0	0	3.199
Profit for the year	0	0	-89.769	-2	-89.771
Hedging instruments to fair value 1 August 2017	0	0	-102	0	-102
Hedging instruments to fair value 31 July 2018	0	0	-175	0	-175
Tax of hedging instruments to fair value 1 August 2017	0	0	22	0	22
Tax of hedging instruments to fair value 31 July 2018	0	0	39	0	39
Equity 31 July 2018	4.500	6.743	94.889	689	106.821

Cash Flow Statement

	Note	Group 2017/18 t.DKK	2016/17 t.DKK	Parent 2017/18 t.DKK	2016/17 t.DKK
Profit from ordinary operating activities		132.631	91.308	132.898	91.308
Depreciation		4.141	2.811	3.906	2.811
Adjustments of profit from group enterprises		0	0	544	0
		<u>136.772</u>	<u>94.119</u>	<u>137.348</u>	<u>94.119</u>
Decrease in inventories		-15.183	9.725	-13.712	9.725
Decrease in receivables		67.170	-71.561	65.034	-71.561
Increase in trade payables		30.058	16.188	29.221	16.188
Other adjustment		-277	716	-277	716
Cash flow from operating activities before financial items		<u>218.540</u>	<u>49.187</u>	<u>217.614</u>	<u>49.187</u>
Interest received		1.072	1.610	1.102	1.610
Interest paid		-44	-9	-39	-9
Cash flow from ordinary operating activities		<u>219.568</u>	<u>50.788</u>	<u>218.677</u>	<u>50.788</u>
Income tax paid		-21.335	-8.759	-21.191	-8.759
Cash flow from operating activities		<u>198.233</u>	<u>42.029</u>	<u>197.486</u>	<u>42.029</u>
Purchase of investments		-6.143	0	-7.823	0
Purchase of intangible assets		-13.378	-2.477	-13.378	-2.477
Purchase of tangible assets		-3.167	-789	-3.167	-789
Sales of intangible assets		89	0	89	0
Sales of tangible assets		170	0	170	0
Cash flow from investing activities		<u>-22.429</u>	<u>-3.266</u>	<u>-24.109</u>	<u>-3.266</u>
Dividend paid		-190.000	0	-190.000	0
Cash flow from financing activities		<u>-190.000</u>	<u>0</u>	<u>-190.000</u>	<u>0</u>
Net change in cash		<u>-14.196</u>	<u>38.763</u>	<u>-16.623</u>	<u>38.763</u>
Cash, beginning balance		62.226	23.463	62.226	23.463
Cash, ending balance		<u>48.030</u>	<u>62.226</u>	<u>45.603</u>	<u>62.226</u>
Cash specified:					
Cash in bank and in hand		48.030	62.226	45.603	62.226
Cash in bank and in hand total		<u>48.030</u>	<u>62.226</u>	<u>45.603</u>	<u>62.226</u>

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
1. Revenue				
Revenue EU	835.919	780.482	836.009	780.482
Revenue outside EU	212.991	145.425	211.857	145.425
	1.048.910	925.907	1.047.866	925.907

2. Staff costs

Wages and salaries	63.962	55.676	63.373	55.676
Post-employment benefit expense	6.718	6.296	6.718	6.296
Social security contributions	1.215	1.191	1.132	1.191
Other employee expenses	2.651	2.672	2.633	2.672
	74.546	65.835	73.856	65.835
Average number of employees	157	154	155	154

According to S. 98b (3) of the Danish Financial Statements Act, Management's and the Board of Directors' remuneration is not shown.

3. Finance income

Interests from Group	0	341	30	341
Other financial income	1.072	1.269	1.072	1.269
	1.072	1.610	1.102	1.610

4. Finance expenses

Other finance expenses	44	9	39	9
	44	9	39	9

5. Tax expense

Corporation tax	29.814	21.480	29.814	21.480
Tax China, non-deductable	0	408	0	408
Deferred tax adjustments	417	-488	419	-488
	30.231	21.400	30.233	21.400

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
6. Distribution of profit				
Dividend paid during the year	190.000	0	190.000	0
Reserve for development costs	3.199	3.544	3.199	3.544
Minority interests	-2	0		
Retained earnings	-89.769	67.965	-89.769	67.965
	103.428	71.509	103.430	71.509
7. Completed development projects				
Cost at the beginning of the year	18.426	17.169	18.426	17.169
Transfers	1.083	0	1.083	0
Addition through investments	3.814	0	0	0
Addition during the year, incl. improvements	2.673	1.257	2.673	1.257
Cost at the end of the year	25.996	18.426	22.182	18.426
Depreciation and amortisation at the beginning of the year	-15.988	-14.344	-15.988	-14.344
Change due to investments	-3.697	0	0	0
Amortisation for the year	-1.930	-1.644	-1.914	-1.644
Impairment losses and amortisation at the end of the year	-21.615	-15.988	-17.902	-15.988
Carrying amount at the end of the year	4.381	2.438	4.280	2.438

Completed development projects comprise direct costs such as prototypes, test of products, development equipment and other external costs related to the development of products that have been launched.

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
8. Acquired intangible assets				
Cost at the beginning of the year	2.191	2.077	2.191	2.077
Addition during the year, incl. improvements	8.176	114	8.176	114
Cost at the end of the year	10.367	2.191	10.367	2.191
Depreciation and amortisation at the beginning of the year	-1.096	-803	-1.096	-803
Amortisation for the year	-671	-293	-671	-293
Impairment losses and amortisation at the end of the year	-1.767	-1.096	-1.767	-1.096
Carrying amount at the end of the year	8.600	1.095	8.600	1.095
9. Goodwill				
Cost at the beginning of the year	0	0	0	0
Addition during the year	6.143	0	0	0
Cost at the end of the year	6.143	0	0	0
Amortisation for the year	-146	0	0	0
Impairment losses and amortisation at the end of the year	-146	0	0	0
Carrying amount at the end of the year	5.997	0	0	0

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
10. Development projects in progress				
Cost at the beginning of the year	1.106	0	1.106	0
Addition during the year, incl. improvements	2.529	1.106	2.529	1.106
Disposal during the year	-89	0	-89	0
Transfers	-1.083	0	-1.083	0
Cost at the end of the year	2.463	1.106	2.463	1.106
Carrying amount at the end of the year	2.463	1.106	2.463	1.106

Development projects in progress comprise direct costs such as prototypes, test of products, development equipment and other external costs related to the development of products that have not yet been launched.

11. Fixtures, fittings, tools and equipment

Cost at the beginning of the year	5.737	5.043	5.737	5.043
Addition through investments	2.334	0	0	0
Addition during the year, incl. improvements	3.167	789	3.167	789
Disposal during the year	-1.800	-95	-1.800	-95
Cost at the end of the year	9.438	5.737	7.104	5.737
Depreciation and amortisation at the beginning of the year	-3.238	-2.460	-3.238	-2.460
Change due to investments	-1.959	0	0	0
Amortisation for the year	-1.421	-873	-1.348	-873
Reversal of impairment losses and amortisation of disposed assets	1.657	95	1.657	95
Impairment losses and amortisation at the end of the year	-4.961	-3.238	-2.929	-3.238
Carrying amount at the end of the year	4.477	2.499	4.175	2.499

Notes

	Group 2017/18	2016/17	Parent 2017/18	2016/17
12. Long-term investments in group enterprises				
Addition during the year, incl. improvements			2.770	0
Cost at the end of the year			2.770	0
Profit of the year before Goodwill depreciation			-152	0
Change due to a foreign currency translation adjustment			75	0
Elimination of intercompany profits			-544	0
Revaluations at the end of the year			-621	0
Amortisation for the year			-146	0
Amortisation at the end of the year			-146	0
Deducted in Receivables			5.053	0
Deducted in Receivables and Accruals			5.053	0
Carrying amount at the end of the year			7.056	0
Amount of Goodwill purchased as part of the acquisitions during the year			6.143	0

13. Disclosure of long-term investments in group enterprises and associates

Group enterprises

Name	Registered office	Share held in %
Nine United Norway AS	Oslo, Norway	70,00
Nine United Studio UK Ltd.	London, UK	100,00

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17
14. Deferred tax assets				
Fixed assets	686	1.006	596	1.006
Inventories	2.678	2.898	2.678	2.898
Accruals	-175	-266	-175	-266
Elimination of intercompany profit/loss	120	0	120	0
Tax loss carry forwards	208	0	0	0
	3.517	3.638	3.219	3.638
Deferred tax asset included in the Balance:				
Deferred tax asset, beginning of the year	3.638	3.150	3.638	3.150
Addition through investments	296	0	0	0
Adjustment of the year	-417	488	-419	488
	3.517	3.638	3.219	3.638

Deferred tax includes temporary differences that will be settled within a relatively limited number of years.

15. Deferred income

Prepaid expenses	644	742	644	742
Other accruals	0	469	0	469
	644	1.211	644	1.211

Notes

	Group		Parent	
	2017/18	2016/17	2017/18	2016/17

16. Contingent Liabilities

Contingent Liabilities

Rental and lease commitments:

The Group has assumed rental and lease commitments of t.DKK 18.148 on 31 July 2018 (Parent t.DKK 11.368).

Danish joint-taxation scheme:

The Parent Company was subjected to the Danish rules of compulsory joint taxation of a Danish group's Danish Subsidiaries until 7 June 2018, from which date the Parent Company left the joint taxation with Nine United A/S as the administration company and from which date also the Parent Company's liability to the tax authorities for corporate and income taxes occurring within the joint taxation group, ceased to exist.

Collaterals and securities

As collateral for the lease of premises by the Parent, bank guarantees of t.DKK 795 have been issued. For the Group the amount is t.DKK 1.506.

Derivative financial instruments

To hedge the risk of future fluctuations in foreign exchange rates the Parent has on 31 July 2018 engaged in forward exchange contracts and swaps, not exceeding the sale of t.GBP 1.000 and t.NOK 16.250 and not exceeding the purchase of t.NOK 30.000 and t.CNY 18.000. Compared to the exchange rates on 31 July 2018 the forwards have a net negative value of 175 t.DKK, which is recognised under equity and in the balance under Other short-term receivables if positive and Other payables if negative.

17. Related parties

Transactions (Parent):

Sale of products to daughter companies	1.035
Royalty paid to daughter companies	212
Sales commission paid to daughter companies	801
Interest payment from daughter companies	30
Receivables from daughter companies	575
Loans granted to daughter companies	1.607
Payables to daughter companies	670

18. Fees for auditors elected at the Annual General Meeting

Statutory audit	97	83	85	83
Other assurance reports	41	11	41	11
	<u>138</u>	<u>94</u>	<u>126</u>	<u>94</u>