LKL ApS

Sødalsparken 18, 8220 Brabrand

CVR No 31 60 06 69

Annual Report 2017/18

(Annual year 1/9 – 31/8)

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 31 January 2019

Uffe Baller

Chairman

Contents

Company Information

The Company	LKL ApS Sødalsparken 18 DK-8220 Brabrand Telephone +45 89 397 500 Facsimile +45 89 397 501 Website: www.jysk.com CVR No 31 60 06 69 Financial year: 1 September – 31 August Municipality of reg. office: Aarhus
Executive Board	Lars Larsen
Lawyers	Interlex Advokater Mariane Thomsens Gade 1 C, 8. 1. DK-8000 Aarhus C
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C
Bank	Nordea Bank Danmark A/S Skt. Clemens Torv 2-6 DK-8000 Aarhus C

Financial Highlights of the Group (DKK '000)

	2017/18
Key figures	
Income Statement	
Revenue	0
Profit before financial items (EBIT)	-344
Net financials	1.735
Net profit for the year	1.102
Balance sheet	
Balance sheet total	7.333.394
Equity	84.702
Cash flow statement	
Investment in tangible assets	0
Ratios	
Return on assets	0,0%
Solvency ratio	1,2%
Return on equity	1,3%
Number of employees	1

The ratios have been prepared in accordance with the definitions provided under accounting policies.

Management's Review

Main activity

The activity of the Parent Company is to carry on investment business, including investments in subsidiaries.

The principal activity of the Group takes place in the subsidiary through retail trade in the JYSK chain stores of everything for the bedroom, bathroom, living or children's room, window and the patio.

Development in the financial year

Group revenue amounts to DKK 0k in financial year 2017/18. Profit before financial income and expenses amounts to DKK -344k in 2017/18. Profit for the year after tax amounts to DKK 1,102k in 2017/18. The result is satisfying and in conjunction with management expectations.

Special risks

The Group's activities abroad imply that profit, cash flows and equity are affected by the development in exchange and interest rates of a number of currencies. Currency risks relating to investments in foreign subsidiaries and associates are, as a main rule, not hedged as, in the Company's opinion, current currency hedging of such long-term investments will not be optimal based on overall risk and cost considerations.

External environment

The Company has no environmentally damaging activities, neither through land pollution nor through the discharge of polluting waste.

Knowledge resources

The Group develops competent employees to undertake operational and management tasks in the Group's retail stores through specially adapted training programmes and at its own academy.

Corporate social responsibility

The statutory statement of corporate social responsibility and statement on the underrepresented gender appear on pages 32-41.

Expected development

For the year ahead, LKL ApS expects to realise a loss due to expected losses in the subsidiaries.

Subsequent events

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

Management's Statement

The Executive Board have today considered and adopted the Annual Report of LKL ApS for the financial year 1 September 2017 – 31 August 2018.

The Annual Report was prepared in accordance with the Danish Financial Statements Act.

In my opinion, the Parent Company Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Parent Company and the Group at 31 August 2018 and of the results of the Parent Company and the Group operations and cash flows for 2017/18.

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

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

Aarhus, 31 January 2019

Executive Board

Lars Larsen

Independent Auditor's Report

To the shareholder of LKL ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 August 2018, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 September 2017 - 31 August 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of LKL ApS for the financial year 1 September 2017 - 31 August 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 Financials Statements Act.

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 Group's and the Parent Company's internal control.

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 31 January 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

Jesper Lund
State Authorised Public Accountant
mne10845

Income statement 1 September - 31 August (DKK '000)

	Note	Parent company 2017/18	Parent company 2016/17	Group 2017/18
Revenue		**0**	**0**	**0**
Cost of sales		0	0	0
Other operating income		0	0	0
Other external expenses	1	289	24	344
Gross Profit		**-289**	**-24**	**-344**
Staff expenses	2	0	0	0
Depreciation and amortisation		0	0	0
Other operating expenses		0	0	0
Result before financial items		**-289**	**-24**	**-344**
Result from subsidiaries	7	-75	0	0
Financial income		2.147	2.029	2.147
Financial expenses		371	611	412
Result before tax		**1.412**	**1.394**	**1.391**
Tax on profit for the year	3	-310	-317	-289
Result after tax		**1.102**	**1.077**	**1.102**

Distribution of profit 4

Balance sheet at 31 August (DKK '000)

Assets		Parent company		Group
	Note	2018	2017	2018
Rights		0	0	663
Development projects		0	0	13.630
Software		0	0	924
Goodwill		0	0	333
Intangible assets	5	**0**	**0**	**15.550**
Fixtures and fittings, tools and equipment		0	0	22.477
Trucks and cars		0	0	1.102
Leasehold improvements		0	0	53.828
Tangible assets	6	**0**	**0**	**77.407**
Investments in subsidiaries	7	19.925	0	0
Investments in associates	8	0	0	3.351
Other investments		0	0	54.784
Instruments of debt	9	154.000	130.000	6.465.000
Deposits	10	0	0	9.093
Fixed asset investments		**173.925**	**130.000**	**6.532.228**
Fixed assets		**173.925**	**130.000**	**6.625.185**
Commercial products		0	0	119.032
Prepayments of goods		0	0	300
Inventories		**0**	**0**	**119.332**
Trade receivables		0	0	50.265
Corporation tax		0	0	21.926
Other receivables		1.402	330	157.211
Prepayments	11	0	0	4.403
Receivables		**1.402**	**330**	**233.805**
Securities		**0**	**0**	**46.652**
Cash at bank and in hand		**0**	**764**	**308.420**
Current assets		**1.402**	**1.094**	**708.209**
Assets		**175.327**	**131.094**	**7.333.394**

Balance sheet at 31 August (DKK '000)

Liabilities

	Note	Parent company 2018	Parent company 2017	Group 2018
Share capital		505	503	505
Retained earnings		84.197	60.097	84.197
Equity		**84.702**	**60.600**	**84.702**
Other provisions		0	0	3.692
Deferred tax	12	0	0	2.702
Provisions		**0**	**0**	**6.394**
Subordinated loan capital	13	0	0	6.642.794
Deposits, long-term		0	0	18
Long-term debt		**0**	**0**	**6.642.812**
Prepayments, received		0	0	223
Trade payables		0	0	30.635
Corporation tax		432	480	23.267
Other payables		90.193	70.014	537.321
Deferred income		0	0	8.039
Short-term debt		**90.625**	**70.494**	**599.485**
Debt		**90.625**	**70.494**	**7.242.297**
Liabilities and equity		**175.327**	**131.094**	**7.333.394**
Contractual obligations	14			
Contingent liabilities	15			
Related parties and ownership	16			

Statement of changes in equity (DKK '000)

	Parent company 2018	Parent company 2017	Group 2018
Equity			
Opening at 1st September	60.600	59.523	60.600
Capital increase	23.000	0	23.000
Result for the year	1.102	1.077	1.102
Equity at 31st August	**84.702**	**60.600**	**84.702**
Specified as follows:			
503 shares of DKK 1,000	503	503	503
2 shares of DKK 1,000	2	0	2
Share capital	**505**	**503**	**505**
Retained earnings at 1st September	60.097	59.020	60.097
Capital increase	22.998	0	22.998
Result for the year	1.102	1.077	1.102
Retained earnings at 31st August	**84.197**	**60.097**	**84.197**
Equity at 31st August	**84.702**	**60.600**	**84.702**

Share capital has been changed in financial year 2018 from DKK 503k to DKK 505k.
There have been no further changes to the share capital during the last 5 years.

Consolidated Cash Flows (DKK '000)

	Note	2017/18
Profit for the year		1.102
Adjustments	17	-1.233
Change in working capital	18	0
Cash flows from operating activities before financial income and expenses		-131
Financial income		2.147
Financial expenses		-412
Cash flows from ordinary activities		1.604
Corporation tax paid		-358
Cash flows from operating activities		**1.246**
Cash and cash equivalents from acquisitions of enterprises		292.744
Cash flows from investing activities		**292.744**
Raising/repayment of instruments of debt		19.945
Loan/payment of instruments of debt		-24.000
Capital increase		23.000
Cash flows from financing activities		**18.945**
Change in cash and cash equivalents		**312.935**
Cash and cash equivalents at 1st September		764
Cash and cash equivalents at 31st August		**313.699**
Cash and cash equivalents are specified as follows:		
Securities		46.652
Cash at bank and in hand		308.420
Cash pool		-41.373
Cash and cash equivalents at 31st August		**313.699**

Notes to the Annual Report (DKK '000)

		Parent company 2017/18	Parent company 2016/17	Group 2017/18
1	**Fees to the auditors appointed at the annual general meeting**			
	PricewaterhouseCoopers			
	Auditfee	200	19	230
	Other assurance engagements	0	0	0
	Tax advisory services	0	0	0
	Other non-audit services	39	0	39
		239	**19**	**269**
	Other auditors			
	Auditfee	0	0	0
	Other assurance engagements	0	0	0
	Tax advisory services	0	0	0
	Other non-audit services	0	0	0
		0	**0**	**0**

		Parent company 2017/18	Parent company 2016/17	Group 2017/18
2	**Staff**			
	Salaries and wages	0	0	0
	Pensions	0	0	0
	Other social security costs	0	0	0
		0	**0**	**0**

No separate remuneration has been paid to the Board of Directors or Executive Board.

	Parent company 2017/18	Parent company 2016/17	Group 2017/18
Average number of employees	0	0	1

Notes to the Annual Report (DKK '000)

		Parent company		Group
		2017/18	2016/17	2017/18
3	**Tax on profit for the year**			
	Current tax for the year	-328	-317	-307
	Tax concerning previous years	18	0	18
	Tax on profit for the year	**-310**	**-317**	**-289**
4	**Distribution of profit**			
	Retained earnings	1.102	1.077	1.102
		1.102	**1.077**	**1.102**

5 Intangible assets

	Software	Goodwill
Group		
Cost at 1st September	0	0
Addition by acquisition	1.281	550
Addition for the year	0	0
Exchange adjustment	0	0
Cost at 31st August	1.281	550
Depreciation at 1st September	0	0
Addition by acquisition	-356	-217
Depreciation for the year	0	0
Depreciation at 31st August	-356	-217
Booked value at 31st August	**924**	**333**
Depreciated over	3 - 5 years	5 years

Notes to the Annual Report (DKK '000)

5 Intangible assets, continued

	Rights	Development projects
Group		
Cost at 1st September	0	0
Addition by acquisition	800	18.923
Addition for the year	0	0
Exchange adjustment	0	0
Cost at 31st August	800	18.923
Depreciation at 1st September	0	0
Addition by acquisition	-138	-5.293
Depreciation for the year	0	0
Depreciation at 31st August	-138	-5.293
Booked value at 31st August	**663**	**13.630**
Depreciated over	Rental period	5 years

Notes to the Annual Report (DKK '000)

6 Tangible assets

	Fixtures and fittings, tools and equipment	Trucks and cars	Leasehold improve-ments
Group			
Cost at 1st September	0	0	0
Addition by acquisition	49.610	2.152	94.517
Addition	0	0	0
Exchange adjustment	0	0	0
Cost at 31st August	49.610	2.152	94.517
Depreciation at 1st September	0	0	0
Addition by acquisition	-27.133	-1.050	-40.690
Depreciation	0	0	0
Exchange adjustment	0	0	0
Depreciation at 31st August	-27.133	-1.050	-40.690
Booked value at 31st August	**22.477**	**1.102**	**53.828**
Depreciated over	4 - 7 years	4 - 5 years	Rental period

Notes to the Annual Report (DKK '000)

	2018
7 Investments in subsidiaries	
Parent company	
Cost at 1st September	0
Addition for the year	20.000
Cost at 31st August	20.000
Value adjustment at 1st September	0
Exchange adjustment on foreign subsidiaries	0
Result for the year	-75
Impairment at 31st August	-75
Investments in subsidiaries	**19.925**

Specified as:

	Ownershare	Result	Equity
LKL Investment ApS	100%	75	19.925

Notes to the Annual Report (DKK '000)

		2018
8	**Investment in associates**	
	Group	
	Cost at 1st September	0
	Addition by acquisition	2.632
	Cost at 31st August	2.632
	Value adjustment at 1st September	0
	Addition by acquisition	719
	Result for the year	0
	Depreciation goodwill	0
	Value adjustment at 31st August	719
	Investment in associates	**3.351**
	Including goodwill of	874

Specified as:

	Ownershare	Result	Equity
Racehall A/S	20%	2.205	12.387

		Parent company 2018	Group 2018
9	**Instruments of debt**		
	Cost at 1st September	130.000	0
	Additions for the year	24.000	0
	Addition by acquisition	0	6.465.000
	Disposals for the year	0	0
	Cost at 31st august	154.000	6.465.000
	Booked value at 31st August	**154.000**	**6.465.000**

Notes to the Annual Report (DKK '000)

	Parent company 2018	Group 2018
10 Deposits		
Cost at 1st September	0	0
Addition from acqusitions	0	9.093
Cost at 31st August	**0**	**9.093**

11 Prepayments

Prepayments comprise prepaid expenses relating to rent, property tax, etc.

	Parent company 2018	Parent company 2017	Group 2018
12 Deferred tax			
Other	0	0	2.702
	0	**0**	**2.702**

13 Subordinated loan capital

Subordinated loan capital fall due for payment as specified below:

Subordinated loan capital, after 5 years	0	0	6.642.794
Subordinated loan capital, between 1 and 5 years	0	0	0
Subordinated loan capital, long-term	0	0	6.642.794
Subordinated loan capital, within 1 year	0	0	0
	0	**0**	**6.642.794**

14 Contractual obligations

Rental obligations	0	0	88.642
Lease obligations	0	0	749

Notes to the Annual Report (DKK '000)

15 Contingent liabilities

The Company is jointly liable for tax on the Group's joint taxable income etc. The total amount for corporation tax appears from these Group Financial Statements. Moreover, the Danish enterprises of the Group are jointly liable for withholding tax such as tax on dividend, royalty and interest. Possible later corrections in corporation taxes and withholding taxes may result in the Company being liable for a larger amount.

JYSK Holding A/S has entered into a cash pool agreement for Lars Larsen Group. As per 31 August 2018 the withdrawal was DKK 10,4 million. As participant in the cash pool agreement LKL ApS has issued a guarantee towards credit institutions.

The parent company has issued unlimited letters of support for the following subsidiaries: Garia A/S, Garia Inc. and Letzsushi ApS.

16 Related parties and ownership

Controlling interest	Basis
Lars Larsen, Svejbæk Søvej 14, DK-8600 Silkeborg	Controlling shareholder

Ownership

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

Lars Larsen, Svejbæk Søvej 14, DK-8600 Silkeborg

Notes to the Annual Report (DKK '000)

		Group 2017/18
17	**Cash flow statement - adjustments**	
	Profit/loss, other investments	0
	Financial income	-2.147
	Financial expenses	412
	Depreciation and amortisation	0
	Tax on profit/loss for the year	289
	Other adjustments	213
		-1.233

		Group 2017/18
18	**Cash flow statement - change in working capital**	
	Change in inventories	0
	Change in receivables	0
	Change in other receivables	0
	Change in trade payables	0
	Change in other payables	0
		0

Accounting Policies

The Annual Report of LKL ApS for the financial year 1 September 2017 to 31 August 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2017/18 are presented in TDKK.

Intercompany restructuring processes – book value method

The Company has chosen to use book value method in connection to intercompany restructuring.

For accounting purposes the restructuring took place at book value at the date of acquisition. Comparative figures are not shown in compliance with the book value method.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, LKL ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The financial statements applied for the Group's Annual Report have been prepared in accordance with the accounting policies of the Group.

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, 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 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.

Accounting Policies

Recognition and measurement (continued)

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Exchange gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement.

The income statements of foreign subsidiaries and associates that are separate legal entities are translated at the exchange rates at the dates of transaction or an approximated average exchange rate. Balance sheet line items are translated at the exchange rates at the balance sheet dates. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the balance sheet dates are recognised directly in equity.

Segment reporting

In accordance with section 96(1) of the Danish Financial Statements Act, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board and Board of Directors assess that such disclosures would be very detrimental to the Company.

Accounting Policies

Income Statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises cost incurred in connection with the purchase of commercial products.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the activities of the enterprises, including gains and losses from the sale of intangible assets and tangible assets.

Other external expenses

Other external expenses comprise sales and administrative expenses as well as expenses for premises.

Staff expenses

Staff expenses comprise wages and salaries, including holiday pay and pensions as well as other social security costs etc. to the Company's employees. Allowances received from public authorities are deducted from staff expenses.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation and amortisation of tangible assets and intangible assets for the year.

Result from subsidiaries companies

The items "Result from subsidiaries" in the income statement include the proportionate share of the profit/loss for the year less goodwill amortisation.

Accounting Policies

Financial income and expenses

Financial income and expenses comprise interest, exchange adjustments, fees, etc.

Tax on profit for the year

Tax for the year consists of current tax for the year and any 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.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with its subsidiaries. The tax effect of the joint taxation with group enterprises is allocated to enterprises showing profits or losses in proportion to their taxable incomes. The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance Sheet

Intangible assets

Rights

Rights is measured at the lower of cost less accumulated amortisation and the recoverable amount. Rights is amortised over the term of the agreement.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Accounting Policies

Development projects (continued)

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount.

Capitalised development costs are amortised as from the date of completion on a straight-line basis over the period during which development work is expected to generate economic benefits.

The amortisation period is 5 years.

Software
Software is measured at the lower of cost less accumulated amortisation and the recoverable amount.

Software is amortised over 3 – 5 years.

Goodwill
Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated at 5 years.

Tangible assets

Tangible assets are measured at cost with the addition of revaluations and less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for the financing of the production of tangible assets are recognised in cost over the period of production. All indirectly attributable borrowing costs are recognised in the income statement.

Depreciation based on cost with the addition of revaluations and reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Fixtures and fittings, tools and equipment	4-7 years
Trucks and cars	4-5 years
Leasehold improvements	Rental period

Profit and losses from current replacement of tangible assets are recognised in "Other operating income" or "Other operating expenses".

Accounting Policies

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries and associates

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

The items "Investments in subsidiaries" 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 date of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of any remaining value of positive or negative differences (goodwill or negative goodwill).

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 with a negative carrying amount 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.

Other investments

Other investments are recognised and measured at fair value.

Deposits

Deposits are recognised and measured at cost.

Accounting Policies

Inventories

Inventories are measured at the lower of cost under the average cost formula and net realisable value. The net realisable value of inventories is calculated at the total of future sales revenue which the inventories are expected to generate at the balance sheet date in the process of normal operations allowing for marketability, obsolescence and development in expected selling price with deduction of selling expenses expected to be incurred to realise the sale.

The cost of goods for resale equals landed cost.

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which generally corresponds to nominal value less provisions for bad debts.

Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Securities

Securities consist of listed bonds, which are measured at fair values at the balance sheet date. The fair value is stated on the basis of the most recently quoted selling price.

Equity – *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Accounting Policies

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax on temporary differences concerning non-taxable amortisable goodwill as well as other items is not recognised where, unless arising from acquisitions, they have arisen at the date of acquisition without affecting the profit/loss for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Corporation tax receivables and liabilities

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

Prepayments

Deferred income comprises payments received in respect of income in subsequent years.

Debts

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

Accounting Policies

Cash Flow Statement

The cash flow statement shows the Group's 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 Group's cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, tangible assets as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand", "Cash pool" and "Current asset investments" as well as "Other short-term debt" under credit institutions.

The cash flow statement cannot be immediately derived from the published financial records.

Accounting Policies

Financial Highlights

Ratios are calculated as follows:

$$\text{Return on assets} = \frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end} \times 100}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

Statutory Statement of Corporate Social Responsibility

LKL ApS

This is the statutory corporate social responsibility (CSR) report, pursuant to sections 99a and 99b of the Danish Financial Statements Act. The report is part of Management Review for LKL ApS, covering the financial year of 01.09.2017 – 31.08.2018.

Lars Larsen Group

LKL ApS is an international group comprising a number of companies. LKL ApS forms part of Lars Larsen Group, named after the founder, Lars Larsen, who established JYSK. Today, JYSK is a well-known brand in Denmark as well as globally. Lars Larsen opened the first JYSK shop in Aarhus in 1979. The opening of this shop marked the beginning of the journey towards the establishment of Lars Larsen Group.

Lars Larsen Group is a Group of international companies, operating in many different countries and within different business areas, ranging from housing interior, golf equipment and hotel- and restaurant management. The majority of business activity within Lars Larsen Group is based on furniture retail in a global context.

Read more about the Lars Larsen Group at: www.larslarsengroup.com

Lars Larsen Group is, from an overall perspective, structured in three main layers. With reference to our annual reporting cf. The Danish Financial Statements Act §99a and §99b, below scheme illustrates the overall organizational structure of companies encompassed by our CSR reporting.

Figure 1 Lars Larsen Group
(Companies encompassed by the Danish Financial Statements Act §99a and §99b).

Lars Larsen Group					
Anpartsselskabet af 31.08.1984 II	J.S. Reklame, Århus ApS	JYSK Holding A/S	ApS af 19.12.2014	LLGB Holding ApS	LKL ApS
(Companies mananged within and across the six legal group companies)					
JYSK /Dänishes Bettenlager / Bettenwelt / Bolia / IDdesign / Actona					

Dialogue is the way forward
As an international Group, LKL ApS is in contact with customers, employees and business partners as well as other stakeholders every day. That requires commitment. Corporate Social Responsibility (CSR) is a continuous process where new areas and methods constantly develop. We consider our dialogue with our surroundings a part of the learning process and essential to obtaining a better understanding of the complex challenges we face as an international group. We believe that cooperation, dialogue and commitment is the way forward when it comes to improving social and environmental conditions.

The Report
As it will appear from the text, a considerable part of the data material is based on actions and results realised in DBL. DBL is the name of an operational company (not a legal entity) that transcends the Groups of JYSK Holding A/S, Anpartsselskabet af 19. december 2014 and LKL ApS, which both form part of the Lars Larsen Group.

Besides data from DBL this report comprises data from Bettenwelt GmbH, S.A.S. France and LKL ApS. Bettenwelt GmbH is owned by the Group company JYSK Holding A/S. However, at an operational level, Bettenwelt GmbH functions as sourcing unit for JYSK S.A.S. France, which is the retail organisation of France. Moreover, these companies are, operated by the same central head office functions referred to as Dänisches Bettenlager (DBL), for which reason JYSK S.A.S. France and Bettenwelt GmbH will report on progress and results in joint sections. Below scheme presents an overview of the companies, as they will be referred to hereinafter.

LKL ApS group was established on 30 August 2018 and therefore the group's financial statements 2017/18 contain no group activity. However the following information comprise information for the full period 1 September 2017 - 31 August 2018. Management has chosen to disclose information for the full period in order to make the information provided useful.

Legal entities	As referred to hereinafter
DBL companies (JYSK France is owned by LKL ApS)	DBL
Bettenwelt GmbH	Bettenwelt

Based on development within CSR legislation as well as requirements from stakeholders towards Lars Larsen Group, our work with CSR has undergone thorough revision. This has led to implementation of a Code of Conduct, Group policies, KPI's, a restructured data collection process as well as an updated reporting structure. Thus, the structure and content of this report is not directly comparable with previous reports.

The structure of this report is as follows:

Code of Conduct and Group Policies
- **Human Rights**
- **Environment and Climate**
- **Social and Employee Terms**
- **Anti-Corruption and Bribery**
- **Gender Equality**

Reporting on §99b

KPI overview

Code of Conduct and Group Policies
As part of our strategic review and strengthening of our work with CSR, we have developed and implemented a Group Code of Conduct. The Lars Larsen Group Employee Code of Conduct communicates our Group policies on Human Rights, Environment and Climate, Social and Employee Terms, Anti-Corruption and Bribery as well as our Gender Equality Policy.

The Code of Conduct and Group Policies have been implemented with companies within Lars Larsen Group.

The following will present a policy excerpt for each of the Group policies, shared by all companies encompassed by this CSR report. Following the policy excerpt, the report will present individual reporting on implementation of the respective policy and the results achieved by each individual company.

Human Rights

Policy excerpt

Our Policy on Human Rights draws on UN Guiding Principles on Business and Human Rights. This means that we recognize that companies have the responsibility to respect Human Rights and, in the event of involvement of adverse negative impact on Human Rights, to provide remediation. We accept the responsibility we have towards our employees and the communities in which we operate, and we expect the same of suppliers. This commitment extends to any adverse impact we may cause or contribute to through our Group operations.

We comply with the laws and regulations that apply in the countries in which we operate, and we aim to ensure that Human Rights are an integral part of relevant processes.

Common for the companies encompassed by this CSR report, is their respective memberships of Amfori Business Social Compliance Initiative (BSCI), through which they address Human Rights within the supply chain.

Amfori BSCI is a leading supply chain management system that supports companies to drive social compliance and improvements within a global supply chain.

All members of BSCI agree to a common Code of Conduct, which, among other things, prohibits child labour, forced labour, discrimination and corruption, and sets requirements for safety and decent working hours as well as protection of the environment.

Audits are performed by third parties, approved by Amfori BSCI, and are based on the requirements communicated in the Code of Conduct.

If necessary, the auditor will issue a corrective action plan (CAP), on how to improve conditions not fully in line with Amfori BSCI requirements. If a corrective action plan is issued, the Group closely monitors the execution in order to ensure that conditions are improved to a satisfactory level. The ambition by Amfori BSCI is to drive improvements within our global supply chain. Thus, significant resources are invested in supporting such progress, rather than leaving a supplier, who initially does not meet the requirements. Only in cases, where a supplier is reluctant to cooperate to reach a satisfactory compliance level, the cooperation with the supplier will be terminated.

Policy implementation and progress

Bettenwelt & DBL

Human Rights are, at Bettenwelt and DBL addressed both internally within our own company and employees as well as externally towards our suppliers.

Internally, we have been working to implement the newly launched Human Rights policy as well as ensuring that related work processes are adequately implemented to meet both requirements and risk level of the countries where we are present. Our Human Rights related processes are primarily anchored with Human Resource departments as well as with Health and Safety departments.

Safety of our employees is a core focus, with the overall purpose of ensuring a safe workplace for all employees. At the head office, there is a corporate department, with responsibility for corporate health issues at the head office, stores and logistics centres. Moreover, there is a team of specially trained and certified safety inspectors, who performs systematic safety walks as well as manages systematic safety training. In addition, Bettenwelt and DBL also cooperates with external 3rd parties, ensuring compliance with respective requirements.

Systematic registration, reporting and follow-up is performed on work accidents.
All work accidents are reported according to legislation. Accidents encompassed by this CSR report are work accidents, related to one of the Distribution Centres managed by Bettenwelt and DBL.

Work accidents registered within financial year:
(Def. *Work accidents with one or more days of absence, other than the day of the accidents*)

Distribution Centre	Number of work accidents with absence[1]	Number of work accidents, per million hours worked
Kammlach	1	34,83
Zarrentin	14	43,31
Homberg	4	20,70
Valencia	3	48,80

Our focus on Human rights within our supply chain, is addressed through our membership with Amfori Business Social Compliance Initiative (BSCI).

Bettenwelt has been a member of Amfori, BSCI since 2006.

Bettenwelt has incorporated the Amfori BSCI Code of Conduct, into supplier contracts.
All suppliers[2] accept the Supplier Code of Conduct, when they sign a supplier contract. During the financial year, 929[3] of the suppliers, located in risk countries, received audits based on Amfori BSCI guidelines.

During the financial year, no supplier cooperation has been terminated due to non-compliance with the Amfori BSCI Supplier Code of Conduct.

Environment and Climate

Policy excerpt

We aim to reduce the negative environmental and climate impact of our business activities, and we expect the same of suppliers. Consistent and long-term environmental work creates both environmental benefit and value for our company.

Companies owned by Lars Larsen Group are required to work to prevent and reduce their negative impact on environment and climate. We aim to have environmental considerations incorporated as an integral part of business activities.

Our work to minimize our negative climate impact is based on a focused effort within, but not limited to, energy, heating and transportation.

[1] Accidents with one or more days of absence, other than the day of the accidents
[2] Direct suppliers, first tier
[3] Bettenwelt and JYSK Nordic share a membership with Amfori BSCI. The reported figure covers supplier audits for both Bettenwelt and JYSK Nordic.

Our work to minimize our negative environmental impact is based on a focused effort within, but not limited to, responsible sourcing, responsible use of chemicals, animal welfare and waste management.

Common for the companies encompassed by this CSR report, is their respective engagement with The Forest Stewardship Council® (FSC), as an essential focus area of the Environment and Climate policy.

Forest clearing and illegal harvesting of wood are threats to the environment and the climate. Wood is a raw material that is used for a significant part of our products. Therefore, we have a significant focus on ensuring that the wood used for producing our products originates from legal sources, and we are working to ensure this in accordance with the EU Timber Regulation, EUTR.

Moreover, it is our aim that an increasing part of the wood used, should originate from sustainable forests. Therefore, we are directing efforts at increasing the share of sustainable wood in our product range.

About FSC:

- The Forest Stewardship Council® (FSC) is an international non-profit organisation that promotes environmentally appropriate, socially beneficial, and economically viable forestry worldwide.
- All FSC certified wood is traceable, which means that all links between the forest and the consumer are checked and have an FSC number.
- Forestry workers in FSC forests are ensured proper working conditions, including education, safety equipment and fair pay.
- In an FSC forest, no more trees are felled than the forest can naturally replace. At the same time, there are areas in the forest where the trees are never cut down as this helps create better conditions for both animals and plants.

A significant part of the business, within LKL ApS, consists of sales of products filled with down and feathers from ducks and geese. In that connection, it is essential to ensure that down and feathers have not been plucked from live birds. This is ensured through supplier requirements and systematic internal and external auditing of suppliers.

Policy implementation and progress
Bettenwelt & DBL

At Bettenwelt and DBL, focus on reducing the negative environmental and climate impact of our business activities is addressed both internally at our own operations and externally towards suppliers.

The external focus is anchored with the membership of Amfori BSCI, which is the core of our responsible supplier management[4]. Our BSCI Supplier Code of Conduct requires of suppliers to comply with local environmental regulations. As part of the BSCI audits performed, environmental impacts such as wastewater treatment and chemical storage are therefore also audited. Moreover, Bettenwelt has, during this reporting period, prepared a strengthening of environmental requirements towards suppliers. This update is expected to be implemented during next financial year.

The internal work to implement the Environment and Climate policy at is focused on several cores issues.

One of the core environmental focus areas, is the strategic ambition to increase purchase of products with FSC certified wood. Within this financial year, 100% of the wooden garden furniture purchased by Bettenwelt is FSC certified (FSC® N001596). Bettenwelt will continue to work to increase purchase of FCS certified wood for other product groups.

Another focus area is optimization of light sources and energy usage. During this financial year, LED was implemented in 130 stores, and the same is expected for the next financial year. Moreover, at the end of this financial year, 170 stores have intelligent, central control of lighting, heating, air conditioning and ventilation. For the coming financial year, the same solution is expected for additionally 30 stores.

Bettenwelt and DBL do not tolerate animal abuse. Our Supplier Code of Conduct contains an animal welfare directive. All our suppliers are committed to supplying only products that have been produced to ethical standards. This for example explicitly includes the exclusion of live plucking. In addition, all bedding suppliers are required to be certified by the Downpass initiative. The "downpass" standard is a tool to ensure the ethical recovery of down and feathers. Products sealed with "downpass" ensure that the down and feathers used as fillers are ethically correct and come from tightly controlled and traceable supply chains. This ensures that down and feathers are not plucked from live birds.

Social and Employee Terms

Policy excerpt

We aim to provide responsible work conditions and employment terms for all employees within the Group. We follow and comply with legislation, collective agreements as well as ILO conventions.

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[4] Read more on Amfori BSCI at the section on Human Rights

We seek to attract, develop and retain qualified and motivated employees in a professional environment. Our policy on Social and Employee Terms communicates a requirement for the company to perform employee satisfaction surveys, employee-Manager dialogue, as well as workplace assessment.

Furthermore, we aim to engage with community work through strategic partnerships, donations, sponsor agreements, events or other ways of supporting.

Policy implementation and progress
Bettenwelt & DBL

Every two years, an employee satisfaction survey is conducted, to allow employees at Bettenwelt and DBL to express their views. The findings of the survey enable Bettenwelt and DBL to understand where to take measures to increase satisfaction and loyalty. The latest survey was performed in 2018 and the response rate of this recent survey had improved from the previous survey. However, the target defined for response rate was not achieved at Group level (Bettenwelt and DBL) or by the individual country organisations. Following the survey, head office functions are responsible for the follow-up process, where results are used actively to create measurable improvement plans within areas identified with potential for improvement.

In addition to the employee satisfaction survey, Bettenwelt and DBL perform annual employee-manager dialogue, called a PDP. PDP is an abbreviation for Personal Development Plan. PDP's are performed at all levels of the organisation, ensuring that individual career plans are made for each respective employee.

Anti-Corruption and Bribery

Policy excerpt

All employees and representatives are expected to show honesty and integrity in dealing with other employees, customers, suppliers, business partners, organisations and authorities.

We have zero tolerance for all forms of corruption and makes active efforts to ensure that this does not occur within the Group.

Our Anti-Corruption and Bribery policy communicates our viewpoint and guidance related to issues such as bribery, fraud, conflict of interest and fair competition.

Policy implementation and progress

Bettenwelt & DBL

At Bettenwelt and DBL, the Anti-Corruption and Bribery policy has been introduced as part of the implementation of Lars Larsen Group Employee Code of Conduct. It is the expectation to be able to report data related to this policy for the coming financial year.

Gender Equality

Policy excerpt

The purpose of the Policy on Gender Equality is to ensure career development for men and women on an equal basis.

We aim at reaching a balanced gender composition within our workforce on a long-term perspective. Processes of recruitment and/or promotion must at all times identify the person best qualified for the position at focus. The policy does not require to make changes in top management solely to achieve a more even gender composition. The policy communicates a requirement to ensure equal opportunity.

Policy implementation and progress

Bettenwelt & DBL

As part of the internal career path at Bettenwelt and DBL, the company works with education and development at all levels of the organisation.

During this financial year, training sessions have been conducted within the following areas.

Training area	Number of employees, who attended
Team Leader	370
Store Manager	733
Sales Executive	67
Executive training	151

At the end of this financial year, the gender composition of the main management levels at Bettenwelt and DBL is as illustrated below.

Management level	Gender composition (male/female)
Top management	100% male employees
Management team[5]	53,9% male employees

The Human Resource department ensures that recruitment and promotion procedures are aligned with the policy.

Reporting on §99b (Board composition)

The Board of LKL ApS consists of the owner, Lars Larsen. Consequently, no target figure has been determined for the gender representation. The Parent Company, LKL ApS, has less than 50 employees. Therefore, no further reporting on the policy on Gender Equality at LKL ApS is included by this CSR report.

KPI overview

Bettenwelt and DBL	KPI status
Zero accidents	KPI not achieved[6]
To be decided next FY	NA
Employee satisfaction survey, performed every second year, with a response rate on 90% or more	KPI not achieved

[5] Management team including; Store Managers, Sales Executives, Team leaders and Department Heads at head office.
[6] For specific result, se section on Human Rights