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ROOM COPENHAGEN A/S

Skodsborgvej 315

2850 Nærum

Central Business Registration No
33041403

Annual report 2016

The Annual General Meeting adopted the annual report on 20.04.2017

Chairman of the General Meeting


Name: Bente Kjær Jensen

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Entity details

Entity

ROOM COPENHAGEN A/S
Skodsborgvej 315
2850 Nærum

Central Business Registration No: 33041403

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Henrik Bernt Sanders, chairman

Jacob Andersen

Frank Leiberg Nissen

Torben Hartvigsen

Executive Board

Jacob Eberhard, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of ROOM COPENHAGEN A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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

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

Copenhagen, 20.04.2017

Executive Board




Jacob Eberhard
CEO

Board of Directors




Henrik Bernt Sanders
chairman



Torben Hartvigsen



Jacob Andersen



Frank Leiberg Nissen

Independent auditor's report

To the shareholder of ROOM COPENHAGEN A/S

Opinion

We have audited the financial statements of ROOM COPENHAGEN A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 20.04.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556



Kim Takata Mücke

State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Gross profit	20.127	19.947	20.816	11.609	18.790
Operating profit/loss	2.981	1.298	2.196	(10.868)	5.278
Net financials	(2.317)	(1.040)	(1.917)	(4.356)	(3.303)
Profit/loss for the year	939	446	(174)	(11.635)	1.472
Total assets	92.676	81.376	96.384	84.407	66.822
Investments in property, plant and equipment	2.528	8.947	10.108	6.364	14.446
Equity	17.502	16.952	16.500	106	11.729
Ratios					
Return on equity (%)	5,5	2,7	(2,1)	(196,6)	24,1
Equity ratio (%)	18,9	20,8	17,1	0,1	17,6

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's activity is to design, produce and distribute high quality designer products under licensed and/or own brands. The Company's range of products is sold in Europe, North America, Latin America, the Middle East, Australia, New Zealand and certain countries in Asia.

Development in activities and finances

In the financial year 2016, the Company realised a gross profit of DKK 20,127k compared to DKK 19,947k in the previous year.

The result after tax is DKK 939k compared to DKK 446k in the previous year. The result is considered satisfactory.

Effective from 1 January 2016, the Parent, Nordic Houseware Group A/S, took over the management activities and certain back-office functions from the Company. This is reflected in the income statement through a reduction in staff costs and an increase in other operating expenses.

At the end December 2016, the Company sold its activities, including related inventory concerning the Pantone brand.

Material assumptions and uncertainties

The balance sheet includes goodwill of DKK 14,100k. Based on the realised EBITDA in 2016 and the expectations for future earnings, Management has concluded that the carrying value is recoverable.

The Group has a tax asset of DKK 2,050k, which, based on a specific assessment, has been fully recognised in the financial statements. The recognised tax asset is primarily attributable to tax loss carryforwards. Based on the current expectations for future earnings, it is Management's opinion that it will be possible to utilise the tax losses in the foreseeable future.

Events after the balance sheet date

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

Income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Gross profit		20.127	19.947
Staff costs	1	(3.256)	(6.297)
Depreciation, amortisation and impairment losses	2	(5.503)	(5.624)
Other operating expenses		<u>(8.387)</u>	<u>(6.728)</u>
Operating profit/loss		2.981	1.298
Income from investments in group enterprises		1.711	576
Other financial income	3	498	1.143
Other financial expenses	4	<u>(4.526)</u>	<u>(2.759)</u>
Profit/loss before tax		664	258
Tax on profit/loss for the year	5	<u>275</u>	<u>188</u>
Profit/loss for the year	6	<u>939</u>	<u>446</u>

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Goodwill		14.100	16.920
Intangible assets	7	14.100	16.920
Plant and machinery		23.871	22.717
Other fixtures and fittings, tools and equipment		0	421
Property, plant and equipment in progress		0	5.264
Property, plant and equipment	8	23.871	28.402
Investments in group enterprises		823	0
Deposits		0	158
Other receivables		8.399	0
Deferred tax		2.050	1.651
Fixed asset investments	9	11.272	1.809
Fixed assets		49.243	47.131
Manufactured goods and goods for resale		6.923	6.008
Inventories		6.923	6.008
Trade receivables		13.252	9.253
Receivables from group enterprises		16.959	14.020
Other receivables		3.726	3.783
Prepayments	10	1.417	1.055
Receivables		35.354	28.111
Cash		1.156	126
Current assets		43.433	34.245
Assets		92.676	81.376

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	11	884	884
Reserve for net revaluation according to the equity method		523	0
Retained earnings		16.095	16.068
Equity		17.502	16.952
Subordinate loan capital		21.567	24.585
Bank loans		8.000	8.000
Non-current liabilities other than provisions	12	29.567	32.585
Current portion of long-term liabilities other than provisions	12	4.719	5.513
Bank loans		15.923	8.003
Trade payables		10.968	11.749
Payables to group enterprises		6.942	0
Other payables		7.055	6.574
Current liabilities other than provisions		45.607	31.839
Liabilities other than provisions		75.174	64.424
Equity and liabilities		92.676	81.376
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Mortgages and securities	15		
Transactions with related parties	16		
Group relations	17		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	884	0	16.068	16.952
Exchange rate adjustments	0	0	49	49
Fair value adjustments of hedging instruments	0	0	(438)	(438)
Profit/loss for the year	0	523	416	939
Equity end of year	884	523	16.095	17.502

Notes

	2016	2015
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	2.983	7.728
Pension costs	64	182
Other social security costs	209	449
Staff costs classified as assets	0	(2.062)
	3.256	6.297
 Average number of employees	 6	 15

Remuneration of management is not disclosed as there is only one person in management.

	2016	2015
	DKK'000	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.820	2.820
Depreciation of property, plant and equipment	2.683	2.788
Profit/loss from sale of intangible assets and property, plant and equipment	0	16
	5.503	5.624

	2016	2015
	DKK'000	DKK'000
3. Other financial income		
Financial income arising from group enterprises	8	39
Interest income	6	10
Exchange rate adjustments	484	1.094
	498	1.143

	2016	2015
	DKK'000	DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	0	149
Interest expenses	3.813	2.197
Other financial expenses	713	413
	4.526	2.759

Notes

	2016	2015
	DKK'000	DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax for the year	(275)	(188)
	(275)	(188)

	2016	2015
	DKK'000	DKK'000
6. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	523	0
Retained earnings	416	446
	939	446

	Goodwill
	DKK'000
7. Intangible assets	
Cost beginning of year	28.200
Cost end of year	28.200
Amortisation and impairment losses beginning of year	(11.280)
Amortisation for the year	(2.820)
Amortisation and impairment losses end of year	(14.100)
Carrying amount end of year	14.100

Notes

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment			
Cost beginning of year	29.343	1.536	5.265
Transfers	5.265	0	(5.265)
Additions	2.528	0	0
Disposals	(5.889)	(1.536)	0
Cost end of year	31.247	0	0
Depreciation and impairment losses beginning of the year	(6.626)	(1.115)	0
Depreciation for the year	(2.683)	0	0
Reversal regarding disposals	1.933	1.115	0
Depreciation and impairment losses end of the year	(7.376)	0	0
Carrying amount end of year	23.871	0	0

Notes

	Investments in group enterprises DKK'000	Deposits DKK'000	Other receivables DKK'000	Deferred tax DKK'000
9. Fixed asset investments				
Cost beginning of year	300	158	0	1.651
Additions	0	0	8.399	399
Disposals	0	(158)	0	0
Cost end of year	300	0	8.399	2.050
Impairment losses beginning of year	(300)	0	0	0
Exchange rate adjustments	49	0	0	0
Share of profit/loss for the year	1.711	0	0	0
Investments with negative equity depreciated over receivables	(937)	0	0	0
Impairment losses end of year	523	0	0	0
Carrying amount end of year	823	0	8.399	2.050

Other receivables relate to the sale of the Pantone brand activities against the issuance of a vendor note.

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
ROOM COPENHAGEN Inc.	USA	Inc.	100,0
ROOM COPENHAGEN GmbH	Germany	GmbH	100,0

10. Prepayments

Prepayments solely comprise prepaid royalties.

Notes

	Number	Par value DKK'000	Nominal value DKK'000
11. Contributed capital			
Shares	884.208	1	884
	884.208		884
	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000
12. Liabilities other than provisions			
Subordinate loan capital	4.719	5.513	21.567
Bank loans	0	0	8.000
	4.719	5.513	29.567

In addition, the Company has short-term bank debt of DKK 15,923k consisting of factoring and overdraft facilities.

	2016 DKK'000	2015 DKK'000
13. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	22	341

14. Contingent liabilities

The Company participates in a joint taxation arrangement, whereby the Company from July 2012 is jointly and severally liable for any obligations in relation to withholding taxes on interest, royalties and dividends for the jointly taxed companies. From January 2013 the Company is also jointly and severally liable for corporate taxes.

Vækstfonden is entitled to an exit bonus if the Company is sold before the loan from Vækstfonden of DKK 14,469k is fully repaid (included in subordinate loan capital listed in Note 12).

Notes

15. Mortgages and securities

ROOM COPENHAGEN A/S has issued a cross guarantee of DKK 20,600k for another group company in favour of a joint bank.

Bank debt is secured by way of a general mortgage deed of DKK 20,000k. (2015: DKK 20,000k).

Trade receivables of DKK 9,241k (2015: DKK 4,616k) pledged as security for bank debt.

16. Transactions with related parties

The Company has the following parties with controlling influence.

<u>Name</u>	<u>Registered office</u>	<u>Basis of influence</u>
Nordic Houseware Group A/S	2850 Nærum	Parent company
Jacob Andersen Holding ApS	2680 Solrød Strand	Parent company
Jacob Andersen	2680 Solrød Strand	Ultimate majority shareholder

Transactions with related parties are all based on the arm's length principle.

17. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Jacob Andersen Holding ApS, Stigårdsvej 19, 2680 Solrød Strand

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Nordic Houseware Group A/S, Skodsborgvej 315, 2850 Nærum

Accounting policies

Reporting class

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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 costs 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.

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

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.

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.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Accounting policies

Revenue

Revenue from the sale of goods for resale and finished goods is recognized in the income statement when delivery and transfer of risk has been made.

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

Other operating income

Other operating income comprises income of a sale of activity.

Costs of raw materials and consumables

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year and freight for the year.

Staff costs

Staff expenses comprise wages and salaries as well as other payroll expenses.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Income from investments in group enterprises

Income from investments in subsidiaries include the proportionate share of profit/loss according to the equity-method.

Other financial income

Other financial income are recognized in the income statement at the amounts relating to the financial year. Other financial income comprise interest income and exchange gains.

Other financial expenses

Other financial expenses are recognized in the income statement at the amounts relating to the financial year. Other financial expenses comprise exchange losses, interest and other financial expenses.

Tax on profit/loss for the year

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

Accounting policies

The Company is part of a joint taxation. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually 10 years based on an assessment of the long-term earnings profile.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Property, plant and equipment are measured at cost and less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition. For self-constructed assets, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers

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

Plant and machinery	3-12 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured under the equity method.

Investments in group enterprises include the proportionate ownership share of the equity of each subsidiary.

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

Subsidiaries with a negative net value are recognised and presented at DKK 0.

Receivables

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

Accounting policies

Deferred tax

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

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

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion.

The cost of goods for resale, raw materials and consumables comprises purchase price plus delivery costs.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Fixed-interest loans are recognized initially at the proceeds received, net of loan costs incurred. Subsequently, the loans are measured at amortised cost where the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Cash flow statement

A cash flow statement is presented for the entire Group, wherefore we refer to the annual report of Nordic Houseware Group A/S.