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ROOM COPENHAGEN A/S

Skodsborgvej 315
2850 Nærum
Business Registration No
33041403

Annual report 2017

The Annual General Meeting adopted the annual report on 03.05.2018

Chairman of the General Meeting

Bente Kjær Jens

Name: Bente Kjær Jensen

Contents

Entity details

Entity

ROOM COPENHAGEN A/S
Skodsborgvej 315
2850 Nærum

Central Business Registration No (CVR): 33041403
Founded: 22.06.2010
Registered in: Rudersdal
Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Thomas Kræmer, 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 01.01.2017 - 31.12.2017.

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

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

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

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

Copenhagen, 03.05.2018

Executive Board

Jacob Eberhard
CEO

Board of Directors

Thomas Kræmer
Chairman

Jacob Andersen

Frank Leiberg Nissen

Torben Hartvigsen

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 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

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 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.

Independent auditor's report

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

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, 03.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Kim Takata Mücke
State Authorised Public Accountant
Identification No (MNE) mne10944

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 are sold in Europe, North America, Latin America, Middle East, Australia, New Zeeland and certain countries in Asia.

Development in activities and finances

In the financial year 2017, the Company realised a gross profit of DKK 29,921k compared to DKK 20,127k prior year.

The result after tax is a profit of DKK 4,834k compared to DKK 939k prior year. The result is considered satisfactory.

Material assumptions and uncertainties

The balance sheet includes goodwill of DKK 11,280k. Based on the realised EBITDA in 2017 and the expectations to the future earnings, Management has determined that the carrying value is recoverable.

Events after the balance sheet date

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

Income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Gross profit		**29.921**	**20.127**
Staff costs	1	(3.714)	(3.256)
Depreciation, amortisation and impairment losses	2	(5.703)	(5.503)
Other operating expenses		(11.512)	(8.387)
Operating profit/loss		**8.992**	**2.981**
Income from investments in group enterprises		1.951	1.711
Other financial income	3	83	498
Other financial expenses	4	(5.059)	(4.526)
Profit/loss before tax		**5.967**	**664**
Tax on profit/loss for the year	5	(1.133)	275
Profit/loss for the year		**4.834**	**939**
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		2.268	523
Retained earnings		2.566	416
		4.834	**939**

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Acquired licences		37	0
Goodwill		11.280	14.100
Intangible assets	6	**11.317**	**14.100**
Plant and machinery		23.678	23.871
Property, plant and equipment in progress		148	0
Property, plant and equipment	7	**23.826**	**23.871**
Investments in group enterprises		1.096	823
Receivables from group enterprises		8.399	0
Other receivables		0	8.399
Deferred tax		1.078	2.050
Fixed asset investments	8	**10.573**	**11.272**
Fixed assets		**45.716**	**49.243**
Manufactured goods and goods for resale		4.054	6.923
Inventories		**4.054**	**6.923**
Trade receivables		15.603	13.252
Receivables from group enterprises		18.709	16.959
Other receivables		10.364	3.726
Prepayments	9	1.534	1.417
Receivables		**46.210**	**35.354**
Cash		**1.609**	**1.156**
Current assets		**51.873**	**43.433**
Assets		**97.589**	**92.676**

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	10	884	884
Reserve for net revaluation according to the equity method		796	523
Retained earnings		18.524	16.095
Equity		**20.204**	**17.502**
Subordinate loan capital		15.565	21.567
Bank loans		6.000	8.000
Non-current liabilities other than provisions	11	**21.565**	**29.567**
Current portion of long-term liabilities other than provisions	11	6.452	4.719
Bank loans		21.989	15.923
Trade payables		18.179	10.968
Payables to group enterprises		2.617	6.942
Other payables		6.583	7.055
Current liabilities other than provisions		**55.820**	**45.607**
Liabilities other than provisions		**77.385**	**75.174**
Equity and liabilities		**97.589**	**92.676**
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Group relations	15		

Statement of changes in equity for 2017

	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	523	16.095	17.502
Exchange rate adjustments	0	(242)	(737)	(979)
Fair value adjustments of hedging instruments	0	0	438	438
Other entries on equity	0	(1.753)	0	(1.753)
Tax of entries on equity	0	0	162	162
Profit/loss for the year	0	2.268	2.566	4.834
Equity end of year	**884**	**796**	**18.524**	**20.204**

Notes

	2017 DKK'000	2016 DKK'000
1. Staff costs		
Wages and salaries	3.519	2.983
Pension costs	71	64
Other social security costs	124	209
	3.714	**3.256**
Average number of employees	**6**	**6**

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

	2017 DKK'000	2016 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.820	2.820
Depreciation of property, plant and equipment	2.883	2.683
	5.703	**5.503**

	2017 DKK'000	2016 DKK'000
3. Other financial income		
Financial income arising from group enterprises	0	8
Other interest income	83	6
Exchange rate adjustments	0	484
	83	**498**

	2017 DKK'000	2016 DKK'000
4. Other financial expenses		
Other interest expenses	2.195	2.806
Exchange rate adjustments	1.569	0
Other financial expenses	1.295	1.720
	5.059	**4.526**

Notes

	2017 DKK'000	2016 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	1.133	(275)
	1.133	**(275)**

	Acquired licences DKK'000	Goodwill DKK'000
6. Intangible assets		
Cost beginning of year	0	28.200
Additions	37	0
Cost end of year	**37**	**28.200**
Amortisation and impairment losses beginning of year	0	(14.100)
Amortisation for the year	0	(2.820)
Amortisation and impairment losses end of year	**0**	**(16.920)**
Carrying amount end of year	**37**	**11.280**

	Plant and machinery DKK'000	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment		
Cost beginning of year	31.247	0
Additions	2.690	148
Cost end of year	**33.937**	**148**
Depreciation and impairment losses beginning of year	(7.376)	0
Depreciation for the year	(2.883)	0
Depreciation and impairment losses end of year	**(10.259)**	**0**
Carrying amount end of year	**23.678**	**148**

Notes

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000	Other receivables DKK'000	Deferred tax DKK'000
8. Fixed asset investments				
Cost beginning of year	300	0	8.399	2.050
Additions	0	8.399	0	0
Disposals	0	0	(8.399)	(972)
Cost end of year	**300**	**8.399**	**0**	**1.078**
Revaluations beginning of year	523	0	0	0
Exchange rate adjustments	(242)	0	0	0
Share of profit/loss for the year	1.951	0	0	0
Investments with negative equity value depreciated over receivables	317	0	0	0
Other adjustments	(1.753)	0	0	0
Revaluations end of year	**796**	**0**	**0**	**0**
Carrying amount end of year	**1.096**	**8.399**	**0**	**1.078**

Other receivables relate to the sale in 2016 of the Pantone brand activities against a vendor note, which falls due in [2022].

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
ROOM COPENHAGEN Inc.	USA	Inc.	100,0
ROOM COPENHAGEN GmbH	Germany	GmbH	100,0

9. Prepayments

Prepayments solely comprise prepaid royalties.

Notes

	Number	Par value DKK'000	Nominal value DKK'000
10. Contributed capital			
Shares	884.208	1	884
	884.208		**884**

	Due within 12 months 2017 DKK'000	Due within 12 months 2016 DKK'000	Due after more than 12 months 2017 DKK'000
11. Liabilities other than provisions			
Subordinate loan capital	4.452	4.719	15.565
Bank loans	2.000	0	6.000
	6.452	**4.719**	**21.565**

In addition, the Company has short-term bank debt of DKK 21,989k consisting of factoring and overdraft facilities.

	2017 DKK'000	2016 DKK'000
12. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**0**	**22**

13. 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 31.12.2019 although the loan from Vækstfonden of DKK 10,017 k has been fully repaid (included in subordinate loan capital listed in Note 11).

Notes

14. Assets charged and collateral

In connection with the conclusion of a Group Multi-Option Facility Agreement, the Company is jointly liable for all debts under the agreement together with all other companies in the Group.

Bank debt is secured by way of a general mortgage deed of DKK 20,000k. (2016: DKK 20,000k).

Trade receivables of DKK 13,466k (2016: DKK 9,241k) pledged as security for bank debt.

15. 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 B enterprises with addition of certain provisions for report-ing class C.

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 from 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.

Intellectual property rights etc

Intellectual property rights etc comprise of software.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

Intellectual property rights etc are 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

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.

Accounting policies

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.

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.