
August Sandgren A/S

Frederiksberggade 16, DK-1459 Copenhagen

Annual Report for 1 January - 31 December 2017

CVR No 37 12 50 40

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/5 2018

Ole Finn Nielsen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of August Sandgren A/S for the financial year 1 January - 31 December 2017.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

Copenhagen, 28 May 2018

Executive Board

Pia Kirkeskov Andersen
CEO

Vibeke Snedgaard Rafaelsen
Executive Officer

Board of Directors

Ole Finn Nielsen
Chairman

Angus Robert Ridgway

Cecilie Pram Kjølbbye

Hugo Dorph

Independent Auditor's Report

To the Shareholders of August Sandgren A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of August Sandgren A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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 Company 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.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 Company's ability to

Independent Auditor's Report

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 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 judgement and maintain professional scepticism 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 Company'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 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 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.

Independent Auditor's Report

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.

Hellerup, 28 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Christensen

state authorized public accountant

mne33687

Company Information

The Company

August Sandgren A/S
Frederiksberggade 16
DK-1459 Copenhagen

CVR No: 37 12 50 40
Financial period: 1 January - 31 December
Incorporated: 1 October 2015
Municipality of reg. office: Copenhagen

Board of Directors

Ole Finn Nielsen, Chairman
Angus Robert Ridgway
Cecilie Pram Kjølbbye
Hugo Dorph

Executive Board

Pia Kirkeskov Andersen
Vibeke Snedgaard Rafaelsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Main activity

August Sandgren A/S has 100 years of history within design, production and distribution of high quality leather boxes for storage and decoration. The boxes are used by private consumers and hotels as well as businesses for all the things that do not belong in “the cloud”.

Development in the year

The income statement of the Company for 2017 shows a loss of DKK 971,820, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 788,662.

The result is not accordance with management expectations but taken into account that it is the company's second financial year the result is considered satisfactory.

After taking over the brand and launching a trial collection in December 2016, we used the main part of 2017 to adjust the business to the learnings from the test launch, including new supplier set-up and new, improved raw materials. To secure a timeless look the design and colours of our products were also adjusted in close cooperation with Margrethe Odgaard– one of Denmark's leading designers. The adjustments were made in order to secure a strong core business and make it scalable. The result was a launch of “The Bookbox” by the end of November 2017. The launch came too late to obtain a proper distribution in 2017, however we managed to leverage the very last part of Christmas sales, thanks to a great product and hence a group of very supportive retailers, e.g. Illums Bolighus, and co-creations partners, e.g. Rue Verte. Apart from the symbolic sales made in the last six weeks of 2017, the reward for the re-set was the positive review by the media, naming us “Design of the Week” (Politiken) and “Christmas present of the year” (Bo Bedre).

The 2017 adjustments have continued to prove themselves in Q1 2018, where further retailers and co-creation partners have been added to our list of customers and partners. In 2018 the boxes have furthermore proved to be in demand by leading luxury hotels and executive offices, extending our core customer group to corporations, architects and designers.

With a strong core and emerging commercial success, we expect to recuperate the loss made in 2017 within a foreseeable future.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any material uncertainty.

Subsequent events

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

Income Statement

1 January - 31 December 2017

	Note	2017 DKK	2016 DKK
Gross profit/loss		-469.978	103.045
Staff expenses	1	-603.264	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-146.529	-89.437
Profit/loss before financial income and expenses		-1.219.771	13.608
Financial income		0	5.928
Financial expenses		-23.312	-4.055
Profit/loss before tax		-1.243.083	15.481
Tax on profit/loss for the year	2	271.263	-5.000
Net profit/loss for the year		-971.820	10.481

Distribution of profit

Proposed distribution of profit			
Development costs for the year		50.482	275.560
Retained earnings		-1.022.302	-265.079
		-971.820	10.481

Balance Sheet 31 December Assets

	Note	2017 DKK	2016 DKK
Completed development projects		418.003	353.281
Acquired trademarks		20.098	21.215
Software		49.634	0
Intangible assets	3	487.735	374.496
Fixed assets		487.735	374.496
Inventories		93.114	309.153
Trade receivables		161.563	128.764
Other receivables		2.265	76.215
Deferred tax asset		266.263	0
Prepayments		734	0
Receivables		430.825	204.979
Cash at bank and in hand		662.174	671.154
Currents assets		1.186.113	1.185.286
Assets		1.673.848	1.559.782

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		571.428	500.000
Reserve for development costs		326.042	275.560
Retained earnings		-108.808	-265.079
Equity		788.662	510.481
Provision for deferred tax		0	5.000
Provisions		0	5.000
Convertible and profit-yielding instruments of debt		774.583	752.083
Long-term debt		774.583	752.083
Trade payables	4	36.471	287.170
Payables to owners and Management		0	5.048
Other payables		74.132	0
Short-term debt		110.603	292.218
Debt		885.186	1.044.301
Liabilities and equity		1.673.848	1.559.782
Contingent assets, liabilities and other financial obligations	5		
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Statement of Changes in Equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	0	275.560	-265.078	510.482
Cash capital increase	71.428	1.178.572	0	0	1.250.000
Development costs for the year	0	0	50.482	-50.482	0
Net profit/loss for the year	0	0	0	-971.820	-971.820
Transfer from share premium account	0	-1.178.572	0	1.178.572	0
Equity at 31 December	571.428	0	326.042	-108.808	788.662

Notes to the Financial Statements

	2017	2016
	DKK	DKK
1 Staff expenses		
Wages and salaries	600.992	0
Other social security expenses	2.272	0
	603.264	0
Average number of employees	1	0

2 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	-271.263	5.000
	-271.263	5.000

	Completed development projects	Acquired trade- marks	Software
	DKK	DKK	DKK
Cost at 1 January	441.601	22.332	0
Additions for the year	197.288	0	62.480
Cost at 31 December	638.889	22.332	62.480
Impairment losses and amortisation at 1 January	88.320	1.117	0
Amortisation for the year	132.566	1.117	12.846
Impairment losses and amortisation at 31 December	220.886	2.234	12.846
Carrying amount at 31 December	418.003	20.098	49.634
Amortised over	5 years	20 years	3 years

Development projects relate to the development of the Company's product collection, which has been completed in 2016 and 2017. The products are expected to be sold through existing and well-established retailers.

- 4 Long-term debt**
 Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.
 The debt falls due for payment as specified below:

Convertible and profit-yielding instruments of debt		
Between 1 and 5 years	774.583	752.083
Long-term part	774.583	752.083
Within 1 year	0	0
	774.583	752.083

Notes to the Financial Statements

5 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has no contingent liabilities at 31 December 2017.

Notes to the Financial Statements

6 Accounting Policies

The Annual Report of August Sandgren A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

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.

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

6 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Revenue also includes grants and contributions received in the financial year where all conditions are adhered to.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

6 Accounting Policies (continued)

Tax on profit/loss for the year

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

Balance Sheet

Intangible assets

Trademarks, development costs and costs relating to rights developed by the Company are measured at cost less accumulated amortisation. Trademarks, development costs and costs relating to rights developed by the Company are amortised on a straight-line basis over its useful life, which is assessed at 20 years for trademarks, 5 years for development costs and costs relating to rights developed by the Company and 3 years for software.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Receivables

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

Prepayments

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 within the same legal tax entity.

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. Any changes

Notes to the Financial Statements

6 Accounting Policies (continued)

in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; 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.