
August Sandgren A/S

Wildersgade 10 B 4, DK-1408 Copenhagen

Annual Report for 2019

CVR-nr. 37 12 50 40

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/8 2020

Angus Robert Ridgway
Chairman of the
general meeting



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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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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

Copenhagen, 28 August 2020

Executive Board

Pia Kirkeskov Andersen
Adm manager

Board of Directors

Angus Robert Ridgway
Chairman

Pia Kirkeskov Andersen

Cecilie Pram Kjølbjerg

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, which comprise income statement, balance sheet 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 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.

Independent Auditor's report

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.

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 August 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Claus Christensen

state authorised public accountant

mne33687

Company information

The Company	August Sandgren A/S Wildersgade 10 B 4 DK-1408 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	Angus Robert Ridgway, Chairman Pia Kirkeskov Andersen Cecilie Pram Kjølbye
Executive board	Pia Kirkeskov Andersen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Management's review

Key activities

August Sandgren A/S has 100 years of history within high quality bookbinding and box-making. Today the company leverage the heritage in designing, producing and distributing high quality leather and textile boxes for storage. The boxes are used by private consumers, offices and hotels for all the physical belongings that do not belong in "the cloud".

Development in the year

The income statement of the Company for 2019 shows a loss of DKK 1,899,942, and at 31 December 2019 the balance sheet of the Company shows positive equity of DKK 268,191.

The result is not accordance with management expectations which is primarily due to changes in the executive board and day- to- day management that shifted the focus away from the sales agenda in the second half of 2018. With capital increase in early 2019 and focus on execution of the Company strategy management expects an improved result for 2020.

For 2020 a negative result between DKK 0.5 – 1.0 million is expected.

Capital resources

As of 31 December 2019, the Company has lost more than fifty percent of the share capital due to incurred losses and is thus covered by the requirements in section 119 in the Danish Companies Act. It is Management's expectations that the loss of share capital will be recovered through future profits and if deemed relevant via debt conversion and/or cash capital increase.

For elaboration on the Company's ability to continue as a going concern reference is made to note 1 in the Financial Statements.

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.

The consequences of Covid-19, in which many governments around the world have decided to "shut down the countries", are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company. Reference is made to the financial statements note 2.

Income statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit/loss		-511,855	-180,212
Staff expenses	3	-445,341	-703,734
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-191,528	-171,258
Profit/loss before financial income and expenses		-1,148,724	-1,055,204
Financial income		553	0
Financial expenses		-260,018	-23,504
Profit/loss before tax		-1,408,189	-1,078,708
Tax on profit/loss for the year	4	-491,753	235,961
Net profit/loss for the year		-1,899,942	-842,747

Distribution of profit

	2019 DKK	2018 DKK
Proposed distribution of profit		
Transfer for the year to other reserves	-16,671	-24,914
Retained earnings	-1,883,271	-817,833
	-1,899,942	-842,747

Balance sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Completed development projects		364,689	386,061
Acquired licenses		7,980	28,807
Acquired trademarks		17,864	18,981
Intangible assets	5	390,533	433,849
Fixed assets		390,533	433,849
Finished goods and goods for resale		343,741	167,592
Inventories		343,741	167,592
Trade receivables		228,951	102,646
Receivables from group enterprises		39,327	0
Other receivables		37,906	2,500
Deferred tax asset		0	502,224
Receivables		306,184	607,370
Cash at bank and in hand		398,546	271,211
Current assets		1,048,471	1,046,173
Assets		1,439,004	1,480,022

Balance sheet 31 December

Liabilities and equity

	Note	2019	2018
		DKK	DKK
Share capital		698,411	571,428
Reserve for development costs		284,457	301,128
Retained earnings		-714,677	-926,641
Equity	6	268,191	-54,085
Convertible and profit-yielding instruments of debt		1,020,000	0
Long-term debt	7	1,020,000	0
Convertible instruments of debt		0	797,083
Trade payables		98,329	58,645
Payables to owners and Management		0	550,212
Other payables		52,484	128,167
Short-term debt		150,813	1,534,107
Debt		1,170,813	1,534,107
Liabilities and equity		1,439,004	1,480,022
Going concern	1		
Subsequent events	2		
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Notes to the financial statement

1. Going concern

For 2020 Management expects a negative result between DKK 0.5 – 1.0 million with negative cash flows.

In order to mitigate the negative cash flows and the negative effects from Covid-19 Management has taken measures in early 2020 in order to reduce the cost base and liquidity requirements for the Company.

With the current cash resources in late august 2020 combined with incurred and budgeted sales activities and a significantly reduced cost base for the remainder of 2020 Management expects that the Company will have sufficient liquidity to continue operations for the entirety of 2020. Management is furthermore in a positive dialogue with investors regarding new cash capital increases and/or loans to be completed in late 2020 or early 2021, however these are not deemed necessary for the Company to continue as a going concern for the remainder of 2020.

It is Management's point of view that based on the incurred and budgeted sales and the significantly reduced cost base for the remainder of 2020 there is no material uncertainty with regard to the going concern assumption for the Company.

Based on the above mentioned development in sales and measures taken to reduce the cost base of the Company Management has prepared the financial statements for 2019 on a going concern basis.

2. Subsequent events

The consequences of Covid-19, in which many governments around the world have decided to "shut down the countries", are of great importance to the world economy. Management considers the consequences of Covid-19 as an event that occurred after the balance sheet date (December 31, 2019) and therefore constitutes a non-regulatory event for the company.

The Company has so far been negatively affected by the effects of Covid-19 as customers have paused existing and new orders. The Company was also adversely affected by the fact that management decided to send home employees as a result of the government's call for this.

At the time being it is not possible to estimate the magnitude of the effects of Covid-19.

3. Staff Expenses

	<u>2019</u> DKK	<u>2018</u> DKK
Wages and salaries	443,640	701,652
Other social security expenses	1,701	2,082
	<u>445,341</u>	<u>703,734</u>
Average number of employees	<u>1</u>	<u>1</u>

Notes to the financial statement

	2019	2018
	DKK	DKK
4. Income tax expense		
Current tax for the year	-10,471	0
Deferred tax for the year	502,224	-235,961
	<u>491,753</u>	<u>-235,961</u>

5. Intangible fixed assets

	Completed development projects	Acquired licenses	Acquired trademarks
	DKK	DKK	DKK
Cost at 1 January	756,261	62,480	22,332
Additions for the year	148,212	0	0
Cost at 31 December	<u>904,473</u>	<u>62,480</u>	<u>22,332</u>
Impairment losses and amortisation at 1 January	370,200	33,673	3,351
Amortisation for the year	169,584	20,827	1,117
Impairment losses and amortisation at 31 December	<u>539,784</u>	<u>54,500</u>	<u>4,468</u>
Carrying amount at 31 December	<u>364,689</u>	<u>7,980</u>	<u>17,864</u>
Amortised over	<u>5 years</u>	<u>3 years</u>	<u>20 years</u>

Notes to the financial statement

6. Equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	571,428	0	301,128	-926,641	-54,085
Cash capital increase	126,983	2,095,235	0	0	2,222,218
Development costs for the year	0	0	-16,671	16,671	0
Net profit/loss for the year	0	0	0	-1,899,942	-1,899,942
Transfer from share premium account	0	-2,095,235	0	2,095,235	0
Equity at 31 December	698,411	0	284,457	-714,677	268,191

The share capital consists of 698,411 shares of a nominal value of DKK 1. No shares carry any special rights.

Movements in share capital last five years:

Incorporation, 1 October 2015: 500.000

Cash capital increase 19 January 2017: 71.428

Capital increase by debt conversion, 6 February 2019: 28.571

Cash capital increase, 6 February 2019: 98.412

Share capital at 31 December 2019 698.411

The share capital has developed as follows:

	2019	2018	2017	2015/16
	DKK	DKK	DKK	DKK
Share capital at 1 January	571,428	571,428	500,000	500,000
Capital increase	126,983	0	71,428	0
Share capital at 31 December	698,411	571,428	571,428	500,000

Notes to the financial statement

7. 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:

	<u>2019</u>	<u>2018</u>
	DKK	DKK
Convertible and profit-yielding instruments of debt		
After 5 years	0	0
Between 1 and 5 years	<u>1,020,000</u>	<u>0</u>
Long-term part	1,020,000	0
Within 1 year	<u>0</u>	<u>797,083</u>
	<u>1,020,000</u>	<u>797,083</u>

8. Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has no contingent liabilities at 31 December 2019.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Kirkeskov Andersen Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the financial statement

9. Accounting policies

The Annual Report for August Sandgren A/S for 2019 has been prepared in accordance with the Danish Financial Statements Act for companies in 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 2019 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.

Income statement

Net sales

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.

Notes to the financial statement

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, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

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.

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 fixed assets

Trademarks, development projects and licenses are measured at cost less accumulated amortisation. Trademarks, development projects and licenses are amortised on a straight-line basis over their useful lives, which is assessed at 20 years for trademarks, 5 years for development projects and 3 years for licenses.

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 and costs of completion. 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.

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.

Notes to the financial statement

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 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.