

J.S. Reklame, Århus ApS

Sødalsparken 18, 8220 Brabrand

CVR No 70 99 02 10

Annual Report 2018/19

(Annual year 1/9 – 31/8)

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24 January 2019

Uffe Baller
Chairman

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Company Information

The Company

J.S. Reklame, Århus ApS
Sødalsparken 18
DK-8220 Brabrand

CVR No 70 99 02 10
Financial year: 1 September – 31 August
Municipality of reg. office: Aarhus

Board of Directors

Jacob Brunsborg
Hans Henrik Kjølby

Lawyers

Interlex Advokater
Marianne Thomsens Gade 1C, 8.1
DK-8000 Aarhus C

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Bank

Nordea Bank Danmark A/S
Skt. Clemens Torv 2-6
DK-8000 Aarhus C

Financial Highlights of the Group (DKK '000)

	2018/19	2017/18	2016/17	2015/16
Key figures				
Income Statement				
Revenue	1.932.343	1.807.899	1.259.068	651.308
Profit before financial items (EBIT)	91.651	17.555	58.752	18.739
Net financials	251.982	242.227	217.835	174.244
Result for the year	312.183	242.140	257.244	179.058
Balance sheet				
Balance sheet total	2.649.373	2.344.564	2.280.931	1.829.944
Equity	2.289.455	1.992.851	1.768.522	1.509.292
Cash flow statement				
Investment in tangible assets	3.307	6.644	3.620	0
Ratios				
Return on assets	3,5%	0,7%	2,6%	1,0%
Solvency ratio	86,4%	85,0%	77,5%	82,5%
Return on equity	14,6%	12,9%	15,7%	12,7%
Number of employees	1.350	1.349	1.243	1.196

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

Management's Review

Main activity

The activity of the Parent Company comprises investments in subsidiaries and associates as well as current asset investments. The Group's main activities are carried out in subsidiaries producing and selling high-quality furniture to retailers all over the world.

Development in the financial year

Group revenue amounts to DKK 1.932.343k compared to DKK 1.807.899k in financial year 2017/18.

Profit before financial income and expenses amounts to DKK 91.651k compared to DKK 17.555k in 2017/18.

Profit for the year after tax amounts to DKK 312.183k compared to DKK 242.140k in 2017/18. The result is satisfying and in conjunction with management expectations.

Special risks

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

External environment

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

Knowledge resources

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

Corporate social responsibility

The statutory statement of corporate social responsibility and statement on the underrepresented gender appears from page 29.

Management's Review

Subsequent events

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

Management's Statement

The Board of Directors have today considered and adopted the Annual Report of J.S. Reklame, Århus ApS for the financial year 1 September 2018 – 31 August 2019.

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

In our opinion, the Parent Company Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Parent Company and the Group at 31 August 2019 and of the results of the Parent Company and the Group operations and cash flows for 2018/19.

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

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

Aarhus, 24 January 2020

Board of Directors

Jacob Brunsborg

Hans Henrik Kjølby

Independent Auditor's Report

To the shareholders of J.S. Reklame ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 August 2019, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 September 2018 - 31 August 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of J.S. Reklame, Århus ApS for the financial year 1 September 2018 - 31 August 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 24 January 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31

Henrik Kragh

State Authorised Public Accountant

mne26783

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

	Note	Parent company		Group	
		2018/19	2017/18	2018/19	2017/18
Revenue	1	0	0	1.932.343	1.807.899
Cost of sales		0	0	1.514.695	1.407.674
Other operating income		0	0	2.170	5.451
Other external cost	2	271	403	94.841	129.057
Gross Profit		-271	-403	324.976	276.618
Staff expenses	3	0	0	173.386	165.465
Depreciation and amortisation		0	0	59.812	69.939
Other operating expenses		0	0	127	23.659
Result before financial items		-271	-403	91.651	17.555
Result from subsidiaries	10	52.016	-4.786	0	0
Result from associated companies	12	254.809	246.937	254.809	246.937
Financial income	4	663	1.358	1.772	1.117
Financial expenses	5	1.071	434	4.599	5.827
Result before tax		306.146	242.673	343.632	259.782
Tax on profit for the year	6	144	-115	-31.449	-17.642
Result for the year		306.290	242.558	312.183	242.140
Distribution of profit	7				

Balance sheet at 31st August (DKK '000)

Assets	Note	Parent company		Group	
		2019	2018	2019	2018
Software		0	0	0	0
Goodwill		0	0	68.921	117.872
Intangible assets	8	0	0	68.921	117.872
Land and buildings		0	0	96.253	102.560
Fixtures and fittings, tools and equipment		0	0	6.917	7.461
Trucks and cars		0	0	227	233
Leasehold improvements		0	0	413	400
Assets under construction		0	0	628	0
Tangible assets	9	0	0	104.437	110.654
Investments in subsidiaries	10	223.833	198.426	0	0
Receivables from subsidiaries	11	0	50.268	0	0
Investments in associates	12	1.801.227	1.562.534	1.801.227	1.562.534
Deposits	13	0	0	6.414	5.664
Fixed asset investments		2.025.060	1.811.228	1.807.640	1.568.198
Fixed assets		2.025.060	1.811.228	1.980.998	1.796.725
Commercial products		0	0	120.636	122.427
Inventories		0	0	120.636	122.427
Trade receivables		0	0	178.480	177.268
Receivables from subsidiaries		0	303	0	0
Corporation tax		0	0	0	434
Other receivables		256.434	205.105	265.497	223.160
Prepayments	14	0	0	8.788	6.251
Receivables		256.434	205.408	452.765	407.113
Securities		0	0	19	4
Cash at bank and in hand		0	0	94.955	18.295
Current assets		256.434	205.408	668.375	547.840
Assets		2.281.493	2.016.636	2.649.373	2.344.564

Balance sheet at 31st August (DKK '000)

Liabilities	Note	Parent company		Group	
		2019	2018	2019	2018
Share capital		1.000	1.000	1.000	1.000
Retained earnings		1.728.430	1.698.862	2.263.698	1.970.031
Reserve for net revaluation method		535.268	271.169	0	0
Equity attributable to parent company shareholders		2.264.698	1.971.031	2.264.698	1.971.031
Non-controlling interests		0	0	24.757	21.820
Equity		2.264.698	1.971.031	2.289.455	1.992.851
Deferred tax	16	0	0	3.117	3.391
Provisions		0	0	3.117	3.391
Mortgage debt, long-term	17	0	0	57.989	63.360
Instruments of debt, long-term	18	0	0	0	5.585
Long term debt		0	0	57.989	68.945
Mortgage debt, short-term	17	0	0	5.340	5.234
Instruments of debt, short-term	18	0	0	8.303	8.717
Trade payables		0	0	155.913	117.695
Corporation tax		16.595	383	46.464	19.820
Other payables		200	45.222	82.792	127.911
Short-term debt		16.795	45.605	298.812	279.377
Debt		16.795	45.605	356.801	348.322
Liabilities and equity		2.281.493	2.016.636	2.649.373	2.344.564
Contractual obligations	19				
Security	20				
Contingent liabilities	21				
Controlling interest	22				

Statement of changes in equity (DKK '000)

	Parent company		Group	
	2019	2018	2019	2018
Equity				
Opening at 1st September	1.971.031	1.741.996	1.992.851	1.768.522
Result for the year	306.290	242.558	312.183	242.140
Other adjustments	-12.096	1.493	-12.096	1.493
Exchange adjustment on foreign subsidiaries	-527	-15.016	-527	-15.016
Non-controlling interests	0	0	-2.957	-4.289
Equity at 31st August	2.264.698	1.971.031	2.289.455	1.992.851
Specified as follows:				
5 A-shares of DKK 1,000	5	5	5	5
15 B-shares of DKK 1,000	15	15	15	15
180 C-shares of DKK 1,000	180	180	180	180
800 D-shares of DKK 1,000	800	800	800	800
Share capital	1.000	1.000	1.000	1.000
Opening at 1st September	271.169	56.713		
Value adjustment for the year	264.099	214.456		
Reserve for net revaluation according to the equity method at 31st August	535.268	271.169		
Retained earnings at 1 September	1.698.862	1.684.283	1.991.851	1.767.522
Result for the year	29.804	28.102	306.290	242.558
Other adjustments	291	1.493	-12.096	1.493
Exchange adjustment on foreign subsidiaries	-527	-15.016	-527	-15.016
Non-controlling interests	0	0	2.937	-4.707
Retained earnings at 31st August	1.728.430	1.698.862	2.288.455	1.991.851
Equity at 31st August	2.264.698	1.971.031	2.289.455	1.992.851

Statement of changes in equity (DKK '000)

	Parent company		Group	
	2019	2018	2019	2018
Non-controlling interests				
Specified as follows:				
Opening at 1st September			21.820	26.527
Disposals for the year			0	-2.880
Dividend			-3.345	-1.575
Fair value adjustment etc.			32	166
Share of profit of the year			5.893	-418
FX on foreign affiliates			356	0
Non-controlling interests at 31st August			24.757	21.820

Consolidated Cash Flows (DKK '000)

	Note	2018/19	2017/18
Profit for the year		312.183	242.140
Adjustments	23	-158.354	-158.336
Change in working capital	24	39.157	102.944
Cash flows from operating activities before financial income and expenses		192.986	186.748
Financial income		1.772	1.117
Financial expenses		-4.599	-5.827
Cash flows from ordinary activities		190.159	182.038
Corporation tax paid		-4.645	-15.552
Cash flows from operating activities		185.514	166.486
Purchase of intangible assets		-107	-77
Purchase of tangible assets		-3.307	-6.644
Purchase of fixed asset investments		-750	0
Sale of tangible assets		285	5.332
Cash flows from investing activities		-3.879	-1.389
Net proceeds from borrowings		100.653	16.398
Raising/repayment of mortgage loans		-5.265	-5.242
Instruments of debt		-45.022	-106.641
Dividend paid		-3.345	-1.575
Cash flows from financing activities		47.021	-97.060
Change in cash and cash equivalents		228.656	68.037
Cash and cash equivalents at 1 September		122.752	54.715
Cash and cash equivalents at 31 August		351.408	122.752
Cash and cash equivalents are specified as follows:			
Current asset investments		19	4
Cash at bank and in hand		94.955	18.295
Cash pool		256.434	104.453
Cash and cash equivalents at 31 August		351.408	122.752

Notes to the Annual Report (DKK '000)

1 Revenue

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

	Parent company		Group	
	2018/19	2017/18	2018/19	2017/18
2 Fees to the auditors appointed general meeting				
PricewaterhouseCoopers				
Auditfee	163	163	493	530
Other assurance engagements	0	0	87	95
Tax advisory services	0	0	130	98
Other non-audit services	59	190	69	390
	221	353	779	1.113
Other auditors				
Auditfee	0	0	235	295
Other assurance engagements	0	0	0	0
Tax advisory services	0	0	4	0
Other non-audit services	0	0	33	37
	0	0	272	332
3 Staff				
Salaries and wages	0	0	158.512	150.631
Pensions	0	0	7.800	7.794
Other social security costs	0	0	7.074	7.041
	0	0	173.386	165.465

No remuneration has been paid to the Executive Board and to the Board of Directors

Average number of employees	0	0	1.350	1.349
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Notes to the Annual Report (DKK '000)

	Parent company		Group	
	2018/19	2017/18	2018/19	2017/18
4 Financial income				
Interest income subsidiaries	292	756		
5 Financial expenses				
Interest expense subsidiaries	0	2		
6 Tax on profit for the year				
Current tax for the year	-144	115	31.724	19.753
Deferred tax for the year	0	0	-275	-2.111
Tax on profit for the year	-144	115	31.449	17.642
7 Distribution of profit				
Proposed distribution of profit				
Retained earnings	42.191	28.102	306.290	242.558
Reserve for net revaluation according to the equity method	264.099	214.456	0	0
Non-controlling interests' share of profit/loss	0	0	5.893	-418
	306.290	242.558	312.183	242.140

Notes to the Annual Report (DKK '000)

8 Intangible assets

	<u>Software</u>	<u>Goodwill</u>
Group		
Cost at 1st September	11.307	244.755
Adjustment to opening	-620	0
Addition	107	0
Cost at 31st August	<u>10.794</u>	<u>244.755</u>
Depreciation at 1st September	-11.307	-126.883
Adjustment to opening	620	0
Depreciation for the year	0	-48.951
Depreciation write down	-107	0
Depreciation at 31st August	<u>-10.794</u>	<u>-175.834</u>
Booked value at 31st August	<u>0</u>	<u>68.921</u>
Depreciated over	<u>3 - 5 years</u>	<u>5 years</u>

Notes to the Annual Report (DKK '000)

9 Tangible assets

Group	<u>Land and buildings</u>	<u>Fixtures and fittings, tools and equipment</u>	<u>Trucks and cars</u>	<u>Leasehold improvements</u>	<u>Assets under constructions</u>
Cost at 1st September	121.935	-3.834	549	1.909	0
Adjustments to opening	-11.960	11.295	-169	-1.312	0
Exchange adjustment at 1st September	1.827	846	-7	78	0
Addition	54	2.132	178	315	628
Disposals	0	-2.157	0	-148	0
Cost at 31st August	111.856	8.283	551	842	628
Depreciation at 1st September	-19.375	11.295	-316	-1.509	0
Adjustment to opening	11.960	-11.295	169	1.313	0
Exchange adjustment at 1st September	-679	-492	9	-67	0
Depreciation	-7.509	-2.745	-186	-314	0
Depreciation of disposals for the year	0	1.872	0	148	0
Depreciation at 31st August	-15.603	-1.366	-324	-429	0
Booked value at 31st August	96.253	6.917	227	413	628
Depreciated over	<u>25 years</u>	<u>3 - 10 years</u>	<u>3 - 6 years</u>	<u>Lease period</u>	

Notes to the Annual Report (DKK '000)

	Parent company 2019
10 Investments in subsidiaries	
Cost at 1st September	212.113
Cost at 31st August	212.113
Value adjustments at 1st September	-13.687
Exchange adjustments on foreign subsidiaries	3.202
Dividend	-30.102
Result for the year	53.038
Other adjustments	291
Depreciation for the year	-1.023
Value adjustments at 31st August	11.720
Investments in subsidiaries	223.833
Including goodwill of	1.023
Specified as:	<u>Ownershare</u>
A.C. Holding A/S, Aarhus	90%
Subsidiaries owned indirectly:	
Actona Company A/S, Holstebro	100%
Actona Direct Ltd., China	100%
Actona Seating Ltd., China	100%
Actona Hong Kong Ltd. British Virgin Island, Hong Kong	100%
S.C. Ambiente Furniture Ukraine, Ukraine	100%
Actona Sofa Corporation Ltd., China	100%
Sofa Trading Ltd. British Virgin Island, Hong Kong	100%
Interstil Möbel AB, Sweden	100%

Notes to the Annual Report (DKK '000)

	Parent company 2019	Group 2019
	<u> </u>	<u> </u>
11 Receivables from subsidiaries		
Cost at 1st September	50.268	0
Disposals	-50.268	0
Cost at 31st August	<u> 0</u>	<u> 0</u>
Booked value at 31st August	<u> 0</u>	<u> 0</u>
12 Investments in associates		
Cost at 1st September	1.277.678	1.277.678
Cost at 31st August	<u>1.277.678</u>	<u>1.277.678</u>
Value adjustment at 1st September	284.856	284.856
Exchange adjustment	-3.729	-3.729
Other adjustments	-12.387	-12.387
Result for the year	<u>254.809</u>	<u>254.809</u>
Value adjustment at 31st August	<u>523.549</u>	<u>523.549</u>
Booked value at 31st August	<u>1.801.227</u>	<u>1.801.227</u>
Specified as:	<u>Ownershare</u>	<u>Ownershare</u>
JYSK Holding A/S, Aarhus	11,67%	11,67%
13 Deposits		
Cost at 1st September	0	5.664
Addition for the year	0	770
Disposals for the year	0	-21
Booked value at 31st August	<u> 0</u>	<u> 6.414</u>

Notes to the Annual Report (DKK '000)

14 Prepayments

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

15 Derivative financial instruments

In order to hedge the payment of interest on mortgage loans of DKK 63,3 million, the Company has entered into interest rate swaps.

At the balance sheet date, the contracts have a negative value of DKK 8,3 million that has been recognised in equity.

	Parent company		Group	
	2019	2018	2019	2018
16 Deferred tax				
Intangible assets	0	0	-24	-19
Tangible assets	0	0	3.771	3.847
Inventories	0	0	0	-660
Trade receivables	0	0	-264	-264
Other	0	0	-366	488
	0	0	3.117	3.391

Notes to the Annual Report (DKK '000)

	Parent company		Group	
	2019	2018	2019	2018

17 Mortgage debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised on long-term debt.

The debt falls due for payment as specified below:

Mortgage debt, after 5 years	0	0	36.780	42.465
Mortgage debt, between 1 and 5 years	0	0	21.209	20.895
Mortgage debt, long-term debt	0	0	57.989	63.360
Mortgage debt, within 1 year	0	0	5.340	5.234
	0	0	63.329	68.594

18 Instruments of debt

Instruments of debt fall due for payment as specified below:

Instrument of debt, after 5 years	0	0	0	0
Instrument of debt, between 1 and 5 years	0	0	0	5.585
Instrument of debt, long-term debt	0	0	0	5.585
Instrument of debt, within 1 year	0	0	8.303	8.717
	0	0	8.303	14.302

19 Contractual obligations

Rental obligations	0	0	44.962	55.809
Lease obligations	0	0	3.682	3.211
Letters of credit	0	0	0	0
Other obligations	0	0	0	0

Notes to the Annual Report (DKK '000)

	Parent company		Group	
	2019	2018	2019	2018
20 Security				
Provided as security for mortgage debts: (DKK 63.329k)				
Buildings and cash at bank and in hand - booked value	0	0	96.587	104.856

21 Contingent liabilities

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

JYSK Holding A/S has entered into a cash pool agreement for Lars Larsen Group. As per 31 August 2019 the withdrawal was DKK 0 million. As participant in the cash pool agreement J.S. Reklame, Århus ApS has issued a guarantee towards credit institutions.

22 Related parties and ownership

Controlling interest

Estate of Lars Larsen, Rådhuspladsen 3, 8000 Aarhus C

Basis

Controlling shareholder

Transactions

Referring to section 98 C, litra 7 of the Danish Financial Statements Act, no information describing transactions with related parties is provided.

Notes to the Annual Report (DKK '000)

	Group	
	<u>2018/19</u>	<u>2017/18</u>
23 Cash flow statement - adjustments		
Profit/loss, associates	-254.809	-246.938
Financial income	-1.772	-1.117
Financial expenses	4.599	5.827
Depreciation and amortisation	59.812	69.939
Tax on profit/loss for the year	31.449	17.642
Other adjustments	2.366	-3.689
	<u>-158.354</u>	<u>-158.336</u>
24 Cash flow statement - change in working capital		
Change in inventories	1.791	87.799
Change in receivables	-1.212	29.648
Change in other receivables	6.454	-237
Change in prepayments	0	-4.395
Change in trade payables	38.218	11.059
Change in other payables	-6.094	-20.930
	<u>39.157</u>	<u>102.944</u>

Accounting Policies

Basis of Preparation

The Annual Report of J.S. Reklame, Århus ApS for the financial year 1 September 2018 to 31 August 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies are unchanged compared to last year.

The Financial Statements for 2018/19 are presented in TDKK.

There have been minor changes to the comparative figures. The changes do not affect result for the year or equity.

Basis of consolidation

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

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

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

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Accounting Policies

Recognition and measurement (continued)

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

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

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

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Exchange gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

The income statements of foreign subsidiaries and associates that are separate legal entities are translated at the exchange rates at the dates of transaction or an approximated average exchange rate. Balance sheet line items are translated at the exchange rates at the balance sheet dates.

Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the balance sheet dates are recognised directly in equity.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Accounting Policies

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as “Other receivables” and “Other payables”, respectively.

Changes in fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is classified and qualify as a hedge.

Segment reporting

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

Income Statement

Revenue

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

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

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

Cost of sales

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

Other operating income and expenses

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

Other external expenses

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

Accounting Policies

Staff expenses

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

Depreciation and amortisation

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

Result from subsidiaries

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

Result from other investments

Results from other investments in the income statement include regulations on fair value and dividend paid.

Financial income and expenses

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

Tax on profit for the year

Tax for the year consists of current tax for the year and any changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement. The Company is jointly taxed with its subsidiaries. The tax effect of the joint taxation with group enterprises is allocated to enterprises showing profits or losses in proportion to their taxable incomes. The jointly taxed enterprises have adopted the on-account taxation scheme.

Accounting Policies

Balance Sheet

Intangible assets

Software

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

Software is amortised over 3 - 5 years.

Goodwill

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

Tangible assets

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

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

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

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

Buildings	25 years
Fixtures and fittings, tools and equipment	3-10 years
Trucks and cars	3-6 years
Leasehold improvements	Lease period

Accounting Policies

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

Impairment of fixed assets

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

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

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

Investments in subsidiaries

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

The items “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the date of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of any remaining value of positive or negative differences (goodwill or negative goodwill).

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries and associates.

Subsidiaries and associates with a negative carrying amount are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other investments

Other investments are recognised and measured at fair value.

Accounting Policies

Deposits

Deposits are recognised and measured at cost.

Inventories

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

The cost of goods for resale equals landed cost.

Receivables

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

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

Prepayments

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

Securities

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

Equity - Dividend

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

Provisions

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

Accounting Policies

Deferred tax assets and liabilities

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

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

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

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

Corporation tax receivables and liabilities

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

Prepayments

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

Debts

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

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

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

Accounting Policies

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Financial Highlights

Ratios are calculated as follows:

Return on assets	=	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	=	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Statutory statement of Corporate Social Responsibility

J.S. Reklame. Århus ApS

This is the statutory corporate social responsibility (CSR) report, pursuant to sections 99a and 99b of the Danish Financial Statements Act. The report is part of Management Review for J.S. Reklame. Århus ApS, covering the financial year of 01.09.2018 – 31.08.2019.

Lars Larsen Group

J.S. Reklame. Århus ApS forms part of Lars Larsen Group. Lars Larsen Group is named after the founder, Lars Larsen, who established JYSK. Today, JYSK is a well-known brand in Denmark as well as globally. Lars Larsen opened the first JYSK shop in Aarhus in 1979. The opening of this shop marked the beginning of the journey towards the establishment of Lars Larsen Group.

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

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

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

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



Dialogue is the way forward

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

CSR-highlights in financial year 2018/2019 across all companies owned by Lars Larsen Group:

Whistleblower

During the financial year 2018/19 Lars Larsen Group has implemented a whistleblower system covering all parts of the group. The whistleblower system covers own employees and it is accessible from the webpage www.larslarsengroup.com.

All Management Teams and board members in companies owned by Lars Larsen Group was informed about the implementation, and written statements confirming that management teams throughout the group has been informed has been signed and collected.

Furthermore all employees have been informed about the existence of the whistleblower system through internal communication channels.

During the financial year, Lars Larsen Group received one report, which was relevant for further investigation.

Shipping

During the financial year 2017/18 Lars Larsen Group made an exclusive agreement with MAERSK Group.

Part of the agreement is that MAERSK is obliged to reduce the CO₂-emission per container that MAERSK delivers to LARS LARSEN GROUP companies.

To ensure a baseline making it possible for Lars Larsen Group to track the improvements in regards to reduced CO₂-emission MAERSK had to deliver information about the total number of 40 foot containers delivered and the total CO₂-emission caused by the transport.

The baseline was made using numbers from May 2018 to April 2019.

It is important to track exactly one year to ensure that the product mix is the same when different periods are compared.

From May 2018 to April 2019 MAERSK shipped 42.700 40 foot containers for Lars Larsen Group, and the total CO2-emissions from these transports were 36.783,100 tons equal to 861 kilo of CO2 per container.

Lars Larsen Group will monitor and report on MAERSK's effort to reduce emissions per container in future CSR reports.

The Report

The report encompasses data from Actona Company A/S, hereinafter referred to as Actona Company, as well as the two factories owned by Actona Company, S.C Ambiente Furniture and Actona Seating Limited located in Ukraine and China respectively. Actona Company is owned by J.S. Reklame. Århus ApS.

Below scheme presents an overview of the companies, as they will be referred to hereinafter.

Legal entities	As referred to hereinafter
J.S. Reklame. Århus ApS	J.S. Reklame. Århus
Actona Company A/S	Actona Company
S.C Ambiente Furniture	Ambiente
Actona Seating Limited	ASL

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

The structure of this report is as follows:

About the company

- **Business model**
- **Risks**
- **Due Diligence**

Code of Conduct and Group Policies

- **Human Rights**
- **Environment and Climate**
- **Social and Employee Terms**
- **Anti-Corruption and Bribery**
- **Gender Equality**

KPI overview

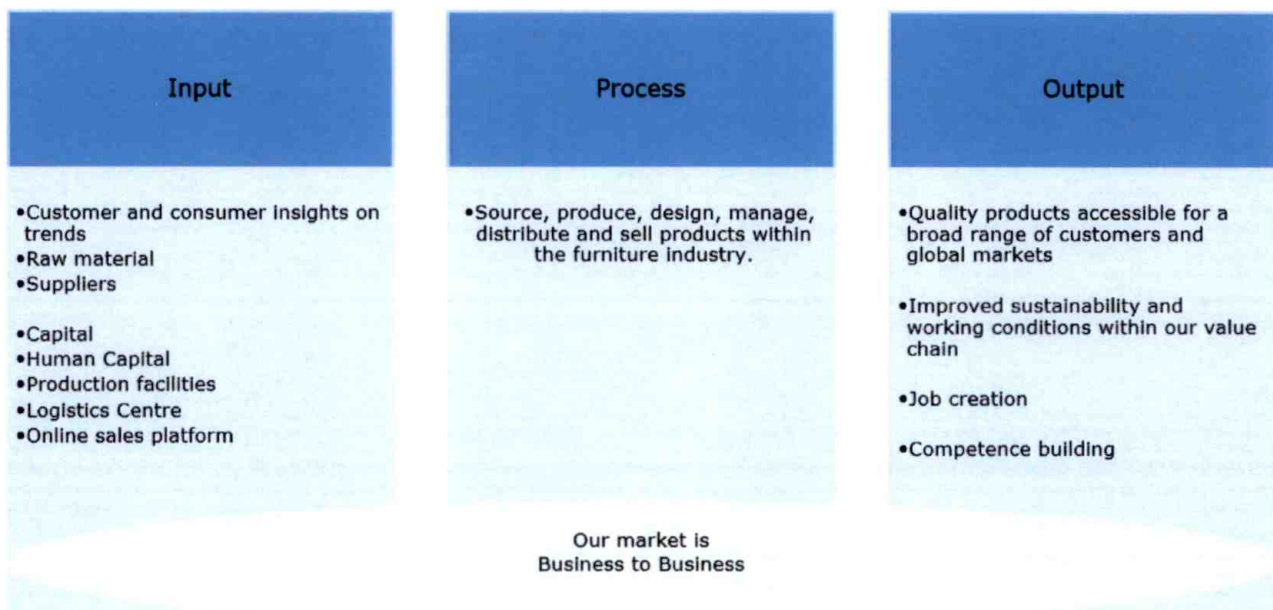
About the company

Actona Company is a furniture company, operating at a business-to-business market, with their head office located in Denmark. Actona Company owns production facilities in China and Ukraine. Approximately 15% and 10% of the products sold through Actona Company is produced at the factories, owned by Actona Company, in China and Ukraine, respectively. Remaining part of the products, sold through Actona Company, is sourced directly from other suppliers.

Business model

The following model illustrates a business model for J.S. Reklame. Århus ApS

Figure 2 Business Model, J.S. Reklame. Århus ApS



Risks

Below scheme, presents an overview of identified main risks, impact, and action related to each of the policy¹ areas covered by this report.

	Environment and Climate	Human Rights	Social and Employee	Anti-Corruption and bribery
What is the risk?	<p>The risk of negative environmental impact from our own two facilities is limited. The activity at our own facilities is light production and assembly. Thus, the most significant environmental impact is located at suppliers and sub-suppliers where raw material is harvested, manufactured and processed.</p> <p>Inadequate due diligence procedures and lack of traceability related to sourcing of raw material, may lead to a negative impact on the environment where raw material is sourced.</p>	<p>With a global presence, and with both suppliers and own production sites located in risk countries, there is a risk of non-compliance of Human Rights and Labour Standards at supplier facilities and/or potentially also own production sites in countries, where compliance with Human Rights and Labour Standards is not a given.</p>	<p>Employees are the greatest asset of the Group. Ensuring a safe and healthy working environment is our top priority. Also, ensuring high work satisfaction and competence development is a key condition for the company's ongoing success. Failure to meet above key condition may lead to business failure.</p>	<p>Global awareness and strengthening of Anti-Corruption legislation requires constant an ongoing focus on compliance.</p> <p>Furthermore, with a global presence, and with both suppliers and own production sites located in risk countries, there is a risk of non-compliance taking place at supplier facilities and/or potentially also own production sites in risk countries.</p>
What is the impact?	<p>Inadequate due diligence and communication of requirements may lead to pollution of environment in the communities of our supply chain. Long term risk is lack of raw material, due to unsustainable harvest and processing.</p>	<p>Inadequate due diligence procedures and communication of requirements may lead to violation of Human Rights and Labour Standards.</p>	<p>Inadequate safety procedures and safety training may lead to serious accidents, affecting employees long term. Inadequate competence development may lead to a gap between customer demands and competence within the business.</p>	<p>Lack of knowledge and/or inadequate due diligence procedures and communication of requirements may lead to both legal consequences as well as direct and indirect costs related to fines etc. Indirect financial costs related to damage of image.</p>
What is the action?	<p>Responsible and thorough supplier management processes. Implementation of Code of Conduct and communication of requirements related to sustainable sourcing and management of raw material. Ensuring structured CSR audits at suppliers and a continued focus on value adding certifications related to sourcing and management of raw material.</p>	<p>Thorough implementation of Code of Conduct, incl. Human Rights Policy, and ongoing awareness on expected ethical business behaviour. CSR audits at supplier facilities and own production sites located in risk countries. Focus on healthy management philosophy at own production sites, located in risk countries.</p>	<p>Thorough implementation of our Policy on Social and Employee terms. Ensuring adequate safety procedures and safety training of employees in risk positions. Also, through HR processes, ensure competence development to continuously match the development of business aligned with customer demands.</p>	<p>Thorough implementation of anti-corruption policy supported by adequate business and due diligence procedures. Furthermore ongoing awareness on expected ethical business behaviour.</p>

Due Diligence

The due diligence model covers Lars Larsen Group. For the individual companies within the Group, supporting due diligence processes are implemented with varying focus, depending on respective business activity.

Common for the companies within Lars Larsen Group, encompassed by annual CSR reporting², is that some due diligence processes stand out as more significant based on industry and business activity. To exemplify, our due diligence process related to responsible supplier management, takes high priority because of a higher risk level. Actona Company owns two production factories located in China and Ukraine. Requirements and audits for these two factories are managed similar to requirements and audits at supplier factories.

¹ Cf. The Danish Financial Statements Act §99a

² Cf. The Danish Financial Statements Act §99a

Figure 3 Due Diligence

	Social and Employee Terms	Environment and Climate	Human Rights	Anti-Corruption and Bribery
Examples of Due Diligence Processes	Structured follow-up on implementation of Group Policies Internal audits of own business processes External audits at suppliers and factories Action plans and structured follow-up			
Examples of topics covered by Due Diligence Processes	Safety and Employee development	Environment and Climate caution	Compliance with Human Rights and Labour Standards	Compliance with Anti-Corruption and Anti-Bribery legislation
How to report a concern regarding non-compliance	Formalized reporting channels available for reporting a concern regarding non-compliance			

Code of Conduct and Group Policies

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

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

Human Rights

Policy excerpt

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

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

Policy implementation and progress

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

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

Safety of our employees is a core focus at all three locations in Denmark, Ukraine and China. Health and Safety departments are responsible for systematic control of adequate safety procedures to meet respective risk level, with the overall purpose of ensuring a safe workplace for all employees. Moreover, systematic registration, reporting and follow-up is performed on work accidents.

Work accidents registered within financial year:

(Def. *Work accidents with one or more days of absence, other than the day of the accidents*)

Company	Accidents with absence, FY 2018/2019
Actona Company (Denmark)	5
ASL (China)	24
Ambiente (Ukraine)	2

In addition to the systematic work by Human Resource- and Health and Safety departments, the two factories, owned by Actona Company, located in China and Ukraine, are audited regularly by 3rd party audit companies. This audit process is managed equally to the audit process at suppliers, explained in the following section.

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

The company has been a member of Amfori, BSCI for 10 years.

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

The Amfori BSCI Code of Conduct has been implemented within our own policies. The Code of Conduct sets out 11 principles for good corporate ethics, including prohibition of child labour, forced labour, discrimination and corruption, and sets requirements for safety and decent working hours as well as protection of the environment.

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

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

During the financial year more than 95% of the suppliers to Actona Company, located in risk countries, received audits based on Amfori BSCI guidelines.

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

Environment and Climate

Policy excerpt

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

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

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

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

Policy implementation and progress

Our work to reduce the negative environmental and climate impact of our business activities is addressed both internally at our own operations and externally towards suppliers.

The external focus is anchored with the membership of Amfori BSCI, which is the core of our responsible supplier management³. Our BSCI Supplier Code of Conduct requires suppliers to comply with local environmental regulations. As part of the BSCI audits performed, environmental impacts such as wastewater treatment and chemical storage are also audited.

Internally, J.S. Reklame. Århus cooperates with external third parties in order to map consumption and determine areas to improve.

During this financial year, Actona Company finalized the installation of a new ventilation system at Actona Company's office building, leading to increased efficiency as well as lower costs.

Also LED lighting is a focus area at Actona Company. Approximately 40% of all light sources at Actona Company's buildings are LED.

Another essential focus area for J.S. Reklame. Århus is working with FSC certified wood.

³ Read more on Amfori BSCI at the section on Human Rights

About FSC:

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

Actona Company is FSC®/TM certified (FSC-C132796), and all wood used in products from the Actona Company owned factory, Ambiente, is FSC certified. Moreover, Actona Company aims to gradually increase the percentage of FSC certified wood used for their products.

J.S. Reklame. Århus has a zero-tolerance policy regarding use of illegally harvested wood, and control that the wood used in products originates from legal sources.

Social and Employee Terms

Policy excerpt

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

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

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

Policy implementation and progress

The employees are the greatest asset in J.S. Reklame. Århus and a safe and healthy working environment combined with employee development is a key condition for the company's ongoing success. This is secured through a dedicated HR department and a clear HR strategy aimed at attracting and maintaining qualified employees at all levels.

At Actona Company, surveys on employee satisfaction are performed systematically. The results of these studies are followed by a process, where we work attentively to improve identified focus areas, while also maintaining a continued effort within already successful areas.

Also, at Actona Company, employee/manager-dialogue, which is a structured dialogue between employee and nearest Manager, with the purpose to follow and support the development of the individual employee, is performed annually.

The purpose of this combination of the employee/manager-dialogue and the employee satisfaction survey is to establish a foundation for continued development, leading to improved employee satisfaction and thereby a balanced and effective workplace.

Workplace assessment is performed according to national legislation.

The result of the latest employee satisfaction survey, performed in March 2019, was a response rate of 93%.

With reference to our focus on social engagement, J.S. Reklame. Århus has once again supported both local community projects as well as larger charity projects through sponsorships.

Anti-Corruption and Bribery

Policy excerpt

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

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

Our Anti-Corruption and Bribery policy communicates our viewpoint and guidance related to issues such as, but not limited to, bribery, fraud, conflict of interest and fair competition.

Policy implementation and progress

The Anti-Corruption and Bribery policy was implemented during this financial year. Supporting the policy on Anti-Corruption and Bribery, Actona Company has also implemented related guidelines on Travel, Representation and Gifts and made these guidelines available at the employee information site. Moreover, the policy is presented to new employees during an introduction program, and as of this financial year the guidelines are also part of Actona Company's general terms of employment.

Furthermore, implementing the whistleblower system across Lars Larsen Group has increased the awareness and positively contributed to minimizing risks related to Anti-Corruption and Bribery in both J.S. Reklame. Århus and Actona Company.

Gender Equality

Policy excerpt

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

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

Policy implementation and progress

The supreme management of J.S. Reklame. Århus consists of 2 persons, who are both male. According to guidance from the Danish Business Authority, there is no requirement to define a target for the gender representation of the supreme management when this consists of less than 3 persons. As a consequence of this, and because J.S. Reklame. Århus employs less than 50 employees, no target and no policy regarding gender representation of management has been implemented.

The only daughter company within the J.S. Reklame. Århus, which is also required to set a target for the underrepresented gender on the Board of Directors, is Actona Company. Currently, Actona Company has four members on the Board of Directors, which are all men.

The policy on Gender Equality is supported by the following objective:

By end of 2021, the Board of Directors of Actona Company aim for the female board members to represent a minimum of 33,33%.

The target was not reached within financial year 2018/2019 as the general assembly saw no need to make changes to the current composition of the board.

By end of this financial year, Actona Company's Management Group consists of 4 women and 15 men.

Actona Company will continue the work to further support the development towards equal gender representation at both Board level as well as other management levels throughout the organisation. Initiatives will primarily be managed via systematic and individual Management training as well as via an implemented program for Talent management training.

KPI Overview

Actona Company	KPI status
Zero accidents	KPI not achieved ⁴
By 2022, all of Actona Company's Danish buildings will have LED implemented	In total, 40% of light sources are LED.
Response rate of our employee satisfaction survey is expected to be 75% or higher	KPI achieved. Response rate of most recent Employee Satisfaction Survey is 93%

⁴ For specific result, see section on Human Rights