
Scandinavian Design & Retail A/S

c/o Topshop, Østergade 34, DK-1100 Copenhagen

Annual Report for 1 January - 31 December 2018

CVR No 25 82 11 06

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/05 2019

Mette Kapsch
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 Scandinavian Design & Retail A/S for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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.

Copenhagen, 31 May 2019

Executive Board

Johan Ewald Lorentzen

Board of Directors

Vincent Marie Georges Fernand de
Canniére
Chairman

Johan Ewald Lorentzen

Henrik Gram

Independent Auditor's Report

To the Shareholder of Scandinavian Design & Retail 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Scandinavian Design & Retail A/S for the financial year 1 January - 31 December 2018, 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 misstate-

Independent Auditor's Report

ment, 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.

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

Independent Auditor's Report

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, 31 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

Claus Carlsson
State Authorised Public Accountant
mne29461

Company Information

The Company

Scandinavian Design & Retail A/S
c/o Topshop
Østergade 34
DK-1100 Copenhagen

CVR No: 25 82 11 06

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Board of Directors

Vincent Marie Georges Fernand de Cannière, Chairman
Johan Ewald Lorentzen
Henrik Gram

Executive Board

Johan Ewald Lorentzen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

The company's main activity is to conduct trading and related business. Trading includes clothes, shoes, perfumes and accessories.

Development in the year

The income statement of the Company for 2018 shows a loss of DKK 4,856,684, and at 31 December 2018 the balance sheet of the Company shows negative equity of DKK 30,284,059.

In order to ensure the company's future operations, there has been obtained a letter of support from the parent company Solstra Investments A/S. The letter is effective until 1 January 2020.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit/loss		-2.494.055	-1.584.266
Staff expenses	2	-3.592.452	-3.658.318
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-305.561	-304.162
Profit/loss before financial income and expenses		-6.392.068	-5.546.746
Financial income		59.517	54.478
Financial expenses	3	-746.834	-778.437
Profit/loss before tax		-7.079.385	-6.270.705
Tax on profit/loss for the year	4	2.222.701	5.124.852
Net profit/loss for the year		-4.856.684	-1.145.853

Distribution of profit

Proposed distribution of profit

Retained earnings		-4.856.684	-1.145.853
		-4.856.684	-1.145.853

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Other fixtures and fittings, tools and equipment		149.443	222.893
Leasehold improvements		422.965	655.075
Property, plant and equipment	5	<u>572.408</u>	<u>877.968</u>
Deposits		12.053	11.702
Fixed asset investments		<u>12.053</u>	<u>11.702</u>
Fixed assets		<u>584.461</u>	<u>889.670</u>
Inventories		<u>1.231.194</u>	<u>3.082.276</u>
Cash at bank and in hand		<u>896.368</u>	<u>880.867</u>
Currents assets		<u>2.127.562</u>	<u>3.963.143</u>
Assets		<u>2.712.023</u>	<u>4.852.813</u>

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		5.000.000	5.000.000
Retained earnings		-35.284.059	-30.427.374
Equity	6	-30.284.059	-25.427.374
Trade payables		938.242	1.013.016
Payables to group enterprises		31.445.208	28.620.995
Other payables		530.221	579.298
Deferred income		82.411	66.878
Short-term debt		32.996.082	30.280.187
Debt		32.996.082	30.280.187
Liabilities and equity		2.712.023	4.852.813
Going concern	1		
Contingent assets, liabilities and other financial obligations	7		
Related parties	8		
Accounting Policies	9		

Notes to the Financial Statements

1 Going concern

The Company has received a letter of support from the parent company Solstra Investments A/S. The letter is effective until 1 January 2019.

	<u>2018</u> DKK	<u>2017</u> DKK
2 Staff expenses		
Wages and salaries	3.403.271	3.486.805
Pensions	148.459	115.398
Other social security expenses	21.647	22.089
Other staff expenses	19.075	34.026
	<u>3.592.452</u>	<u>3.658.318</u>
Average number of employees	<u>10</u>	<u>10</u>
3 Financial expenses		
Interest paid to group enterprises	699.887	679.685
Other financial expenses	4.162	58.361
Exchange adjustments, expenses	42.785	40.391
	<u>746.834</u>	<u>778.437</u>
4 Tax on profit/loss for the year		
Current tax for the year	-2.222.701	-2.875.724
Adjustment of tax concerning previous years	<u>0</u>	<u>-2.249.128</u>
	<u>-2.222.701</u>	<u>-5.124.852</u>

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	2.624.200	4.255.335
Additions for the year	0	1
Cost at 31 December	<u>2.624.200</u>	<u>4.255.336</u>
Impairment losses and depreciation at 1 January	2.401.307	3.600.260
Depreciation for the year	73.450	232.111
Impairment losses and depreciation at 31 December	<u>2.474.757</u>	<u>3.832.371</u>
Carrying amount at 31 December	<u>149.443</u>	<u>422.965</u>

Notes to the Financial Statements

6 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	5.000.000	-30.427.375	-25.427.375
Net profit/loss for the year	0	-4.856.684	-4.856.684
Equity at 31 December	5.000.000	-35.284.059	-30.284.059

The share capital consists of 5,000,000 shares of a nominal value of DKK 1. No shares carry any special rights.

7 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	6.671.993	6.601.672
Between 1 and 5 years	0	13.289.364
	6.671.993	19.891.036

Other contingent liabilities

The Solstra Investments A/S Group's Danish companies are jointly and severally liable for tax on the Group's income subject to joint taxation, etc. for 2018. The total amount is disclosed in the Annual Report of Solstra Investments A/S, which is the administration company for joint taxation purposes.

Notes to the Financial Statements

8 Related parties

	Basis
Controlling interest	
ALFI Mark Trust, Liechtenstein	Ultimate parent company
Markerina Investments Ltd., Cyprus	Intermediate parent company
Solstra Holdings Cyprus Ltd., Cyprus	Intermediate parent company
Solstra Investments A/S, Copenhagen	Immediate parent company

Solstra Investments A/S is holding 100 % of the votes in the Company.

Consolidated Financial Statements

The Company is included in the Group Annual Report of Solstra Investments A/S:

Name	Place of registered office
Solstra Investments A/S	Copenhagen

The Group Annual Report of Solstra Investments A/S may be obtained at the following address:

Solstra Investments A/S
Lautrupsgade 7
DK-2100 Copenhagen
Denmark

The Company is included in the Consolidated Financial Statements of the ultimate parent company Solstra Holdings Cyprus Ltd. As a result of the legislation in Cyprus the Consolidated Financial Statements are not published.

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of Scandinavian Design & Retail A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 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

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

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.

Notes to the Financial Statements

9 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when delivery and transfer of risk has been made before year end.

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

Expenses for raw materials and consumables

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

Other external expenses

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

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

Amortisation, depreciation and impairment losses

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

Financial income and expenses

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

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.

Notes to the Financial Statements

9 Accounting Policies (continued)

The Company is jointly taxed with Danish affiliated companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

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

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

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	10	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

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, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

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

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

Notes to the Financial Statements

9 Accounting Policies (continued)

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning rent and other expenses relating to premises.

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

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

Deferred income

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