

Trendsales ApS

Langebrogade 6 E, 5.
1411 København K

CVR no. 27 98 41 69

Annual report 2016

The annual report was presented and approved at the
Company's annual general meeting on

3 March 2017

chairman

A handwritten signature in blue ink, appearing to read 'Karin Bredt', is written over a horizontal line. The signature is stylized and cursive.

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Operating review	7
Financial statements 1 January – 31 December	
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Notes	12

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Trendsales ApS for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen 3 March 2017

Executive Board:


Ole Højriis Kristensen


Eva Kemp

Board of Directors:


Christoph Brand

Chairman



Martin Falslev
Andersen


Nicola Antonio Alberto
Ciagluna



Bo Eriksen



Independent auditor's report

To the shareholders of Trendsales ApS

Opinion

We have audited the financial statements of Trendsales ApS for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter regarding matters in the financial statements

Without modifying our opinion, we draw attention to the disclosures in note 2, in which Management describes material uncertainties regarding the recognition and measurement of the carrying amount of a number of assets and liabilities related to the continued investigation and clarification of matters related to the fraud case disclosed in the annual report for 2015.

The Company's equity is negative and the company is dependent on continued financial support. We refer to note 9, in which Management explains that it has received financial support in 2016 from majority shareholder.

Management's responsibility 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 that 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



Independent auditor's report

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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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,



Independent auditor's report

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 3 March 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 31 98

A handwritten signature in black ink, appearing to read 'ME', is written over the printed name 'Martin Eiler'.

Martin Eiler

State Authorised

Public Accountant

Trendsales ApS
Annual report 2016
CVR no. 27 98 41 69

Management's review

Company details

Trendsales ApS
Langebrogade 6 E, 5.
1411 København K

Website: www.trendsales.dk

CVR no.: 27 98 41 69
Registered office: Copenhagen
Financial year: 1 January – 31 December

Board of Directors

Christoph Brand, Chairman
Nicola Antonio Alberto Clagluna
Martin Falslev Andersen
Bo Eriksen

Executive Board

Ole Højriis Kristensen
Eva Kemp

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 3 March 2017.

Management's review

Operating review

Principal activities

The Company's principal activity is to offer an online trading platform and associated services.

Significant matters

In May 2016, the CEO at the time was dismissed and reported to the police for fraud, manipulation of accounts and falsification of documents against the Company. As a result, the Company has recognised a number of fraudulent transactions, and further matters may be identified.

Following the losses in prior years, the Company has received financial support from the majority shareholder in form of subordinated loan that will allow continued operations and secure that the Company can meet all its external obligations to platform users, suppliers and authorities.

Development in activities and financial position

Fraudulent transactions

A number of accounting and tax issues related to the above-mentioned fraud are still being investigated, and a final claim against the former CEO is still under investigation. When presenting the annual report for 2016, assessments and estimates of these issues have been made in connection with the recognition and measurement of the carrying amount of a number of assets and liabilities related to the investigation and clarification of matters related to the above-mentioned fraud case.

The annual report has been prepared based on Management's best estimates and assessments at the date of the presentation of the annual report. The outcome may differ from Management's assessment, and the difference may be significant.

Contingent liabilities

The new Management identified that the Company had carried out financial services abroad without holding the proper licence. This activity was stopped during 2016, and the relevant authorities were informed. Further, the Company was not in compliance with certain requirements of Danish and foreign VAT regulation. The Management cannot assess the level of any potential fines etc.

In 2016 a new and compliant VAT setup has been implemented and prior periods' VAT reporting has been re-reported to tax authorities. Based on resubmitted values, the Company has paid all outstanding VAT liabilities due.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Gross profit		8,891	9,993
Staff costs	3	-22,320	-21,022
Depreciation	4	-568	-590
Ordinary operating loss		-13,997	-11,619
Special items	5	-551	-1,566
Operating loss		-14,548	-13,185
Financial income		0	24
Financial expenses		-279	-273
Loss before tax		-14,827	-13,434
Tax on profit/loss for the year		0	0
Loss for the year		-14,827	-13,434
Proposed distribution of loss			
Retained earnings		-14,827	-13,434
		-14,827	-13,434

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixture and fittings, tools and equipment	6	492	999
		<u>492</u>	<u>999</u>
Investments			
Equity investments in group entities	7	0	0
Deposits		684	662
		<u>684</u>	<u>662</u>
Total fixed assets		<u>1,176</u>	<u>1,661</u>
Receivables			
Trade receivables		833	1,624
Prepayments		923	2,484
Customer credit balances		3,891	4,861
Other receivables		670	59
		<u>6,317</u>	<u>9,028</u>
Cash at bank and in hand		<u>25,503</u>	<u>17,995</u>
Total current assets		<u>31,820</u>	<u>27,023</u>
TOTAL ASSETS		<u><u>32,996</u></u>	<u><u>28,684</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	8		
Share capital		125	125
Retained earnings		-11,224	3,603
Total equity		-11,099	3,728
Non-current liabilities other than provisions			
Subordinated loan from group entities	9	23,500	0
		23,500	0
Current liabilities other than provisions			
Customer deposits		8,129	11,031
Trade payables		1,770	1,201
Payables to group entities		904	0
Tax		2,083	4,768
Other payables		7,709	7,956
		20,595	24,956
Total liabilities other than provisions		44,095	24,956
TOTAL EQUITY AND LIABILITIES		32,996	28,684
Disclosure of uncertainties regarding recognition and measurement	2		
Contractual obligations, contingencies, etc.	10		
Related party disclosures	11		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2016	125	3,603	3,728
Transferred over the distribution of loss	<u>0</u>	<u>-14,827</u>	<u>-14,827</u>
Equity at 31 December 2016	<u>125</u>	<u>-11,224</u>	<u>-11,099</u>

There have been no changes in the share capital during the last five years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Trendsales ApS for 2016 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. The implementation has not caused any changes regarding measurement or recognition.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Income statement

Gross profit

The Company refers to the provision in section 32 of the Danish Financial Statements Act, under which the Company's revenue is not stated.

Gross profit comprises revenue, cost of sales and other external costs.

Revenue

Income comprises membership fees and fees for goods that are put up for auction and sales fees as well as any other relevant end-of-auction commission. Income from membership fees is recognised as revenue when the membership is purchased. All other fees are recognised as revenue when the transactions are completed.

Moreover, the Company recognises advertising packages that are offered to the sellers of products on the Company's website. The Company recognises advertising revenue when the relevant advertising service has been delivered.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Other external costs

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Special items

Special items comprise items associated with the fraud case.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment losses on property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

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

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
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Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments

Equity investments in group entities are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Net revaluation of equity investments in group entities is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from group entities expected to be adopted in the group entities prior to the approval of the Company's annual report, are not tied up in the revaluation reserve.

Other receivables and deposits are recognised at amortised cost.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividend

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Disclosure of uncertainties regarding recognition and measurement

In May 2016, the CEO at the time was dismissed and reported to the police for fraud against the Company.

A number of accounting and tax issues are still being investigated, and a final claim against the former CEO is still under investigation. When presenting the annual report for 2016, assessments and estimates of these issues have been made in connection with the recognition and measurement of the carrying amount of a number of assets and liabilities related to the investigation and clarification of matters related to the above-mentioned fraud case.

The annual report has been prepared based on Management's best estimates and assessments at the date of the presentation of the annual report. The outcome may differ from Management's assessment, and the difference may be significant.

The Company has carried out financial services abroad without holding the proper licence. Further, the Company has not complied with certain requirements in Danish and foreign VAT regulation for which the Company may be fined. Due to the preliminary basis of these matters, Management cannot assess the potential financial implications or the level thereof.

3 Staff costs

DKK'000	2016	2015
Wages and salaries	18,759	18,257
Pensions	979	905
Other social security costs	311	312
Other staff expenses	2,271	1,548
	<u>22,320</u>	<u>21,022</u>
Average number of full-time employees	<u>40</u>	<u>41</u>

4 Depreciation on property, plant and equipment

DKK'000	2016	2015
Depreciation	545	590
Losses on sold assets	23	0
	<u>568</u>	<u>590</u>

Financial statements 1 January – 31 December

Notes

5 Special items

DKK'000	2016	2015
Fraudulent expenses and expenses without proper documentation	551	1,599
	<u>551</u>	<u>1,599</u>

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 1 January 2016	2,480
Additions	404
Disposals	-684
Cost at 31 December 2016	2,200
Depreciation and impairment losses at 1 January 2016	-1,481
Depreciation	-545
Disposals	318
Depreciation and impairment losses at 31 December 2016	-1,708
Carrying amount at 31 December 2016	<u>492</u>

7 Investments

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
			DKK'000	DKK'000
Subsidiaries:				
Trendsales Finland OY	Finland	51%	-625	-77
			<u>-625</u>	<u>-77</u>

8 Share capital

The share capital consists of 125 shares of nom. DKK 1,000 each. All shares rank equally.

9 Subordinated loan group entities

Following the losses in prior years, the Company has received financial support from the majority shareholder in form of subordinated loan that will allow continued operations. The loan is subordinated in regard to all other external debt. According to the loan agreement dividend may not be paid until the loan has been fully repaid. The loan has no expiration date (open-ended).

Financial statements 1 January – 31 December

Notes

10 Contractual obligations, contingencies, etc.

Lease obligations

The Company has entered into a property lease, which is non-terminable for the lessee for 24 months. The rent for this period amounts to DKK 1,584 thousand.

The Company has entered into operating leases with the latest expiration date being November 2019. Lease payments due within one year amount to DKK 315 thousand.

Joint taxation

Trendsales ApS is jointly taxed with the other Danish company in the Tamedia Group. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding tax may lead to a higher liability.

Contingencies

The new Management identified that the Company had carried out financial services abroad without holding the proper licence. This activity was stopped during 2016, and the relevant authorities were informed. Further, the Company was not in compliance with certain requirements of Danish and foreign VAT regulation for which the Company may be fined. The Management cannot assess the level of any potential fines etc.

Contingent assets

The Company's tax asset, mainly related to tax losses, amounts to a range of DKK 3-5 million, has not been recognised as the utilisation is uncertain.

Potential claims against the former CEO are still under investigation.

Financial statements 1 January – 31 December

Notes

11 Related party disclosures

Trendsales ApS' related parties comprise the following:

Control

Tamedia AG, Werdstrasse 21, Postfach, 8021 Zurich, Switzerland

Other related parties that the Company has had transactions with

MetroXpress Denmark A/S

Consolidated financial statements

The consolidated financial statements of Tamedia AG can be obtained at the Company's website: www.tamedia.ch