

Change of Scandinavia A/S

Farum Gydevej 73

3520 Farum

Central Business Registration No

28711328

Annual report 2016/17

The Annual General Meeting adopted the annual report on 12.12.2017

Chairman of the General Meeting

Name: Tom Deichmann

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Entity details

Entity

Change of Scandinavia A/S
Farum Gydevej 73
3520 Farum

Central Business Registration No: 28711328
Registered in: Furesø
Financial year: 01.07.2016 - 30.06.2017

Board of Directors

Claus Walther Jensen
Gitte Breil
Niels Nielsen Krogh

Executive Board

Claus Walther Jensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Change of Scandinavia A/S for the financial year 01.07.2016 - 30.06.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Farum, 12.12.2017

Executive Board

Claus Walther Jensen

Board of Directors

Claus Walther Jensen

Gitte Breil

Niels Nielsen Krogh

Independent auditor's report

To the shareholder of Change of Scandinavia A/S

Opinion

We have audited the financial statements of Change of Scandinavia A/S for the financial year 01.07.2016 - 30.06.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 30.06.2017 and of the results of its operations for the financial year 01.07.2016 - 30.06.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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:

Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Violation of company law and similar legislation

The Company has granted a loan to a member of Management which is against section 210 of the Danish Companies Act, and consequently Management may be held liable

Copenhagen, 12.12.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Henrik Jacob Vilmann Wellejus

State-Authorised Public Accountant

Management commentary

	2016/17	2015/16	2014/15	2013/14	2012/13
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	40.975	56.656	41.948	53.521	63.210
Operating profit/loss	13.779	12.946	(3.104)	18.936	28.661
Net financials	67	986	12.959	(852)	1.051
Profit/loss for the year	10.344	11.027	7.199	13.869	21.554
Total assets	268.980	238.535	213.793	201.073	177.880
Investments in property, plant and equipment	20.425	22.373	7.684	6.744	2.496
Equity	139.369	132.696	123.208	115.384	101.970
Employees in average	41	76	80	62	71
Ratios					
Return on equity (%)	7,6	8,6	6,0	12,8	24,0
Solvency ratio (%)	54,7	55,9	57,6	57,4	57,3

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios

Return on equity (%)

Calculation formula

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

Ratios

The entity's return on capital invested in the entity by the owners.

Solvency ratio (%)

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

The financial strength of the entity.

Management commentary

Primary activities

The primary activity of the Company concerns the distribution of lingerie, swimwear, nightwear and other associated products.

Development in activities and finances

The Company's income statement for 2016/17 shows a profit of DKK 10,344 thousand and the balance sheet shows equity of DKK 139,369 thousand at 30.06.2017.

The performance is considered satisfactory.

The Parent has issued a letter of support to the Company thus enabling it to meet its obligations.

During the financial year, Management found that the Company's old ERP system had miscalculated cost of sales and inventories in previous years. Consequently, the Company has restated the comparative figures for the following items: Gross profit has decreased by DKK 1,709 thousand and inventories has decreased by DKK 1,709 thousand. Management has treated the error as material errors in previous years by adjusting equity at the beginning of the year. For a further specification of the matter, please refer to the material errors in previous years section under accounting policies.

Outlook

Management expects that the positive development in gross profit and earnings will continue in 2017/18. Therefore the company expect an improved result for 2017/18.

Particular risks

General risks

It is assessed that the Company is not exposed to any special business or financial risks apart from the risks generally occurring in the industry.

Currency risks

The Company is exposed to general currency risks as regards operations, however the risk mainly relates to USD. The main part of the Company's purchasing is done in USD while the Company invoices in DKK, SEK, NOK, EUR and CAD.

Profit/loss for the year in relation to expected developments

Profit for the year has been improved compared to last year and fulfils the expectations for the year.

Environmental performance

The direct environmental impact from the Company's operating activities is very low. The Company works on general optimisation of its energy consumption on a current basis.

Management commentary

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Gross profit		40.974.731	56.656
Staff costs	1	(22.198.313)	(38.896)
Depreciation, amortisation and impairment losses	2	(2.883.214)	(3.070)
Other operating expenses		<u>(2.114.161)</u>	<u>(1.744)</u>
Operating profit/loss		13.779.043	12.946
Other financial income	3	3.412.279	4.014
Other financial expenses	4	<u>(3.345.719)</u>	<u>(3.028)</u>
Profit/loss before tax		13.845.603	13.932
Tax on profit/loss for the year	5	<u>(3.501.971)</u>	<u>(2.905)</u>
Profit/loss for the year	6	<u>10.343.632</u>	<u>11.027</u>

Balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Acquired rights		565.635	9
Intangible assets	7	565.635	9
Land and buildings		0	7.679
Other fixtures and fittings, tools and equipment		27.187.670	6.525
Leasehold improvements		66.509	94
Property, plant and equipment in progress		7.943.495	13.567
Property, plant and equipment	8	35.197.674	27.865
Receivables from group enterprises		17.616.137	19.144
Other investments		30.000	30
Deposits		1.641.952	1.642
Other receivables		5.432.593	8.830
Fixed asset investments	9	24.720.682	29.646
Fixed assets		60.483.991	57.520
Manufactured goods and goods for resale		36.737.690	27.764
Prepayments for goods		6.376	12.229
Inventories		36.744.066	39.993
Trade receivables		24.568.365	22.642
Receivables from group enterprises		129.294.795	111.600
Receivables from associates		2.458.639	0
Other receivables		6.420.545	3.073
Receivables from owners and management	10	2.137	2
Prepayments	11	3.958.571	3.598
Receivables		166.703.052	140.915
Cash		5.048.404	107
Current assets		208.495.522	181.015
Assets		268.979.513	238.535

Balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Contributed capital	12	500.000	500
Retained earnings		138.869.243	132.196
Equity		139.369.243	132.696
Deferred tax	13	3.980.265	2.770
Provisions		3.980.265	2.770
Finance lease liabilities		9.044.364	6.934
Debt to other credit institutions		173.193	176
Joint taxation contribution payable		991.510	350
Non-current liabilities other than provisions	14	10.209.067	7.460
Current portion of long-term liabilities other than provisions	14	10.418.563	8.393
Bank loans		5.191.987	7.535
Payables to other credit institutions		50.087.862	38.588
Trade payables		15.748.783	5.468
Payables to group enterprises		22.635.485	25.681
Payables to associates		670.000	0
Joint taxation contribution payable		714.822	582
Other payables	15	9.953.436	9.362
Current liabilities other than provisions		115.420.938	95.609
Liabilities other than provisions		125.630.005	103.069
Equity and liabilities		268.979.513	238.535
Financial instruments	16		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Mortgages and securities	19		
Related parties with controlling interest	20		
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Statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	500.000	133.905.547	134.405.547
Corrections of errors	0	(1.333.020)	(1.333.020)
Adjusted equity, beginning of year	500.000	132.572.527	133.072.527
Fair value adjustments of hedging instruments	0	(5.188.354)	(5.188.354)
Tax of equity postings	0	1.141.438	1.141.438
Profit/loss for the year	0	10.343.632	10.343.632
Equity end of year	500.000	138.869.243	139.369.243

Notes

	2016/17	2015/16
	DKK	DKK'000
1. Staff costs		
Wages and salaries	18.852.583	30.104
Pension costs	1.582.982	2.712
Other social security costs	272.292	558
Other staff costs	1.490.456	5.522
	22.198.313	38.896
Average number of employees	41	76
	Remunera-	Remunera-
	tion of	tion of
	manage-	manage-
	ment	ment
	2016/17	2015/16
	DKK	DKK'000
Total amount for management categories	3.504	3.504
	3.504	3.504
	2016/17	2015/16
	DKK	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	59.822	1
Depreciation of property, plant and equipment	3.017.252	3.499
Profit/loss from sale of intangible assets and property, plant and equipment	(193.860)	(430)
	2.883.214	3.070
	2016/17	2015/16
	DKK	DKK'000
3. Other financial income		
Financial income arising from group enterprises	2.897.856	2.426
Interest income	503.954	1.588
Exchange rate adjustments	10.469	0
	3.412.279	4.014

Notes

	2016/17	2015/16
	DKK	DKK'000
4. Other financial expenses		
Interest expenses	3.133.561	2.587
Exchange rate adjustments	211.841	417
Other financial expenses	317	24
	3.345.719	3.028
	2016/17	2015/16
	DKK	DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	991.510	572
Change in deferred tax for the year	2.727.627	2.333
Adjustment concerning previous years	(217.166)	0
	3.501.971	2.905
	2016/17	2015/16
	DKK	DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	10.343.632	11.027
	10.343.632	11.027
		Acquired rights DKK
7. Intangible assets		
Cost beginning of year		33.204
Additions		616.120
Cost end of year		649.324
Amortisation and impairment losses beginning of year		(23.867)
Amortisation for the year		(59.822)
Amortisation and impairment losses end of year		(83.689)
Carrying amount end of year		565.635

Notes

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
8. Property, plant and equipment				
Cost beginning of year	7.679.319	17.923.971	1.503.554	13.566.894
Transfers	0	23.067.837	0	(23.067.837)
Additions	2.395.785	584.580	0	17.444.438
Disposals	(10.075.104)	0	0	0
Cost end of year	0	41.576.388	1.503.554	7.943.495
Depreciation and impairment losses beginning of the year	0	(11.398.787)	(1.409.653)	0
Depreciation for the year	0	(2.989.931)	(27.392)	0
Depreciation and impairment losses end of the year	0	(14.388.718)	(1.437.045)	0
Carrying amount end of year	0	27.187.670	66.509	7.943.495
Recognised assets not owned by entity	-	19.896.036	-	-
	Receivables from group enterprises DKK	Other investments DKK	Deposits DKK	Other receivables DKK
9. Fixed asset investments				
Cost beginning of year	19.144.516	30.000	1.641.952	8.829.292
Transfers	701.372	0	0	(701.372)
Additions	4.276.405	0	0	604.067
Disposals	(6.506.156)	0	0	(3.299.394)
Cost end of year	17.616.137	30.000	1.641.952	5.432.593
Carrying amount end of year	17.616.137	30.000	1.641.952	5.432.593

Notes

10. Receivables from owners and management

Loan to management has a interest of 10.25%. There is no specific terms to the loan and the loan is repaid in the fiscal year of 2017/18

11. Prepayments

Prepayments comprise costs relating to the next financial year.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
12. Contributed capital			
Ordinary shares	10	50000	500.000
	10		500.000

13. Deferred tax

	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Intangible assets	8.257	2
Property, plant and equipment	(572.440)	(3.475)
Fixed asset investments	5.070.356	6.243
Tax losses carried forward	(525.908)	0
	3.980.265	2.770

Changes during the year

Beginning of year	2.770.056
Recognised in the income statement	2.727.627
Recognised directly in equity	(1.517.418)
End of year	3.980.265

	<u>Instalments within 12 months 2016/17 DKK</u>	<u>Instalments within 12 months 2015/16 DKK'000</u>	<u>Instalments beyond 12 months 2016/17 DKK</u>
14. Liabilities other than provisions			
Finance lease liabilities	10.418.563	8.297	9.044.364
Debt to other credit institutions	0	96	173.193
Joint taxation contribution payable	0	0	991.510
	10.418.563	8.393	10.209.067

Notes

	2016/17	2015/16
	DKK	DKK'000
15. Other payables		
VAT and duties	0	1.779
Wages and salaries, personal income taxes, social security costs, etc payable	48.568	66
Holiday pay obligation	3.057.487	4.043
Derivative financial instruments	5.983.125	3.471
Other costs payable	864.256	3
	9.953.436	9.362

16. Financial instruments

Other payables include the value of forward exchange contracts of DKK 6.0 million. The contracts have been entered into to hedge the Company's goods purchased in USD. At 30.06.2017, the Company has entered into forward exchange contracts USD/DKK at a total of USD 14 million which fall due within the next 18 months.

	2016/17	2015/16
	DKK	DKK'000
17. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	1.394.108	3.164
Herof liabilities under rental agreements or leases with group enterprises until expiry	2.827.504	6.138

18. Contingent liabilities

The Company participates in Danish international joint taxation with Asian Import ApS as the administration company and, consequently, according to the Danish Corporation Tax Act, is liable for any income taxes etc for the jointly taxed companies, and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

19. Mortgages and securities

Bank debts of the Company and the sister subsidiary are secured by way of a company charge of DKK 60,000 thousand nominal value. The bank debts amount to DKK 52,137 thousand at 30.06.2017.

The Company's bankers have provided payment guarantees of DKK 6,873 thousand.

Bank guarantees of DKK 7,255 thousand have been provided to a third party regarding existing leases.

Notes

Payables to credit institution are secured by way of a charge on operating equipment of DKK 186 thousand. The carrying amount of the operating equipment is DKK 245 thousand.

20. Related parties with controlling interest

The Entity's related parties include the Parent, Change of Scandinavia Holding A/S, the Ultimate Parent, Asian Import ApS, as well as the Board of Directors and the Chief Executive Officer, Claus Walther Jensen, Svanemøllevvej 4, st., 2100 Copenhagen Ø, who is the principal shareholder of Asian Import ApS.

21. Transactions with related parties

Transaction type	Related parties	<u>2016/17</u> <u>DKK'000</u>
Revenue	Change of Scandinavia Canada Retail Inc., Change of Scandinavia Retail A/S, Change of Scandinavia Germany GmbH, Change of Scandinavia Sweden AB, Change of Scandinavia Norway AS, Change of Scandinavia Finland OY, Change of Scandinavia Poland Sp.z.o.o., Change of Scandinavia Poland Retail Sp.z.o.o.	128.902
Cost of sales	Changing Textiles Incorporation LTD., Change of Scandinavia Co. Ltd., Shanghai Change Fashion Co Ltd.	44.100
Other administrative expenses	Change of Scandinavia Holding A/S, Change of Scandinavia SSC Sp. Z.o.o.	9.730
Other operating expenses	Change of Scandinavia Germany GmbH	670
Financial income	Change of Scandinavia Canada Retail Inc., Change of Scandinavia Retail A/S, Change of Scandinavia Germany GmbH, Change of Scandinavia Sweden AB, Change of Scandinavia Norway AS, Change of Scandinavia Finland OY, Change of Scandinavia Poland Sp.z.o.o., Change of Scandinavia Poland Retail Sp.z.o.o.	2.898
Fixed asset investments	Change of Scandinavia Canada Retail Inc., Change of Scandinavia Retail A/S, Change of Scandinavia Germany GmbH, Change of Scandinavia Sweden AB, Change of Scandinavia Norway AS, Change of Scandinavia Finland OY, Change of Scandinavia Poland Sp.z.o.o., Change of Scandinavia Poland Retail Sp.z.o.o.	23.049
Receivables from group enterprises	Change of Scandinavia Canada Retail Inc., Change of Scandinavia Retail A/S, The Intimate Company A/S, Change of Scandinavia Norway AS, , Change of Scandinavia Poland Sp.z.o.o., Change of Scandinavia Poland Retail Sp.z.o.o., Change of Scandinavia SSC Sp. Z.o.o., Asian Import ApS, Change of Scandinavia Holding A/S	134.753
Payables to group enterprises	Change of Scandinavia Canada Retail Inc., Change of Scandinavia Sweden AB, Change of Scandinavia Finland OY, Changing Textiles Incorporation LTD., Change of Scandinavia Co. Ltd.	22.885

Notes

22. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Asian Import ApS, Farum Gydevej 73, 3520 Farum

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Change of Scandinavia Holding A/S, Farum Gydevej 73, 3520 Farum

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Material errors in previous years

During the financial year, Management found that the Company's cost of sales had been miscalculated in previous years compared to the price structure within the Group. Consequently, the Company's cost of sales and inventories have been wrongly recognised.

Management has calculated the total additional cost of sales at DKK 1,709 thousand and has treated the matter as material errors in previous years by adjusting equity at the beginning of the year. The adjusted equity is positive by DKK 132,697 thousand at 01.07.2016.

The total additional expense of DKK 1,709 thousand relates to the financial year 2015/16. Consequently, the comparative figure for gross profit has been restated, decreasing the gross profit by DKK 1,709 thousand to DKK 56,656 thousand.

The additional expense has been recognised in inventories in 2015/16 so that inventories amount to DKK 39,993 thousand.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet

Accounting policies

date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales and other external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Accounting policies

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its Parent as well as all Danish and foreign subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights including licenses and domains.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Licenses and domains are amortised over the term of the agreement, but over no more than 30 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5-8 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments

Other investments comprise securities which are measured at fair value at the balance sheet date.

Inventories

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

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Product development costs relating to new collections are recognised as prepayments. Product development costs are expensed when the sale of collections is realised. Direct costs of materials and collections incurred as well as indirect costs of wages and salaries and freight are capitalised.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

According to section 86(4) of the Danish Financial Statement Act, a cash flow statement has been omitted.