

Change of Scandinavia A/S
Farum Gydevej 73
3520 Farum
Central Business Registration No
28711328

Annual report 2017/18

The Annual General Meeting adopted the annual report on 04.01.2019

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: 01.07.2017 - 30.06.2018

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 01.07.2017 - 30.06.2018.

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 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018.

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, 04.01.2019

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 01.07.2017 - 30.06.2018, 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 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018 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 criminal law as well as tax, duty and subsidy legislation

There is doubt as to whether the reportings of Polish VAT has been reported correctly, which is in violation of Polish VAT legislation, and consequently Management may be held liable

Copenhagen, 04.01.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Henrik Jacob Vilmann Wellejus

State Authorised Public Accountant

Identification number (MNE) mne24807

Management commentary

	2017/18	2016/17	2015/16	2014/15	2013/14
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Gross profit	37.165	40.977	56.656	41.948	53.521
Operating profit/loss	9.017	13.911	12.946	(3.104)	18.936
Net financials	(3.785)	(64)	986	12.959	(852)
Profit/loss for the year	4.104	10.344	11.027	7.199	13.869
Total assets	280.519	268.982	238.535	213.793	201.073
Investments in property, plant and equipment	5.270	20.425	22.373	7.684	6.744
Equity	144.330	139.370	132.696	123.208	115.384
Employees in average	31	41	76	80	62
Ratios					
Return on equity (%)	2,9	7,6	8,6	6,0	14,4
Equity ratio (%)	51,5	51,8	55,6	57,6	57,4

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

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary activities of the Company concern the distribution of lingerie, swimwear, nightwear and other associated products.

Development in activities and finances

The Company's income statement for 2017/18 shows a profit of DKK 4,104 thousand and the balance sheet shows equity of DKK 144,330 thousand at 30.06.2018.

Management consider the result as satisfactory.

The result of the year is also affected by impairment of assets worth 2,4 DKKm and by exchange rate adjustments of 1,9 DKKm related to activities from previous years.

Uncertainty relating to recognition and measurement

The measurement of certain assets and liabilities are based on accounting estimates performed by Management. The estimates are performed in accordance with the accounting policies applied and are based on assumptions and experiences considered realistic and reasonable by Management.

Outlook

The activities in the company are expected to grow in 2018/19 in line with expansion plan in the Change of Scandinavian Group's current markets.

Particular risks

General risks

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

Currency risks

The Company is exposed to general currency risks regarding 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 Company's environmental impact on its surroundings is very limited. The Company strives to improve and optimise its energy consumption.

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 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
Gross profit		37.165.077	40.977
Staff costs	1	(18.448.393)	(22.199)
Depreciation, amortisation and impairment losses	2	(6.403.689)	(2.752)
Other operating expenses		<u>(3.295.899)</u>	<u>(2.115)</u>
Operating profit/loss		9.017.096	13.911
Other financial income	3	2.798.852	3.412
Other financial expenses	4	<u>(6.584.192)</u>	<u>(3.476)</u>
Profit/loss before tax		5.231.756	13.847
Tax on profit/loss for the year	5	<u>(1.127.639)</u>	<u>(3.503)</u>
Profit/loss for the year	6	<u>4.104.117</u>	<u>10.344</u>

Balance sheet at 30.06.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
Acquired intangible assets		18.266.991	0
Acquired rights		485.600	565
Intangible assets	7	<u>18.752.591</u>	<u>565</u>
Other fixtures and fittings, tools and equipment		2.422.113	27.188
Leasehold improvements		1.141.722	67
Property, plant and equipment in progress		5.559.226	7.943
Property, plant and equipment	8	<u>9.123.061</u>	<u>35.198</u>
Receivables from group enterprises		16.074.033	17.616
Other investments		30.000	30
Deposits		1.660.388	1.642
Other receivables		1.569.304	5.433
Fixed asset investments	9	<u>19.333.725</u>	<u>24.721</u>
Fixed assets		<u>47.209.377</u>	<u>60.484</u>
Manufactured goods and goods for resale		31.763.249	36.739
Prepayments for goods		6.376	6
Inventories		<u>31.769.625</u>	<u>36.745</u>
Trade receivables		8.157.925	24.569
Receivables from group enterprises		172.857.396	129.295
Receivables from associates		4.265.400	2.459
Deferred tax	13	450.000	0
Other receivables		5.899.215	6.421
Receivables from owners and management	10	0	2
Prepayments	11	5.693.482	3.958
Receivables		<u>197.323.418</u>	<u>166.704</u>
Cash		<u>4.216.233</u>	<u>5.049</u>
Current assets		<u>233.309.276</u>	<u>208.498</u>
Assets		<u>280.518.653</u>	<u>268.982</u>

Balance sheet at 30.06.2018

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>	<u>2016/17</u> <u>DKK'000</u>
Contributed capital	12	500.000	500
Retained earnings		<u>143.830.204</u>	<u>138.870</u>
Equity		<u>144.330.204</u>	<u>139.370</u>
Deferred tax	13	4.100.564	3.981
Other provisions	14	<u>1.964.367</u>	<u>0</u>
Provisions		<u>6.064.931</u>	<u>3.981</u>
Finance lease liabilities		3.773.086	9.045
Debt to other credit institutions		0	174
Joint taxation contribution payable		<u>1.118.419</u>	<u>992</u>
Non-current liabilities other than provisions	15	<u>4.891.505</u>	<u>10.211</u>

Balance sheet at 30.06.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
Current portion of long-term liabilities other than provisions	15	6.473.540	10.418
Bank loans		46.406.355	55.279
Trade payables		7.465.696	15.748
Payables to group enterprises		48.109.757	22.637
Joint taxation contribution payable		2.286.927	715
Other payables	16	9.664.697	10.623
Deferred income	17	4.825.041	0
Current liabilities other than provisions		<u>125.232.013</u>	<u>115.420</u>
Liabilities other than provisions		<u>130.123.518</u>	<u>125.631</u>
Equity and liabilities		<u>280.518.653</u>	<u>268.982</u>
Financial instruments	18		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Mortgages and securities	21		
Related parties with controlling interest	22		
Transactions with related parties	23		
Group relations	24		

Statement of changes in equity for 2017/18

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	138.869.243	139.369.243
Fair value adjustments of hedging instruments	0	1.098.518	1.098.518
Tax of equity postings	0	(241.674)	(241.674)
Profit/loss for the year	0	4.104.117	4.104.117
Equity end of year	500.000	143.830.204	144.330.204

Notes

	2017/18	2016/17
	DKK	DKK'000
1. Staff costs		
Wages and salaries	15.611.917	19.564
Pension costs	1.380.532	1.583
Other social security costs	169.381	272
Other staff costs	1.286.563	780
	18.448.393	22.199
Average number of employees	31	41

According to section 98b(3) of the Danish Financial Statements Act, remuneration to Management has not been disclosed. The Company pays no remuneration to the Board of Directors.

	2017/18	2016/17
	DKK	DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	89.436	60
Depreciation of property, plant and equipment	4.234.012	3.017
Impairment losses on property, plant and equipment	2.433.550	0
Profit/loss from sale of intangible assets and property, plant and equipment	(353.309)	(325)
	6.403.689	2.752

	2017/18	2016/17
	DKK	DKK'000
3. Other financial income		
Financial income arising from group enterprises	2.639.611	2.898
Interest income	159.241	504
Exchange rate adjustments	0	10
	2.798.852	3.412

	2017/18	2016/17
	DKK	DKK'000
4. Other financial expenses		
Interest expenses	2.703.331	3.133
Exchange rate adjustments	3.880.861	343
	6.584.192	3.476

Notes

	2017/18	2016/17
	DKK	DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	1.699.014	992
Change in deferred tax for the year	(571.375)	2.728
Adjustment concerning previous years	0	(217)
	1.127.639	3.503
	2017/18	2016/17
	DKK	DKK'000
6. Proposed distribution of profit/loss		
Retained earnings	4.104.117	10.344
	4.104.117	10.344
	Acquired intangible assets DKK	Acquired rights DKK
7. Intangible assets		
Cost beginning of year	0	649.324
Transfers	49.997.665	0
Additions	222.835	9.400
Cost end of year	50.220.500	658.724
Amortisation and impairment losses beginning of year	0	(83.688)
Transfers	(28.965.531)	0
Amortisation for the year	(2.987.978)	(89.436)
Amortisation and impairment losses end of year	(31.953.509)	(173.124)
Carrying amount end of year	18.266.991	485.600

Notes

	Other fixtures, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
8. Property, plant and equipment			
Cost beginning of year	41.576.388	1.503.554	7.943.495
Transfers	(38.627.091)	43.324	0
Additions	758.505	810.000	3.701.435
Disposals	(3.248.246)	0	(6.085.704)
Cost end of year	459.556	2.356.878	5.559.226
Depreciation and impairment losses beginning of the year	(14.388.718)	(1.437.045)	0
Transfers	17.089.594	462.073	0
Depreciation for the year	(1.005.851)	(240.184)	0
Reversal regarding disposals	267.532	0	0
Depreciation and impairment losses end of the year	1.962.557	(1.215.156)	0
Carrying amount end of year	2.422.113	1.141.722	5.559.226
Recognised assets not owned by entity	745.937	-	-
	Receivables from group enterprises DKK	Other investments DKK	Deposits DKK
	DKK	DKK	DKK
9. Fixed asset investments			
Cost beginning of year	17.616.137	30.000	1.641.952
Transfers	2.576.813	0	0
Additions	10.605.164	0	18.436
Disposals	(14.724.081)	0	0
Cost end of year	16.074.033	30.000	1.660.388
Carrying amount end of year	16.074.033	30.000	1.660.388
	Other receivables DKK		DKK
	DKK		DKK
			5.367.319
			(2.576.813)
			727.464
			(1.948.666)
			1.569.304
			1.569.304

Notes

10. Receivables from owners and management

The loan to management carries interest at 10.25%. The loan is not subject to specific terms, just as the loan are repaid in the financial year 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	50.000	500.000
	10		500.000

	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
13. Deferred tax		
Intangible assets	8.241	8
Property, plant and equipment	2.745.808	(572)
Fixed asset investments	5.718.804	5.070
Equity	(1.074.362)	0
Provisions	(432.161)	0
Liabilities other than provisions	(3.315.766)	0
Tax losses carried forward	0	(525)
	3.650.564	3.981

Changes during the year

Beginning of year	3.981.000
Recognised in the income statement	(88.762)
Recognised directly in equity	(241.674)
End of year	3.650.564

14. Other provisions

Other provisions include a provision made for buyback commitments.

Notes

	Instalments within 12 months 2017/18 DKK	Instalments within 12 months 2016/17 DKK'000	Instalments beyond 12 months 2017/18 DKK
15. Liabilities other than provisions			
Finance lease liabilities	6.473.540	10.418	3.773.086
Joint taxation contribution payable	0	0	1.118.419
	6.473.540	10.418	4.891.505

	2017/18 DKK	2016/17 DKK'000
16. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	150.529	47
Holiday pay obligation	2.166.923	3.057
Derivative financial instruments	4.883.466	5.986
Other costs payable	2.463.779	1.533
	9.664.697	10.623

17. Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

18. Financial instruments

Other payables include the value of forward exchange contracts of DKK 4.9 million. The contracts have been entered into to hedge the Company's goods purchased in USD. At 30.06.2018, the Company has entered into USD/DKK forward exchange contracts amounting to USD 13.7 million, which fall due within the next 14 months.

	2017/18 DKK	2016/17 DKK'000
19. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	2.721.826	3.384
Herof liabilities under rental agreements or leases with group enterprises until expiry	1.425.685	2.828

Notes

20. 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.

21. Mortgages and securities

Bank debts of the Company and the affiliate, Change of Scandinavia Retail A/S subsidiary are secured by way of a company charge of DKK 60,000 thousand nominal value. The net bank debts amount to DKK 42,793 thousand at 30.06.2018.

The Company's bankers have provided payment and rent guarantees of DKK 8,905 thousand.

Bank guarantees of DKK 383 thousand have been provided regarding the affiliate, Change of Scandinavia Germany GmbH.

22. 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, Svanemøllevej 4, st., 2100 Copenhagen Ø, who is the principal shareholder of Asian Import ApS.

	Other related parties.
	DKK
23. Transactions with related parties	
The Intimate Company A/S, payment for rights	3.000.000

No transactions with related parties in the financial year 2017/18 were not made on an arm's length basis, besides the payment for rights from The Intimate Company A/S.

24. 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.

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 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.

Accounting policies

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.

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 or exchange gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange 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.

Acquired intangible assets comprise software, development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

Software	5-8 years
Completed development projects	5-8 years

Acquired intangible assets are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Acquired intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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.

Accounting policies

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:

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.

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.

Accounting policies

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.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

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 lease.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

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