
Change of Scandinavia A/S

Farum Gydevej 73, DK-3520 Farum

Annual Report for 1 July 2021 - 30 June 2022

CVR No 28 71 13 28

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/11 2022

Tom Deichmann
Chairman of the General
Meeting



pwc

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Change of Scandinavia A/S for the financial year 1 July 2021 - 30 June 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2022 of the Company and of the results of the Company operations for 2021/22.

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

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

Farum, 26 November 2022

Executive Board

Claus Walther Jensen
Executive Officer

Board of Directors

Claus Walther Jensen

Gitte Breil

Julie Breil

Independent Auditor's Report

To the Shareholder of Change of Scandinavia A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2022 and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Change of Scandinavia A/S for the financial year 1 July 2021 - 30 June 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

ment, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

in a manner that gives a true and fair view.

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

Hillerød, 26 November 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

Michael Blom

statsautoriseret revisor

mne32797

Company Information

The Company

Change of Scandinavia A/S
Farum Gydevej 73
DK-3520 Farum

CVR No: 28 71 13 28
Financial period: 1 July - 30 June
Incorporated: 12 May 2005
Financial year: 18th financial year
Municipality of reg. office: Furesø

Board of Directors

Claus Walther Jensen
Gitte Breil
Julie Breil

Executive Board

Claus Walther Jensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2021/22	2020/21	2019/20	2018/19	2017/18
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	354,080	342,694	205,453	191,314	166,690
Gross profit/loss	132,375	148,156	73,127	79,188	63,520
Operating profit/loss	75,808	103,196	32,110	44,269	27,882
Profit/loss before financial income and expenses	34,142	40,779	11,398	21,682	9,017
Net financials	-3,237	-950	1,891	1,450	-3,785
Net profit/loss for the year	24,098	31,114	10,505	18,024	4,104
Balance sheet					
Balance sheet total	417,587	262,621	275,894	328,970	280,069
Equity	141,813	111,801	77,947	167,590	146,440
Investment in property, plant and equipment	505	346	593	819	5,270
Number of employees	44	36	37	29	31
Ratios					
Gross margin	37.4%	43.2%	35.6%	41.4%	38.1%
Profit margin	9.6%	11.9%	5.5%	11.3%	5.4%
Return on assets	8.2%	15.5%	4.1%	6.6%	3.2%
Solvency ratio	34.0%	42.6%	28.3%	50.9%	52.3%
Return on equity	19.0%	32.8%	8.6%	11.5%	2.9%

Management's Review

Key activities

The primary activities of the Company are design, production management and distribution of lingerie, swimwear, nightwear and other associated products.

Development in the year

The income statement of the Company for 2021/22 shows a profit of DKK 24,097,537, and at 30 June 2022 the balance sheet of the Company shows equity of DKK 141,813,185.

Management consider the result as satisfactory.

The past year and follow-up on development expectations from last year

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

Market risks

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

Foreign exchange risks

The Company is exposed to general currency risks as regards its operations, however the risk mainly relate to CNY. The majority part of the Company's purchasing of goods and material is done in CNY while the Company invoices in DKK, SEK, NOK, EUR, PLN and CAD.

Targets and expectations for the year ahead

The Company expects increases in both revenue and profit for the 2022/23, as the customer base is expected to increase.

Research and development

The Company's intellectual capital resources are related to the development of products and future sales activities. Good quality, production of new products and the right market approach is sufficient to ensure return on the research and development activities.

External environment

The Company's environmental impact on its surroundings is very limited. The Company strives to improve and optimize its energy consumption.

Management's Review

Intellectual capital resources

The Company intellectual capital resources is related to the development of products and sale activities. Development of new products and the right approach to the end user is sufficient for success.

Statement of corporate social responsibility and Data Ethics

With reference to section 99 of the Danish Financial Statements Act the Statement of corporate social responsibility and Data Ethics is included in the consolidated financial statements of Asian Import ApS and Change of Scandinavia Holding A/S.

Statement on gender composition

With reference to section 99 of the Danish Financial Statements Act the Statement on gender composition is included in the consolidated financial statements of Asian Import ApS and Change of Scandinavia Holding A/S.

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.

Unusual events

The result of the year has been affected by the Covid-19 pandemic as many of the company's customers had to close retail stores during the spring and early summer due to governmental restrictions in the various markets.

The financial position at 30 June 2022 of the Company and the results of the activities of the Company for the financial year for 2021/22 have not been affected by any other unusual events.

Subsequent events

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

Income Statement 1 July - 30 June

	Note	2021/22 DKK	2020/21 DKK
Revenue	2	354,080,445	342,693,544
Work on own account recognised in assets		5,966,137	4,113,553
Other operating income		11,696,503	11,933,882
Expenses for raw materials and consumables		-177,143,432	-156,167,894
Other external expenses		-62,224,619	-54,416,957
Gross profit/loss		132,375,034	148,156,128
Staff expenses	3	-34,955,228	-23,739,375
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-9,914,835	-9,286,878
Other operating expenses		-53,362,553	-74,351,301
Profit/loss before financial income and expenses		34,142,418	40,778,574
Financial income	5	2,145,179	2,456,088
Financial expenses	6	-5,382,167	-3,406,568
Profit/loss before tax		30,905,430	39,828,094
Tax on profit/loss for the year	7	-6,807,893	-8,714,401
Net profit/loss for the year		24,097,537	31,113,693

Balance Sheet 30 June

Assets

	Note	2021/22 DKK	2020/21 DKK
Completed development projects		3,627,917	4,113,553
Acquired licenses		20,760,679	22,454,768
Acquired other similar rights		124,642	214,219
Development projects in progress		9,108,108	4,645,133
Intangible assets	8	<u>33,621,346</u>	<u>31,427,673</u>
Other fixtures and fittings, tools and equipment		1,602,607	1,759,729
Leasehold improvements		250,910	467,119
Property, plant and equipment	9	<u>1,853,517</u>	<u>2,226,848</u>
Deposits		1,740,619	1,695,361
Other receivables		500,000	500,000
Fixed asset investments	10	<u>2,240,619</u>	<u>2,195,361</u>
Fixed assets		<u>37,715,482</u>	<u>35,849,882</u>
Inventories		<u>85,789,551</u>	<u>61,358,022</u>
Trade receivables		523,387	1,272,211
Receivables from group enterprises		232,638,197	124,269,670
Other receivables	17	20,666,735	11,404,659
Prepayments	11	14,906,873	1,416,857
Receivables		<u>268,735,192</u>	<u>138,363,397</u>
Cash at bank and in hand		<u>25,346,312</u>	<u>27,049,744</u>
Currents assets		<u>379,871,055</u>	<u>226,771,163</u>
Assets		<u>417,586,537</u>	<u>262,621,045</u>

Balance Sheet 30 June

Liabilities and equity

	Note	2021/22 DKK	2020/21 DKK
Share capital	12	500,000	500,000
Reserve for development costs		2,829,775	3,208,571
Reserve for hedging transactions		8,024,532	2,110,040
Retained earnings		130,458,878	105,982,546
Equity		141,813,185	111,801,157
Provision for deferred tax	14	2,559,848	1,223,514
Other provisions	15	4,585,622	4,585,622
Provisions		7,145,470	5,809,136
Lease obligations		268,488	376,765
Deposits		223,782	223,782
Other payables		0	1,598,589
Long-term debt	16	492,270	2,199,136
Credit institutions		111,783,252	67,242,183
Lease obligations	16	108,276	108,277
Trade payables		26,274,148	7,074,299
Payables to group enterprises		93,572,910	40,770,655
Payables to group enterprises relating to corporation tax		29,337,532	22,200,540
Other payables	16	7,055,494	5,395,662
Deferred income	18	4,000	20,000
Short-term debt		268,135,612	142,811,616
Debt		268,627,882	145,010,752
Liabilities and equity		417,586,537	262,621,045
Subsequent events	1		
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
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Statement of Changes in Equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	500,000	3,208,571	2,110,040	105,982,545	111,801,156
Fair value adjustment of hedging instruments, beginning of year	0	0	-2,705,180	0	-2,705,180
Fair value adjustment of hedging instruments	0	0	10,287,861	0	10,287,861
Tax on adjustment of hedging instruments for the year	0	0	-1,668,189	0	-1,668,189
Development costs for the year	0	2,829,775	0	-2,829,775	0
Depreciation, amortisation and impairment for the year	0	-3,208,571	0	3,208,571	0
Net profit/loss for the year	0	0	0	24,097,537	24,097,537
Equity at 30 June	500,000	2,829,775	8,024,532	130,458,878	141,813,185

Notes to the Financial Statements

1 Subsequent events

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

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
2 Revenue		
Geographical segments		
Revenue, Denmark	114,633,827	100,635,681
Revenue, exports	<u>239,446,618</u>	<u>242,057,863</u>
	<u>354,080,445</u>	<u>342,693,544</u>

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
3 Staff expenses		
Wages and salaries	30,550,379	20,726,131
Pensions	2,159,474	1,754,324
Other social security expenses	533,870	301,329
Other staff expenses	<u>1,711,505</u>	<u>957,591</u>
	<u>34,955,228</u>	<u>23,739,375</u>
Average number of employees	<u>44</u>	<u>36</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	9,035,728	8,297,894
Depreciation of property, plant and equipment	<u>879,107</u>	<u>988,984</u>
	<u>9,914,835</u>	<u>9,286,878</u>

Notes to the Financial Statements

5 Financial income

Interest received from group enterprises	1,154,262	1,276,291
Other financial income	2,644	19,388
Exchange adjustments	988,273	1,160,409
	<u>2,145,179</u>	<u>2,456,088</u>

6 Financial expenses

	<u>2021/22</u>	<u>2020/21</u>
	DKK	DKK
Interest paid to group enterprises	1,242,316	1,445,570
Other financial expenses	2,283,343	1,960,998
Exchange adjustments, expenses	1,856,508	0
	<u>5,382,167</u>	<u>3,406,568</u>

7 Tax on profit/loss for the year

Current tax for the year	7,139,748	9,747,100
Deferred tax for the year	-331,855	-1,032,699
	<u>6,807,893</u>	<u>8,714,401</u>

Notes to the Financial Statements

8 Intangible assets

	Completed development projects	Acquired licenses	Acquired other similar rights	Development projects in progress	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 July	4,113,553	66,133,080	656,374	4,645,133	75,548,140
Additions for the year	3,627,917	3,138,511	0	4,462,975	11,229,403
Disposals for the year	-4,113,553	0	0	0	-4,113,553
Cost at 30 June	<u>3,627,917</u>	<u>69,271,591</u>	<u>656,374</u>	<u>9,108,108</u>	<u>82,663,990</u>
Impairment losses and amortisation at 1 July	0	43,678,313	442,156	0	44,120,469
Amortisation for the year	4,113,553	4,832,599	89,576	0	9,035,728
Reversal of amortisation of disposals for the year	<u>-4,113,553</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-4,113,553</u>
Impairment losses and amortisation at 30 June	<u>0</u>	<u>48,510,912</u>	<u>531,732</u>	<u>0</u>	<u>49,042,644</u>
Carrying amount at 30 June	<u>3,627,917</u>	<u>20,760,679</u>	<u>124,642</u>	<u>9,108,108</u>	<u>33,621,346</u>

Finalized development projects relate to the development of the Company's existing products and new collections for sale in the next financial year. The development projects are finalized or is expected to be finalized in time to go to market with the products according to the marketing plan. The projects are progressing according to plan, and sufficient resources is allocated by Management to the development. The new products are expected to be sold in the present market and through the Company's existing stores and web sales.

Development projects in progress is new IT platforms used in the Company. It consist of external consultants and internal employees.

Notes to the Financial Statements

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK
Cost at 1 July	7,566,853	2,627,932	10,194,785
Additions for the year	505,773	0	505,773
Cost at 30 June	8,072,626	2,627,932	10,700,558
Impairment losses and depreciation at 1 July	5,807,123	2,160,811	7,967,934
Depreciation for the year	662,896	216,211	879,107
Impairment losses and depreciation at 30 June	6,470,019	2,377,022	8,847,041
Carrying amount at 30 June	1,602,607	250,910	1,853,517
Including assets under finance leases amounting to	376,784	0	376,784

10 Fixed asset investments

	Deposits	Other receiv- ables
	DKK	DKK
Cost at 1 July	1,695,361	500,000
Additions for the year	45,258	0
Disposals for the year	0	0
Transfers for the year	0	0
Cost at 30 June	1,740,619	500,000
Carrying amount at 30 June	1,740,619	500,000

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

Notes to the Financial Statements

12 Equity

The share capital consists of 10 shares of a nominal value of DKK 50,000. No shares carry any special rights.

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
13 Distribution of profit		
Retained earnings	24,097,537	31,113,693
	<u>24,097,537</u>	<u>31,113,693</u>

14 Provision for deferred tax

Provision for deferred tax at 1 July	1,223,514	1,483,172
Amounts recognised in the income statement for the year	-331,855	-1,032,699
Amounts recognised in equity for the year	1,668,189	773,041
Provision for deferred tax at 30 June	<u>2,559,848</u>	<u>1,223,514</u>

15 Other provisions

Other provisions include a provision for buyback commitments.

The Company provides the customers a possibility to return products. Based on previous experience in respect of the level of prior returned products and already returned products other provisions of DKK 4,585,622 (2021: DKK 4,585,622) have been recognised for expected returned goods.

Other provisions	4,585,622	4,585,622
	<u>4,585,622</u>	<u>4,585,622</u>

Notes to the Financial Statements

16 Long-term debt

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

The debt falls due for payment as specified below:

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
Lease obligations		
Between 1 and 5 years	268,488	376,765
Long-term part	<u>268,488</u>	<u>376,765</u>
Within 1 year	<u>108,276</u>	<u>108,277</u>
	<u>376,764</u>	<u>485,042</u>
Deposits		
Between 1 and 5 years	223,782	223,782
Long-term part	<u>223,782</u>	<u>223,782</u>
Within 1 year	<u>0</u>	<u>0</u>
	<u>223,782</u>	<u>223,782</u>
Other payables		
Between 1 and 5 years	0	1,598,589
Long-term part	<u>0</u>	<u>1,598,589</u>
Other short-term payables	<u>7,055,494</u>	<u>5,395,662</u>
	<u>7,055,494</u>	<u>6,994,251</u>

Notes to the Financial Statements

17 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	<u>2021/22</u> DKK	<u>2020/21</u> DKK
Assets	10,287,861	2,705,180

Forward exchange contracts have been concluded to hedge future sale of goods and payments in USD, NOK, SEK, CNH and EUR. At the balance sheet date fair value of the forward exchange contract amounts to DKK 10,287,861 (assets). The forward exchange contracts terminates within 1-11 months.

	<u>Value adjust- ment, income statement</u>	<u>Value adjust- ment, equity</u>	<u>Fair value at 30 June</u>
Forward exchange rate contracts	DKK 0	DKK 7,582,681	DKK 10,287,861

18 Deferred income

Deferred income consists of gain on sales and leaseback of tangible assets.

Notes to the Financial Statements

	2021/22 DKK	2020/21 DKK
19 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Bank debts of the Company and the affiliate, Change of Scandinavia Retail A/S subsidiary are secured by way of a company charge of kDKK 60,000 thousand nominal value. The book value of the assets secured are:	121,264,414	95,012,541
Other contingent liabilities		
Rental or lease agreements until expiry in total	1,298,386	1,537,159
Here of liabilities under rental agreements or leases with group enterprises until expiry	356,052	420,000
Rent and payment guarantees for rental agreements in subsidiaries	19,642,226	18,337,677
Other guarantees	67,000	0

Change of Scandinavia A/S has issued a bail to Sydbank and Nykredit for loans issued to the parent companies Change of Scandinavia Holding A/S and Asian Import A/S.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Asian import ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

20 Related parties

	<u>Basis</u>
Controlling interest	
Asian Import ApS	Ultimative Parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Consolidated accounts for the parent Companies

<u>Name</u>	<u>Place of registered office</u>
Asian Import ApS	Farum Gydevej 73, 3520 Farum
Change of Scandinavia Holding A/S	Farum Gydevej 73, 3520 Farum

21 Fee to auditors appointed at the general meeting

PricewaterhouseCoopers

Audit fee	83,000	76,000
Tax advisory services	21,000	19,000
Andre ydelser	26,000	24,000
	<u>130,000</u>	<u>119,000</u>
Other		
Andre ydelser	0	205,349
	<u>0</u>	<u>205,349</u>
	<u>130,000</u>	<u>324,349</u>

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Change of Scandinavia A/S for 2021/22 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021/22 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Asian Import ApS and Change of Scandinavia Holding A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

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

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

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

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the inte-

Notes to the Financial Statements

22 Accounting Policies (continued)

rest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

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

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item

Notes to the Financial Statements

22 Accounting Policies (continued)

as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

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

Other external expenses

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment and compensation for Covid-19.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish and foreign group Companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 - 20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the

Notes to the Financial Statements

22 Accounting Policies (continued)

licence period; however not exceeding 3 - 20 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

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

Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of loan and financial lease to third parties franchise owners.

Notes to the Financial Statements

22 Accounting Policies (continued)

Inventories

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

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

The cost of goods for resale equals landed cost.

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

Receivables

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

Prepayments

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

Equity

Dividend

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

Provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

22 Accounting Policies (continued)

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

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

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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