
CHANGE OF SCANDINAVIA A/S

Farum Gydevej 73, DK-3520 Farum

Annual Report for
1 July 2023 - 30 June 2024

CVR No. 28 71 13 28

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 16/12 2024

Tom Deichmann
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CHANGE OF SCANDINAVIA A/S for the financial year 1 July 2023 - 30 June 2024.

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 2024 of the Company and of the results of the Company operations for 2023/24.

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, 16 December 2024

Executive Board

Claus Walther Jensen
Manager

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 2024 and of the results of the Company's operations for the financial year 1 July 2023 - 30 June 2024 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 2023 - 30 June 2024, 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 Financial 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 misstatement, 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.

Independent Auditor's report

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 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, 16 December 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen
State Authorised Public Accountant
mne17120

Michael Blom
State Authorised Public Accountant
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 2023 - 30 June 2024 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 5-year period, the development of the Company is described by the following financial highlights:

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	397,587	400,564	354,080	342,694	205,453
Gross profit	152,369	142,387	132,375	148,156	73,127
Profit/loss of primary operations	3,479	7,112	34,142	40,779	11,398
Profit/loss of financial income and expenses	-11,343	13,547	-3,237	-950	1,891
Net profit/loss for the year	-6,126	16,103	24,098	31,114	10,505
Balance sheet					
Balance sheet total	632,885	581,528	417,587	262,621	275,894
Investment in property, plant and equipment	3,689	1,863	506	1,049	593
Equity	144,220	143,678	141,813	111,801	77,947
Number of employees	55	46	44	36	37
Ratios					
Gross margin	38.3%	35.5%	37.4%	43.2%	35.6%
Profit margin	0.9%	1.8%	9.6%	11.9%	5.5%
Return on assets	0.5%	1.2%	8.2%	15.5%	4.1%
Solvency ratio	22.8%	24.7%	34.0%	42.6%	28.3%
Return on equity	-4.3%	11.3%	19.0%	32.8%	8.6%

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 2023/24 shows a loss of DKK 6,125,706, and at 30 June 2024 the balance sheet of the Company shows a positive equity of DKK 144,219,923.

Because of the challenging market situation and the active decision to invest in gaining market share, the result of the year was a decline compared to last year. The management is overall not satisfied with the financial development.

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

As a consequence of the challenging market situation and the active decision to invest in gaining market share the result of the year was a decline compared to last 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 relates 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

We expect a slight 5% increase in revenue in constant currency and a 10m - 20m higher EBITDA in 2024/25.

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.

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, cf. section 99a of the Financial Statements Act

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

Statement on gender composition, cf. section 99b of the Financial Statements Act

Management's review

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.

Statement on data ethics, cf. section 99d of the Financial Statements Act

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.

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 overall macro-economic situation with increased inflation and interest rates which have decreased the purchase power of the consumers.

The financial position at 30 June 2024 of the Company and the results of the activities of the Company for the financial year for 2023/24 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 2023 - 30 June 2024

	Note	2023/24	2022/23
		DKK	DKK
Revenue	1	397,586,642	400,564,490
Work on own account recognised in assets		7,275,614	6,589,357
Other operating income		10,963,579	12,470,571
Expenses for raw materials and consumables		-189,993,895	-206,180,530
Other external expenses		-73,463,422	-71,057,195
Gross profit		152,368,518	142,386,693
Staff expenses	2	-35,356,700	-28,681,683
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-13,603,381	-11,232,471
Other operating expenses		-99,929,676	-95,360,869
Profit/loss before financial income and expenses		3,478,761	7,111,670
Financial income	4	26,234,406	27,591,105
Financial expenses	5	-37,577,180	-14,043,975
Profit/loss before tax		-7,864,013	20,658,800
Tax on profit/loss for the year	6	1,738,307	-4,556,131
Net profit/loss for the year	7	-6,125,706	16,102,669

Balance sheet 30 June 2024

Assets

	Note	2023/24	2022/23
		DKK	DKK
Completed development projects		4,066,113	3,810,836
Acquired licenses		26,600,419	17,800,912
Acquired other similar rights		7,049	36,625
Development projects in progress		10,268,328	19,390,866
Intangible assets	8	40,941,909	41,039,239
Other fixtures and fittings, tools and equipment		2,941,594	1,755,075
Leasehold improvements		2,235,296	984,311
Property, plant and equipment	9	5,176,890	2,739,386
Deposits	10	1,880,953	1,740,619
Other receivables	10	622,500	500,000
Fixed asset investments		2,503,453	2,240,619
Fixed assets		48,622,252	46,019,244
Finished goods and goods for resale		68,184,117	82,050,519
Prepayments for goods		1,877,486	4,706,315
Inventories		70,061,603	86,756,834
Trade receivables		2,571,388	1,263,825
Receivables from group enterprises		497,918,479	420,847,289
Other receivables	11	6,443,602	5,893,877
Deferred tax asset	12	1,512,952	1,655,154
Prepayments	13	5,124,726	3,422,226
Receivables		513,571,147	433,082,371
Cash at bank and in hand		629,686	15,669,290
Current assets		584,262,436	535,508,495
Assets		632,884,688	581,527,739

Balance sheet 30 June 2024

Liabilities and equity

	Note	2023/24	2022/23
		DKK	DKK
Share capital	14	500,000	500,000
Reserve for development costs		11,181,231	18,097,328
Reserve for hedging transactions		454,306	-6,212,954
Retained earnings		132,084,386	131,293,994
Equity		144,219,923	143,678,368
Other provisions	15	0	3,585,622
Provisions		0	3,585,622
Lease obligations		92,555	160,212
Deposits		223,782	223,782
Long-term debt	16	316,337	383,994
Credit institutions		178,661,832	156,207,489
Lease obligations	16	99,253	108,276
Trade payables		13,155,713	13,509,175
Payables to group enterprises		259,736,995	218,771,433
Payables to group enterprises relating to corporation tax		34,092,964	34,092,964
Other payables	11	2,601,671	11,190,418
Short-term debt		488,348,428	433,879,755
Debt		488,664,765	434,263,749
Liabilities and equity		632,884,688	581,527,739
Contingent assets, liabilities and other financial obligations	17		
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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	18,097,328	-6,212,954	131,293,995	143,678,369
Fair value adjustment of hedging instruments, end of year	0	0	8,547,769	0	8,547,769
Tax on adjustment of hedging instruments for the year	0	0	-1,880,509	0	-1,880,509
Other equity movements	0	-7,115,580	0	7,115,580	0
Development costs for the year	0	3,171,568	0	-3,171,568	0
Depreciation, amortisation and impairment for the year	0	-2,972,085	0	2,972,085	0
Net profit/loss for the year	0	0	0	-6,125,706	-6,125,706
Equity at 30 June	500,000	11,181,231	454,306	132,084,386	144,219,923

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
1. Revenue		
Geographical segments		
Revenue, Denmark	112,543,451	129,524,494
Revenue, exports	285,043,191	271,039,996
	<u>397,586,642</u>	<u>400,564,490</u>

	2023/24	2022/23
	DKK	DKK
2. Staff Expenses		
Wages and salaries	30,500,201	24,531,650
Pensions	2,774,714	2,372,346
Other social security expenses	561,771	477,434
Other staff expenses	1,520,014	1,300,253
	<u>35,356,700</u>	<u>28,681,683</u>

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

Average number of employees	<u>55</u>	<u>46</u>
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	2023/24	2022/23
	DKK	DKK
3. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	12,351,703	10,247,306
Depreciation of property, plant and equipment	1,251,678	985,165
	<u>13,603,381</u>	<u>11,232,471</u>

Notes to the Financial Statements

	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
4. Financial income		
Interest received from group enterprises	2,144,164	1,894,131
Other financial income	0	128
Exchange adjustments	24,090,242	25,696,846
	<u>26,234,406</u>	<u>27,591,105</u>
	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
5. Financial expenses		
Interest paid to group enterprises	925,339	909,768
Other financial expenses	10,655,294	5,236,192
Exchange adjustments, expenses	25,996,547	7,898,015
	<u>37,577,180</u>	<u>14,043,975</u>
	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
6. Income tax expense		
Current tax for the year	0	4,755,432
Deferred tax for the year	-1,738,307	-199,301
	<u>-1,738,307</u>	<u>4,556,131</u>
	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
7. Profit allocation		
Retained earnings	-6,125,706	16,102,669
	<u>-6,125,706</u>	<u>16,102,669</u>

Notes to the Financial Statements

8. Intangible fixed assets

	Completed development projects	Acquired licenses	Acquired other similar rights	Develop- ment projects in progress
	DKK	DKK	DKK	DKK
Cost at 1 July	3,810,836	72,843,197	656,374	19,390,866
Additions for the year	4,066,113	8,188,260	0	0
Disposals for the year	-3,810,836	0	0	0
Transfers for the year	0	9,122,538	0	-9,122,538
Cost at 30 June	<u>4,066,113</u>	<u>90,153,995</u>	<u>656,374</u>	<u>10,268,328</u>
Impairment losses and amortisation at 1 July	0	55,042,285	619,749	0
Amortisation for the year	3,810,366	8,511,291	29,576	0
Impairment and amortisation of sold assets for the year	<u>-3,810,366</u>	<u>0</u>	<u>0</u>	<u>0</u>
Impairment losses and amortisation at 30 June	<u>0</u>	<u>63,553,576</u>	<u>649,325</u>	<u>0</u>
Carrying amount at 30 June	<u>4,066,113</u>	<u>26,600,419</u>	<u>7,049</u>	<u>10,268,328</u>

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

Development in progress is progressing according to plan, and sufficient resources are allocated by Management to the development activities. Development projects in progress relate to the group's new IT system and platforms. The Company expects that the new and improved systems and platforms will substantiate the processes and business.

Notes to the Financial Statements

9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	DKK	DKK
Cost at 1 July	8,891,429	3,680,162
Additions for the year	2,126,257	1,562,923
Cost at 30 June	<u>11,017,686</u>	<u>5,243,085</u>
Impairment losses and depreciation at 1 July	7,136,354	2,695,851
Depreciation for the year	939,738	311,938
Impairment losses and depreciation at 30 June	<u>8,076,092</u>	<u>3,007,789</u>
Carrying amount at 30 June	<u>2,941,594</u>	<u>2,235,296</u>
Including assets under finance leases amounting to	<u>64,746</u>	<u>0</u>

10. Other fixed asset investments

	Deposits	Other receivables
	DKK	DKK
Cost at 1 July	1,740,619	500,000
Additions for the year	140,334	122,500
Cost at 30 June	<u>1,880,953</u>	<u>622,500</u>
Carrying amount at 30 June	<u>1,880,953</u>	<u>622,500</u>

Notes to the Financial Statements

	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
11. 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:		
Assets	582,443	0
Liabilities	0	7,965,326

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 582,443 (liability). The forward exchange contracts terminates within 1-11 months.

	<u>Value adjustment, equity</u>	<u>Fair value at 30. June</u>
	DKK	DKK
Forward exchange rate contracts	8,547,769	582,443

	<u>2023/24</u>	<u>2022/23</u>
	DKK	DKK
12. Deferred tax asset		
Deferred tax asset at 1 July	1,655,154	-2,559,848
Amounts recognised in the income statement for the year	1,738,307	199,301
Amounts recognised in equity for the year	<u>-1,880,509</u>	<u>4,015,701</u>
Deferred tax asset at 30 June	<u>1,512,952</u>	<u>1,655,154</u>

13. Prepayments

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

14. Share capital

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

Notes to the Financial Statements

2023/24	2022/23
DKK	DKK

15. Other provisions

The Company provides warranties of on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of DKK 0 (2022/23: DKK 3,585,622) have been recognised for expected warranty claims.

Other provisions	0	3,585,622
	0	3,585,622

The provisions are expected to mature as follows:

Within 1 year	0	3,585,622
After 5 years	0	0
	0	3,585,622

2023/24	2022/23
DKK	DKK

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:

Lease obligations

After 5 years	0	0
Between 1 and 5 years	92,555	160,212
Long-term part	92,555	160,212
Within 1 year	99,253	108,276
	191,808	268,488

Deposits

After 5 years	0	0
Between 1 and 5 years	223,782	223,782
Long-term part	223,782	223,782
Within 1 year	0	0
	223,782	223,782

Notes to the Financial Statements

	2023/24	2022/23
	DKK	DKK
17. 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 TDKK 80,000 thousand nominal value. The book value of the assets secured are:	114,302,915	127,059,078
Rental and lease obligations		
Rental or lease agreements until expiry in total	889,159	867,084
Rent and payment guarantees for rental agreements in subsidiaries	25,720,026	25,338,283
Other contingent liabilities		
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 Danish 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 Danish 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

18. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Asian Import ApS	Ultimative Parent
Other related parties	
Change of Scandinavia Holding A/S	Legal 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 Group Annual Report of the Parent Company of the largest and smallest group:

<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

19. Fee to auditors appointed at the general meeting

With reference to section 96(3) of the Danish Financial Statements Act and that the fee to auditors appointed at the general meeting is included in the consolidated financial statements of Change of Scandinavia Holding A/S, the Company has not included the information of the fee in the Annual Report.

20. Subsequent events

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

Notes to the Financial Statements

21. Accounting policies

The Annual Report of CHANGE OF SCANDINAVIA A/S for 2023/24 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 2023/24 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, the Company has not prepared a cash flow statement.

Recognition and measurement

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

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

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

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

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 interest 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

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. 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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Notes to the Financial Statements

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

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.

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 the fair value reserve 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 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.

Segment information on 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 for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Notes to the Financial Statements

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit

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 costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

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.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with other group Companies. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 1 - 20 year.

Other intangible fixed assets

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 3 -20 years.

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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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.

Notes to the Financial Statements

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Other fixed asset investments

Other fixed asset investments consist of deposits and receivables.

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 and costs of completion. 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.

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.

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 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$