

## **Change of Scandinavia Retail A/S**

Farum Gydevej 73

3520 Farum

Central Business Registration No

28711336

## **Annual report 2016/17**

The Annual General Meeting adopted the annual report on 12.12.2017

### **Chairman of the General Meeting**

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Name: Tom Deichmann

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## Entity details

### Entity

Change of Scandinavia Retail A/S  
Farum Gydevej 73  
3520 Farum

Central Business Registration No: 28711336  
Registered in: Furesø  
Financial year: 01.07.2016 - 30.06.2017

### Board of Directors

Claus Walther Jensen  
Gitte Breil  
Niels Nielsen Krogh

### Executive Board

Claus Walther Jensen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København 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 Retail A/S for the financial year 01.07.2016 - 30.06.2017.

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

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

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

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

Farum, 12.12.2017

### **Executive Board**

Claus Walther Jensen

### **Board of Directors**

Claus Walther Jensen

Gitte Breil

Niels Nielsen Krogh

## Independent auditor's report

### To the shareholder of Change of Scandinavia Retail A/S

#### Opinion

We have audited the financial statements of Change of Scandinavia Retail A/S for the financial year 01.07.2016 - 30.06.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

#### Basis for opinion

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

#### Management's responsibilities for the financial statements

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

## Independent auditor's report

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

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

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## **Independent auditor's report**

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

Copenhagen, 12.12.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Henrik Jacob Vilmann Wellejus

State-Authorised Public Accountant

## Management commentary

	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Gross profit	53.792	42.044	41.387	27.010	26.556
Operating profit/loss	2.663	(3.216)	1.728	(5.354)	(5.254)
Net financials	(2.264)	(1.912)	(1.510)	(2.668)	(1.630)
Profit/loss for the year	586	(5.073)	(2.384)	(6.835)	(5.335)
Total assets	56.105	51.256	47.878	62.774	53.382
Investments in property, plant and equipment	3.205	5.368	4.788	2.695	1.253
Equity	(12.183)	(12.771)	(7.694)	(5.308)	1.528
Employees in average	139	118	108	90	94
<b>Ratios</b>					
Solvency ratio (%)	(12,4)	(18,2)	(15,6)	(8,5)	2,9

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

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios</b>
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity



## Management commentary

### Primary activities

The primary activity of the Company concerns the operation of the Change retail concept stores offering lingerie, swimwear, nightwear and other associated products.

### Development in activities and finances

The Company's income statement for 2016/17 shows a gain of DKK 586 thousand and the balance sheet shows negative equity of DKK 12,183 thousand at 30.06.2017.

Earnings are affected by the continuing growth from the development of current stores and the opening of new stores.

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

Besides the loss for the year, the Company's equity is affected by expenses of DKK 2,908 thousand given that Management, during the financial year, found that the Company's old ERP system had miscalculated cost of sales, operating expenses and inventories in previous years. Consequently, the Company has restated the comparative figures for the following items: Gross profit has decreased by DKK 877 thousand to DKK 42,044 thousand, Other operating expenses has increased with DKK 2,031 thousand to DKK 2,089 thousand and inventories have decreased by DKK 2,908 thousand. Management has treated the error as material errors in previous years by adjusting equity at the beginning of the year. For a further specification of the matter, please refer to the material errors in previous years section under accounting policies.

### Particular risks

#### General risks

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

### Profit/loss for the year in relation to expected developments

This year's performance is below the expectations disclosed in the annual report for 2015/16 regarding revenue and earnings. The development in gross profit corresponds with the expectation disclosed in the annual report for 2015/16.

### Outlook

Management expects positive development in revenue, gross profit and earnings in 2017/18.

### Particular risks

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

### Events after the balance sheet date

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

## Income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
<b>Gross profit</b>		<b>53.792.145</b>	<b>42.044</b>
Staff costs	1	(46.930.618)	(39.642)
Depreciation, amortisation and impairment losses	2	(3.859.225)	(3.529)
Other operating expenses		<u>(339.726)</u>	<u>(2.089)</u>
<b>Operating profit/loss</b>		<b>2.662.576</b>	<b>(3.216)</b>
Income from investments in associates		205.892	833
Other financial income	3	546	60
Other financial expenses	4	<u>(2.470.193)</u>	<u>(2.805)</u>
<b>Profit/loss before tax</b>		<b>398.821</b>	<b>(5.128)</b>
Tax on profit/loss for the year	5	<u>187.214</u>	<u>55</u>
<b>Profit/loss for the year</b>	6	<u><b>586.035</b></u>	<u><b>(5.073)</b></u>

## Balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Acquired rights		9.156.223	10.053
<b>Intangible assets</b>	7	<b>9.156.223</b>	<b>10.053</b>
Other fixtures and fittings, tools and equipment		11.264.893	10.592
Leasehold improvements		1.776.248	2.226
<b>Property, plant and equipment</b>	8	<b>13.041.141</b>	<b>12.818</b>
Investments in associates		415.353	209
Deposits		6.472.992	6.466
Deferred tax	10	944.986	945
<b>Fixed asset investments</b>	9	<b>7.833.331</b>	<b>7.620</b>
<b>Fixed assets</b>		<b>30.030.695</b>	<b>30.491</b>
Manufactured goods and goods for resale		17.207.461	13.162
<b>Inventories</b>		<b>17.207.461</b>	<b>13.162</b>
Trade receivables		260.848	588
Receivables from group enterprises		4.809.432	4.116
Other receivables		193.999	539
Joint taxation contribution receivable	11	238.186	51
Prepayments	12	402.188	0
<b>Receivables</b>		<b>5.904.653</b>	<b>5.294</b>
Other investments		5.000	5
<b>Other investments</b>		<b>5.000</b>	<b>5</b>
<b>Cash</b>		<b>2.956.825</b>	<b>2.304</b>
<b>Current assets</b>		<b>26.073.939</b>	<b>20.765</b>
<b>Assets</b>		<b>56.104.634</b>	<b>51.256</b>

## Balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
Contributed capital	13	500.000	500
Reserve for net revaluation according to the equity method		315.354	109
Retained earnings		<u>(12.998.384)</u>	<u>(13.380)</u>
<b>Equity</b>		<b><u>(12.183.030)</u></b>	<b><u>(12.771)</u></b>
Finance lease liabilities		<u>4.478.605</u>	<u>7.383</u>
<b>Non-current liabilities other than provisions</b>	14	<b><u>4.478.605</u></b>	<b><u>7.383</u></b>
Current portion of long-term liabilities other than provisions	14	2.528.837	2.708
Trade payables		394.013	1.298
Payables to group enterprises		47.879.045	45.222
Other payables		8.884.945	4.428
Deferred income	15	<u>4.122.219</u>	<u>2.988</u>
<b>Current liabilities other than provisions</b>		<b><u>63.809.059</u></b>	<b><u>56.644</u></b>
<b>Liabilities other than provisions</b>		<b><u>68.287.664</u></b>	<b><u>64.027</u></b>
<b>Equity and liabilities</b>		<b><u>56.104.634</u></b>	<b><u>51.256</u></b>
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Mortgages and securities	18		
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## Statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Equity beginning of year	500.000	109.462	(10.470.633)	(9.861.171)
Corrections of errors	0	0	(2.907.894)	(2.907.894)
<b>Adjusted equity, beginning of year</b>	<b>500.000</b>	<b>109.462</b>	<b>(13.378.527)</b>	<b>(12.769.065)</b>
Profit/loss for the year	0	205.892	380.143	586.035
<b>Equity end of year</b>	<b>500.000</b>	<b>315.354</b>	<b>(12.998.384)</b>	<b>(12.183.030)</b>

## Notes

	<b>2016/17</b>	<b>2015/16</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	43.356.093	35.949
Pension costs	2.105.067	1.508
Other social security costs	792.678	806
Other staff costs	676.780	1.379
	<b>46.930.618</b>	<b>39.642</b>
Average number of employees	<b>139</b>	<b>118</b>

According to section 98b(3) of the Danish Financial Statements Act, remuneration to Management has not been disclosed.

	<b>2016/17</b>	<b>2015/16</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	897.444	839
Depreciation of property, plant and equipment	2.961.781	2.690
	<b>3.859.225</b>	<b>3.529</b>

	<b>2016/17</b>	<b>2015/16</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>3. Other financial income</b>		
Financial income arising from group enterprises	0	47
Interest income	546	13
	<b>546</b>	<b>60</b>

	<b>2016/17</b>	<b>2015/16</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	1.885.292	2.086
Interest expenses	584.901	719
	<b>2.470.193</b>	<b>2.805</b>

## Notes

	<b>2016/17</b>	<b>2015/16</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>5. Tax on profit/loss for the year</b>		
Change in deferred tax for the year	0	(4)
Adjustment concerning previous years	(187.214)	(51)
	<b>(187.214)</b>	<b>(55)</b>
	<b>2016/17</b>	<b>2015/16</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>6. Proposed distribution of profit/loss</b>		
Transferred to reserve for net revaluation according to the equity method	205.892	109
Retained earnings	380.143	(5.182)
	<b>586.035</b>	<b>(5.073)</b>
		<b>Acquired rights</b>
		<b>DKK</b>
<b>7. Intangible assets</b>		
Cost beginning of year		16.256.765
<b>Cost end of year</b>		<b>16.256.765</b>
Amortisation and impairment losses beginning of year		(6.203.098)
Amortisation for the year		(897.444)
<b>Amortisation and impairment losses end of year</b>		<b>(7.100.542)</b>
<b>Carrying amount end of year</b>		<b>9.156.223</b>

## Notes

	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improve- ments DKK</b>
<b>8. Property, plant and equipment</b>		
Cost beginning of year	23.948.241	4.278.094
Additions	3.102.975	101.567
Disposals	(64.000)	0
<b>Cost end of year</b>	<b><u>26.987.216</u></b>	<b><u>4.379.661</u></b>
Depreciation and impairment losses beginning of the year	(13.357.314)	(2.051.975)
Depreciation for the year	(2.410.343)	(551.438)
Reversal regarding disposals	45.334	0
<b>Depreciation and impairment losses end of the year</b>	<b><u>(15.722.323)</u></b>	<b><u>(2.603.413)</u></b>
<b>Carrying amount end of year</b>	<b><u>11.264.893</u></b>	<b><u>1.776.248</u></b>

Recognised assets not owned by the Entity constitute DKK 7,835 thousand of the carrying amount at 30.06.2017 for property, plant and equipment totalling DKK 13,041 thousand.

	<b>Investments in associates DKK</b>	<b>Deposits DKK</b>	<b>Deferred tax DKK</b>
<b>9. Fixed asset investments</b>			
Cost beginning of year	100.000	6.465.297	944.986
Additions	0	7.695	0
<b>Cost end of year</b>	<b><u>100.000</u></b>	<b><u>6.472.992</u></b>	<b><u>944.986</u></b>
Revaluations beginning of year	109.461	0	0
Share of profit/loss for the year	205.892	0	0
<b>Revaluations end of year</b>	<b><u>315.353</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Carrying amount end of year</b>	<b><u>415.353</u></b>	<b><u>6.472.992</u></b>	<b><u>944.986</u></b>



## Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity DKK</u>	<u>Profit/loss DKK</u>
Investments in associates comprise:					
Change - Sønderborg I/S	Sønderborg	I/S	50,0	666.534	205.892

	<u>2016/17 DKK</u>	<u>2015/16 DKK'000</u>
<b>10. Deferred tax</b>		
Intangible assets	(728.484)	(729)
Property, plant and equipment	(126.312)	(126)
Other taxable temporary differences	<u>1.799.782</u>	<u>1.800</u>
	<b><u>944.986</u></b>	<b><u>945</u></b>
<b>Changes during the year</b>		
Beginning of year	<u>944.986</u>	
<b>End of year</b>	<b><u>944.986</u></b>	

### 11. Joint taxation contribution receivable

♥ Tilgodehavende sambeskatningsbidrag - Indsæt beskrivelse af evt. særlige forhold.

### 12. Prepayments

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

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
<b>13. Contributed capital</b>			
Ordinary shares	<u>10</u>	50000	<u>500.000</u>
	<b><u>10</u></b>		<b><u>500.000</u></b>

## Notes

	<b>Instalments within 12 months 2016/17 DKK</b>	<b>Instalments within 12 months 2015/16 DKK'000</b>	<b>Instalments beyond 12 months 2016/17 DKK</b>
<b>14. Liabilities other than provisions</b>			
Finance lease liabilities	2.528.837	2.708	4.478.605
	<b>2.528.837</b>	<b>2.708</b>	<b>4.478.605</b>

### 15. Deferred income

Deferred income comprises gift certificates unused at the balance sheet date.

	<b>2016/17 DKK</b>	<b>2015/16 DKK'000</b>
<b>16. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>30.720.024</b>	<b>30.087</b>

### 17. 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.

The Company holds ownership interests in the partnership Change - Sønderborg I/S. Consequently, the Company is liable in accordance with the rules of the Executive Order on the Danish Act on Certain Commercial Undertakings stating that all owners are personally liable without limitation as well as jointly and severally liable for the obligations of the undertaking.

### 18. Mortgages and securities

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

The Company's bankers have provided payment guarantees of DKK 6,865 thousand.

## Notes

### 19. Related parties with controlling interest

The following related party has a controlling interest in Change of Scandinavia Retail A/S:

Claus Walther Jensen, Svanemøllevej 4, st., 2100 Copenhagen Ø

### 20. Transactions with related parties

<b>Transaction type</b>	<b>Related parties</b>	<b>2016/17</b>
		<b>DKK'000</b>
Revenue	Change of Scandinavia A/S	430
Cost of Goods Sold	Change of Scandinavia A/S	42.005
Other Administrative cost	Change of Scandinavia A/S	1.417
Other operating expenses	Change of Scandinavia A/S	191
Financial expenses	Change of Scandinavia A/S	1.899
Receivables from Group Enterprises	Change of Scandinavia Norway AS, Change of Scandinavia Sweden AB, Asian Import ApS	4.625
Payables from Group Enterprises	Change of Scandinavia A/S and Change of Scandinavia Holding A/S	64.595

### 21. 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 (medium) enterprises.

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

### Material errors in previous years

During the financial year, Management found that the Company's cost of sales was miscalculated in previous years when comparing to the price structure within the Group. Consequently, the Company's cost of sales and inventories was misstated.

Management calculated the total additional cost of sales at DKK 2,908 thousand and has treated the matter as material errors in previous years by adjusting equity at the beginning of the year. The adjusted equity is negative by DKK 12,769 thousand at 01.07.2016.

The total additional expense of DKK 2,909 thousand relates to the financial year 2015/16. Consequently, the comparative figure for gross profit has been restated, decreasing the gross profit by DKK 878 thousand to DKK 42,044 thousand and other operating expenses by DKK 2,031 thousand to DKK 2,089 thousand.

The additional expense has been recognised in inventories in 2015/16 so that inventories amount to DKK 13,162 thousand.

### Recognition and measurement

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

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

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

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

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

### Foreign currency translation

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

## Accounting policies

Exchange differences that arise between the rate at the transaction date and the one 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.

### **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, including rental income and gains from the sale of intangible assets and property, plant and equipment.

#### **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 write-downs 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 and 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.

## Accounting policies

### Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of internal profits or losses.

### Other financial income

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

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, 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

The acquired rights consists of lease rights for shops. The lease rights are amortized over the lease period. For interminable leases, the period is estimated at 5-20 years.

#### 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.

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	3-7 years
Leasehold improvements	3-8 years

## Accounting policies

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

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

### Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Associates with negative equity are measured at DKK 0, and any receivables from these associates are written down by the share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant associate.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

### Deferred tax

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

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

### Inventories

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

Cost of goods for resale 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.

### Receivables

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

### Income tax payable or receivable

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

### Prepayments

## Accounting policies

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

### Other investments

Securities recognised under current assets comprise unlisted shares and bonds measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

### Finance lease liabilities

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

### Operating leases

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

### Other financial liabilities

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

### Deferred income

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

### Cash flow statement

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