

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

Farum Gydevej 73

3520 Farum

Central Business Registration No

28711336

## **Annual report 2017/18**

The Annual General Meeting adopted the annual report on 04.01.2019

### **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: 01.07.2017 - 30.06.2018

### Board of Directors

Claus Walther Jensen  
Gitte Breil  
Niels Nielsen Krogh

### Executive Board

Claus Walther Jensen

### Auditors

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

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Change of Scandinavia Retail A/S for the financial year 01.07.2017 - 30.06.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018.

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

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

Farum, 04.01.2019

### **Executive Board**

Claus Walther Jensen

### **Board of Directors**

Claus Walther Jensen

Gitte Breil

Niels Nielsen Krogh

## Independent auditor's report

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

#### Opinion

We have audited the financial statements of Change of Scandinavia Retail A/S for the financial year 01.07.2017 - 30.06.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2018 and of the results of its operations for the financial year 01.07.2017 - 30.06.2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

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

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

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

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

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

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

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

## Independent auditor's report

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

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

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

Management is responsible for the management commentary.

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

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

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

## Independent auditor's report

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

Copenhagen, 04.01.2018

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

Henrik Jacob Vilmann Wellejus  
State Authorised Public Accountant  
Identification number (MNE) mne24807

## Management commentary

	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</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	55.694	53.790	42.037	41.385	27.008
Operating profit/loss	1.255	2.661	(3.223)	1.726	(5.356)
Net financials	(951)	(2.262)	(1.912)	(1.510)	(2.668)
Profit/loss for the year	235	586	(5.080)	(2.386)	(6.837)
Total assets	66.865	56.105	51.205	47.878	60.880
Investments in property, plant and equipment	3.742	3.205	5.368	4.788	2.695
Equity	(11.948)	(12.184)	(12.771)	(7.694)	(5.308)
Employees in average	143	139	118	108	90

### Ratios

Solvency ratio (%)	(17,7)	(21,7)	(24,9)	(16,1)	(8,5)
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Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

### Ratios

### Calculation formula

### Ratios

Solvency ratio (%)

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

The financial strength of the Entity



## Management commentary

### Primary activities

The primary activities of the Company concern the 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 2017/18 shows a profit of DKK 235 thousand and the balance sheet shows negative equity of DKK 11,948 thousand at 30.06.2018.

The Company has lost more than 50% of its share capital. As a result, the Company falls within the provisions of section 119 of the Danish Companies Act governing loss of capital. Management expect recovery of the lost equity over the coming years through improved operational performance and/or through debt conversion.

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

The company has during the year increased its human resources aimed at implementing a new concept for staff training in the stores. The result has been very positive and the store performance has improved, in particular in the second half of the year.

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

The Gross profit increased as expected, however the extra costs associated with the staff training concept has led to a result of the year below the expected range.

### Uncertainty relating to recognition and measurement

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

### Outlook

Full effect of the staff training concept is expected in 2018/19. Management thus expect a positive development in both gross profit and earnings.

### 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.

### Environmental performance

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

### Events after the balance sheet date

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

## Income statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
<b>Gross profit</b>		<b>55.694.145</b>	<b>53.790</b>
Staff costs	1	(49.553.546)	(46.930)
Depreciation, amortisation and impairment losses	2	(4.214.646)	(3.859)
Other operating expenses		<u>(670.668)</u>	<u>(340)</u>
<b>Operating profit/loss</b>		<b>1.255.285</b>	<b>2.661</b>
Income from investments in associates		171.123	206
Other financial income	3	1.355	1
Other financial expenses	4	<u>(1.123.946)</u>	<u>(2.469)</u>
<b>Profit/loss before tax</b>		<b>303.817</b>	<b>399</b>
Tax on profit/loss for the year	5	<u>(68.386)</u>	<u>187</u>
<b>Profit/loss for the year</b>	6	<u><b>235.431</b></u>	<u><b>586</b></u>

## Balance sheet at 30.06.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
Acquired rights		8.254.759	9.156
<b>Intangible assets</b>	7	<b>8.254.759</b>	<b>9.156</b>
Other fixtures and fittings, tools and equipment		5.379.905	11.265
Leasehold improvements		7.770.422	1.777
<b>Property, plant and equipment</b>	8	<b>13.150.327</b>	<b>13.042</b>
Investments in associates		380.580	415
Deposits		6.530.020	6.473
Deferred tax	10	876.600	945
<b>Fixed asset investments</b>	9	<b>7.787.200</b>	<b>7.833</b>
<b>Fixed assets</b>		<b>29.192.286</b>	<b>30.031</b>
Manufactured goods and goods for resale		19.302.067	17.207
<b>Inventories</b>		<b>19.302.067</b>	<b>17.207</b>
Trade receivables		396.466	261
Receivables from group enterprises		13.070.124	4.810
Other receivables		294.436	194
Joint taxation contribution receivable		238.186	238
Prepayments	11	595.563	402
<b>Receivables</b>		<b>14.594.775</b>	<b>5.905</b>
Other investments		0	5
<b>Other investments</b>		<b>0</b>	<b>5</b>
<b>Cash</b>		<b>3.775.966</b>	<b>2.957</b>
<b>Current assets</b>		<b>37.672.808</b>	<b>26.074</b>
<b>Assets</b>		<b>66.865.094</b>	<b>56.105</b>

## Balance sheet at 30.06.2018

	<u>Notes</u>	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
Contributed capital	12	500.000	500
Reserve for net revaluation according to the equity method		280.581	315
Retained earnings		<u>(12.728.180)</u>	<u>(12.999)</u>
<b>Equity</b>		<b><u>(11.947.599)</u></b>	<b><u>(12.184)</u></b>
Finance lease liabilities		0	40
Deposits		400.000	400
Payables to group enterprises		<u>3.982.054</u>	<u>4.438</u>
<b>Non-current liabilities other than provisions</b>	<b>13</b>	<b><u>4.382.054</u></b>	<b><u>4.878</u></b>
Current portion of long-term liabilities other than provisions	13	2.287.254	2.529
Prepayments received from customers	14	712.078	90
Trade payables		2.946.837	1.481
Payables to group enterprises		55.831.747	46.791
Other payables		9.052.075	8.398
Deferred income	15	<u>3.600.648</u>	<u>4.122</u>
<b>Current liabilities other than provisions</b>		<b><u>74.430.639</u></b>	<b><u>63.411</u></b>
<b>Liabilities other than provisions</b>		<b><u>78.812.693</u></b>	<b><u>68.289</u></b>
<b>Equity and liabilities</b>		<b><u>66.865.094</u></b>	<b><u>56.105</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 2017/18

	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	315.354	(12.998.384)	(12.183.030)
Dividends from associates	0	(205.896)	205.896	0
Profit/loss for the year	0	171.123	64.308	235.431
<b>Equity end of year</b>	<b>500.000</b>	<b>280.581</b>	<b>(12.728.180)</b>	<b>(11.947.599)</b>

## Notes

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	44.595.066	43.356
Pension costs	2.565.664	2.105
Other social security costs	736.924	800
Other staff costs	1.655.892	669
	<b>49.553.546</b>	<b>46.930</b>
Average number of employees	<b>143</b>	<b>139</b>

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	901.464	897
Depreciation of property, plant and equipment	3.313.182	2.962
	<b>4.214.646</b>	<b>3.859</b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>3. Other financial income</b>		
Exchange rate adjustments	1.355	1
	<b>1.355</b>	<b>1</b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	685.193	1.885
Interest expenses	438.753	584
	<b>1.123.946</b>	<b>2.469</b>

## Notes

	<b>2017/18</b>	<b>2016/17</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	68.386	0
Adjustment concerning previous years	0	(187)
	<b>68.386</b>	<b>(187)</b>
	<b>2017/18</b>	<b>2016/17</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	171.123	206
Retained earnings	64.308	380
	<b>235.431</b>	<b>586</b>
		<b>Acquired rights</b>
		<b>DKK</b>
<b>7. Intangible assets</b>		
Cost beginning of year		16.256.765
Transfers		(686.338)
<b>Cost end of year</b>		<b>15.570.427</b>
Amortisation and impairment losses beginning of year		(7.100.542)
Transfers		686.338
Amortisation for the year		(901.464)
<b>Amortisation and impairment losses end of year</b>		<b>(7.315.668)</b>
<b>Carrying amount end of year</b>		<b>8.254.759</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	26.987.216	4.379.661
Transfers	(22.225.593)	22.225.593
Additions	2.625.797	1.116.337
Disposals	0	(472.036)
<b>Cost end of year</b>	<b><u>7.387.420</u></b>	<b><u>27.249.555</u></b>
Depreciation and impairment losses beginning of the year	(15.722.323)	(2.603.413)
Transfers	15.157.093	(15.157.093)
Depreciation for the year	(1.442.285)	(1.870.897)
Reversal regarding disposals	0	152.270
<b>Depreciation and impairment losses end of the year</b>	<b><u>(2.007.515)</u></b>	<b><u>(19.479.133)</u></b>
<b>Carrying amount end of year</b>	<b><u>5.379.905</u></b>	<b><u>7.770.422</u></b>

Recognised assets not owned by the Entity constitute DKK 7,805 thousand of the carrying amount at 30.06.2018 for property, plant and equipment totalling DKK 13,150 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	6.472.992	944.986
Additions	0	87.679	0
Disposals	0	(30.651)	(68.386)
<b>Cost end of year</b>	<b><u>100.000</u></b>	<b><u>6.530.020</u></b>	<b><u>876.600</u></b>
Revaluations beginning of year	315.353	0	0
Share of profit/loss for the year	171.123	0	0
Dividend	(205.896)	0	0
<b>Revaluations end of year</b>	<b><u>280.580</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Carrying amount end of year</b>	<b><u>380.580</u></b>	<b><u>6.530.020</u></b>	<b><u>876.600</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	791.960	297.606

	<u>2017/18 DKK</u>	<u>2016/17 DKK'000</u>
<b>10. Deferred tax</b>		
Intangible assets	(968.000)	(728)
Property, plant and equipment	(140.000)	(126)
Other taxable temporary differences	<u>1.984.600</u>	<u>1.799</u>
	<b><u>876.600</u></b>	<b><u>945</u></b>
<b>Changes during the year</b>		
Beginning of year	944.986	
Recognised in the income statement	<u>(68.386)</u>	
<b>End of year</b>	<b><u>876.600</u></b>	

### 11. 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>12. Contributed capital</b>			
Ordinary shares	<u>10</u>	50.000	<u>500.000</u>
	<b><u>10</u></b>		<b><u>500.000</u></b>

## Notes

	<b>Instalments within 12 months 2017/18 DKK</b>	<b>Instalments within 12 months 2016/17 DKK'000</b>	<b>Instalments beyond 12 months 2017/18 DKK</b>
<b>13. Liabilities other than provisions</b>			
Deposits	0	0	400.000
Payables to group enterprises	2.287.254	2.529	3.982.054
	<b>2.287.254</b>	<b>2.529</b>	<b>4.382.054</b>

### 14. Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed.

### 15. Deferred income

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

	<b>2017/18 DKK</b>	<b>2016/17 DKK'000</b>
<b>16. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>14.028.653</b>	<b>15.360</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 affiliate, Change of Scandinavia A/S subsidiary are secured by way of a company charge of DKK 60,000 thousand nominal value. The net bank debts of the two Companies amount

## Notes

to DKK 42,794 thousand at 30.06.2018. The Companies bankers have provided payment and rent guarantees of DKK 8,905 thousand.

### **19. Related parties with controlling interest**

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

### **20. Transactions with related parties**

No transactions with related parties were made in the financial year 2017/18 which were not made on an arm's length basis.

### **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.

### Recognition and measurement

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

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

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

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

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

### Foreign currency translation

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

## Accounting policies

Revenue from unused gift certificates is recognised in the income statement when the gift certificates are used or have expired. Management also calculates the probability that the gift certificates are not used, and so recognises income based on this probability.

### **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.

### **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 or exchange 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.

## Accounting policies

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on 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 consist of lease rights on shops. The lease rights are amortised 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

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

Estimated useful lives and residual values are reassessed annually.

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.

## Accounting policies

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

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.

## Accounting policies

### Finance lease liabilities

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

### Operating leases

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

### Other financial liabilities

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

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### 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.