

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

Farum Gydevej 73

3520 Farum

Central Business Registration

No 29147167

## **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 Holding A/S  
Farum Gydevej 73  
3520 Farum

Central Business Registration No: 29147167  
Registered in: Furesø  
Financial year: 01.07.2016 - 30.06.2017

### Board of Directors

Tom Deichmann  
Annette Carina Thomsen  
Claus Walther Jensen  
Gitte Breil  
Julie Breil  
Thomas Black-Petersen

### 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 Holding 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2017 and of their financial performance and the Group's cash flows 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

Tom Deichmann

Annette Carina Thomsen

Claus Walther Jensen

Gitte Breil

Julie Breil

Thomas Black-Petersen

## Independent auditor's report

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

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Change of Scandinavia Holding 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.06.2017, and of the results of their operations and the consolidated cash flows 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 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

## Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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><br><b>DKK'000</b> | <b>2015/16</b><br><b>DKK'000</b> | <b>2014/15</b><br><b>DKK'000</b> | <b>2013/14</b><br><b>DKK'000</b> | <b>2012/13</b><br><b>DKK'000</b> |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Financial highlights</b>                  |                                  |                                  |                                  |                                  |                                  |
| <b>Key figures</b>                           |                                  |                                  |                                  |                                  |                                  |
| Revenue                                      | 360.601                          | 361.742                          | 338.302                          | 303.908                          | 337.348                          |
| Gross profit/loss                            | 198.998                          | 178.170                          | 150.223                          | 146.800                          | 158.632                          |
| EBITDA                                       | 47.424                           | 27.602                           | 16.566                           | 32.160                           | 39.042                           |
| Operating profit/loss                        | 33.567                           | 14.601                           | (5.538)                          | 20.541                           | 26.621                           |
| Net financials                               | (4.724)                          | (2.474)                          | 7.062                            | (5.897)                          | (4.480)                          |
| Profit/loss for the year                     | 22.334                           | 9.830                            | (1.296)                          | 8.412                            | 17.779                           |
| Total assets                                 | 299.577                          | 233.199                          | 228.065                          | 196.862                          | 175.120                          |
| Investments in property, plant and equipment | 27.498                           | 35.212                           | 16.100                           | 10.463                           | 5.883                            |
| Equity incl minority interests               | 86.852                           | 71.256                           | 64.461                           | 71.359                           | 65.126                           |
| Average invested capital incl goodwill       | 140.295                          | 154.385                          | 151.971                          | 117.939                          | 109.290                          |
| Interest bearing debt, net                   | 54.987                           | 77.654                           | 87.510                           | 46.580                           | 44.164                           |
| Employees in average                         | 416                              | 432                              | 417                              | 364                              | 358                              |
| <b>Ratios</b>                                |                                  |                                  |                                  |                                  |                                  |
| Gross margin (%)                             | 55,2                             | 49,3                             | 44,4                             | 48,3                             | 47,0                             |
| Net margin (%)                               | 6,2                              | 2,7                              | (0,4)                            | 2,8                              | 5,3                              |
| Return on invested capital incl goodwill (%) | 26,6                             | 11,8                             | (3,6)                            | 18,4                             | 24,4                             |
| Revenue invested capital incl goodwill       | 2,6                              | 2,3                              | 2,2                              | 2,6                              | 3,1                              |
| Financial gearing (%)                        | 0,6                              | 1,1                              | 1,4                              | 0,7                              | 0,7                              |
| Return on equity (%)                         | 28,3                             | 14,5                             | (1,9)                            | 12,3                             | 31,4                             |
| Equity ratio (%)                             | 26,3                             | 30,0                             | 27,0                             | 35,0                             | 36,1                             |

*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>  |
|--|--|--|
| Gross margin (%)                             | $\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$                                       | The entity's operating gearing.                                      |
| Net margin (%)                               | $\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$                                | The entity's operating profitability.                                |
| Return on invested capital incl goodwill (%) | $\frac{\text{EBITA} \times 100}{\text{Average invested capital incl goodwill}}$                    | The return generated by the entity on the investors' funds.          |
| Revenue/Invested capital incl goodwill       | $\frac{\text{Revenue}}{\text{Average invested capital incl goodwill}}$                             | Turnover rate of capital employed by the entity.                     |
| Financial gearing                            | $\frac{\text{Interest bearing debt, net}}{\text{Equity incl minority interests}}$                  | The entity's financial gearing.                                      |
| Return on equity (%)                         | $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$ | The entity's return on capital invested in the entity by the owners. |
| Equity ratio (%)                             | $\frac{\text{Equity} \times 100}{\text{Total assets}}$   | The financial strength of the entity.                                |

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.



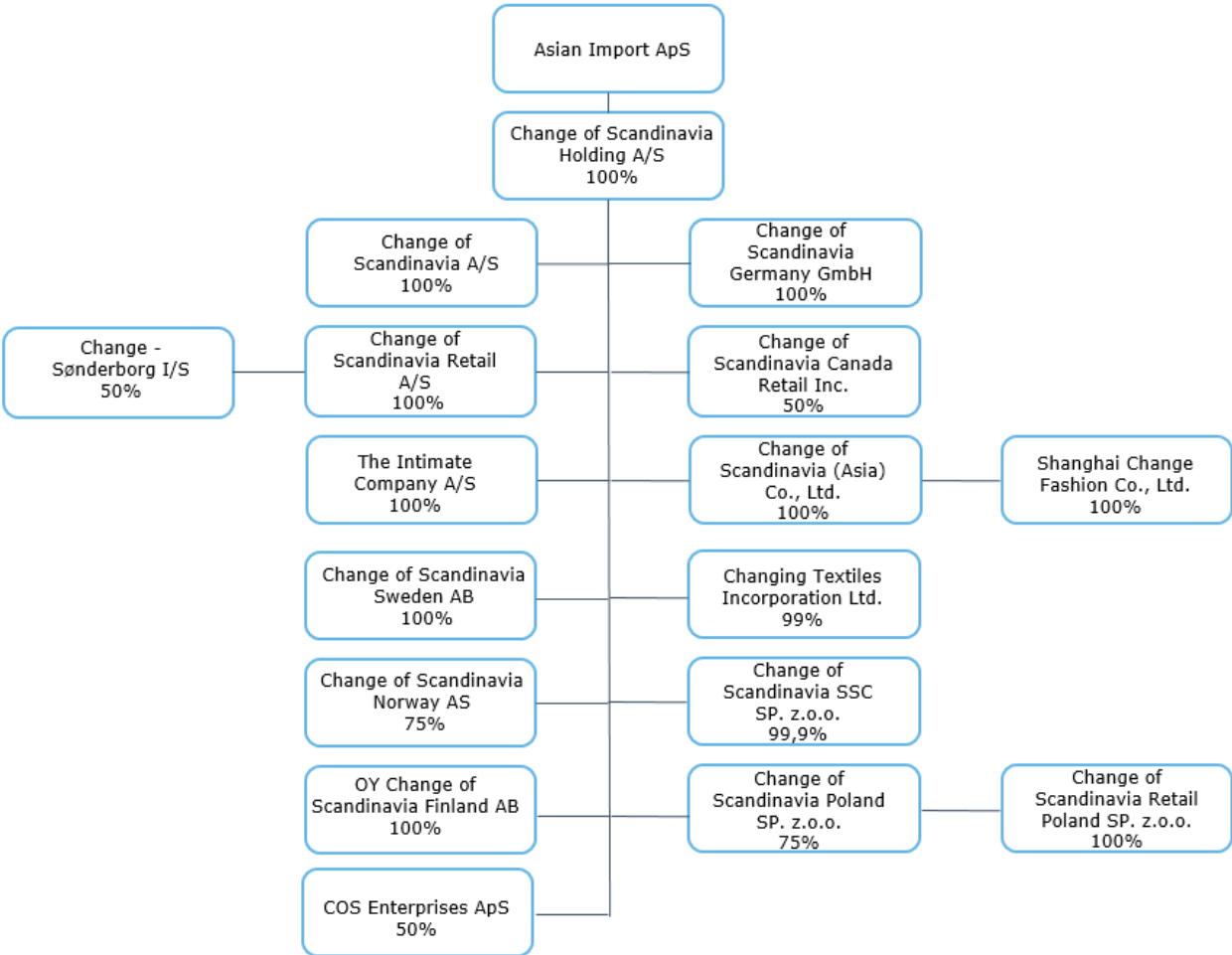
# Management commentary

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

## Group chart



## Management commentary

### Primary activities

The primary activities of the Group are design and manufacture of lingerie, swimwear, nightwear and underwear, which are distributed mainly through the Change lingerie concept stores in Denmark, Norway, Sweden, Finland, Germany, Poland, Canada, Spain, Ireland, the Baltic States and Singapore as well as e-commerce.

### Development in activities and finances

The consolidated income statement for 2016/17 shows a profit of DKK 22,334 thousand and the consolidated balance sheet shows equity of DKK 86,852 thousand at 30.06.2017.

During the financial year, Management found that the Company's cost of sales had been miscalculated in previous years compared to the price structure within the Group. Consequently, the Company's cost of sales and inventories have been wrongly recognised.

Management has calculated the total additional cost of sales at DKK 7,019 thousand before tax and has treated the matter as material errors in previous years by adjusting equity at the beginning of the year. For further information please see description under accounting policies.

The Company has focused on the implementation of a comprehensive new IT platform enabling the Company to execute a full-blown omni-channel strategy and to improve the efficiency of the operations through the entire value chain. The IT system has now been fully implemented in all group companies and in all departments.

Improved margins and cost savings from the near-shoring activities, which have also been completed, have resulted in a significantly improved performance. Significant investments have been made in the new IT platform.

### Outlook

In 2017/18, the Company will focus primarily on a continuous improvement of the performance of existing stores, and the Group will resume the expansion strategy with the establishment of 20 new stores in mainly Canada and Germany.

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

Results are in line with the expectations for the year. EBITDA and profit before tax are slightly lower than budgeted for. The performance is negatively affected by DKK 2 million due to a change in the franchise business model in Denmark to a commission model.

### Particular risks

#### General risks

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

## Management commentary

### Currency risks

The Company is exposed to general currency risks as regards its operations, however the risk mainly relates to USD. The main part of the Company's purchasing is done in USD while the Company invoices in DKK, SEK, NOK, EUR and CAD.

According to the policy approved by the Board of Directors, the risks related to purchases done in USD are from now on hedged using forward exchange contracts.

### Environmental performance

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

### Statutory report on corporate social responsibility

Management has decided not to implement any formal policies on corporate social responsibility in accordance with section 99a of the Danish Financial Statement Act. The decision is based on an evaluation of the possible benefit compared to the resources needed to implement such policies.

### Statutory report on the underrepresented gender

The Board of Directors has decided to include information about the underrepresented gender of the Company. The Company has less than 50 employees and is therefore not obliged to disclose its policies on gender composition.

The Board of Directors consists of five members, two men and three women – and with it, the Company practices an even distribution of men and women on the Board of Directors. The Company is not obliged to disclose its target figures for the supreme management body.

### 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.

## Consolidated income statement for 2016/17

|  | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|--|--------------|----------------------------|----------------------------|
| Revenue  | 1            | 360.601                    | 361.742                    |
| Other operating income                           |              | 1.145                      | 2.663                      |
| Cost of sales                                    |              | (67.499)                   | (96.231)                   |
| Other external expenses                          | 2            | (95.249)                   | (90.004)                   |
| <b>Gross profit/loss</b>                         |              | <b>198.998</b>             | <b>178.170</b>             |
| Staff costs                                      | 3            | (147.666)                  | (145.916)                  |
| Depreciation, amortisation and impairment losses | 4            | (13.857)                   | (13.001)                   |
| Other operating expenses                         |              | (3.908)                    | (4.652)                    |
| <b>Operating profit/loss</b>                     |              | <b>33.567</b>              | <b>14.601</b>              |
| Income from investments in associates            |              | (559)                      | 1.269                      |
| Other financial income                           | 5            | 1.581                      | 1.768                      |
| Other financial expenses                         | 6            | (5.746)                    | (5.511)                    |
| <b>Profit/loss before tax</b>                    |              | <b>28.843</b>              | <b>12.127</b>              |
| Tax on profit/loss for the year                  | 7            | (6.509)                    | (2.297)                    |
| <b>Profit/loss for the year</b>                  | 8            | <b>22.334</b>              | <b>9.830</b>               |

## Consolidated balance sheet at 30.06.2017

|  | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|--|--------------|----------------------------|----------------------------|
| Acquired intangible assets                       |              | 5.042                      | 7.563                      |
| Acquired rights                                  |              | 11.192                     | 11.032                     |
| Goodwill   |              | 163                        | 173                        |
| <b>Intangible assets</b>                         | <b>9</b>     | <b><u>16.397</u></b>       | <b><u>18.768</u></b>       |
| Land and buildings                               |              | 907                        | 8.429                      |
| Other fixtures and fittings, tools and equipment |              | 42.334                     | 15.964                     |
| Leasehold improvements                           |              | 14.890                     | 20.370                     |
| Property, plant and equipment in progress        |              | 7.292                      | 12.994                     |
| <b>Property, plant and equipment</b>             | <b>10</b>    | <b><u>65.423</u></b>       | <b><u>57.757</u></b>       |
| Investments in associates                        |              | 415                        | 480                        |
| Other receivables                                |              | 15.596                     | 18.769                     |
| Deferred tax                                     | 13           | 563                        | 2.908                      |
| <b>Fixed asset investments</b>                   | <b>11</b>    | <b><u>16.574</u></b>       | <b><u>22.157</u></b>       |
| <b>Fixed assets</b>                              |              | <b><u>98.394</u></b>       | <b><u>98.682</u></b>       |
| Manufactured goods and goods for resale          |              | 78.549                     | 70.205                     |
| Prepayments for goods                            |              | 7                          | 224                        |
| <b>Inventories</b>                               |              | <b><u>78.556</u></b>       | <b><u>70.429</u></b>       |
| Trade receivables                                |              | 35.699                     | 38.160                     |
| Receivables from group enterprises               |              | 50.119                     | 0                          |
| Receivables from associates                      |              | 2.459                      | 2.883                      |
| Other receivables                                |              | 8.454                      | 5.933                      |
| Income tax receivable                            |              | 78                         | 0                          |
| Prepayments                                      | 14           | 7.883                      | 6.212                      |
| <b>Receivables</b>                               |              | <b><u>104.692</u></b>      | <b><u>53.188</u></b>       |
| <b>Cash</b>                                      |              | <b><u>17.935</u></b>       | <b><u>10.900</u></b>       |
| <b>Current assets</b>                            |              | <b><u>201.183</u></b>      | <b><u>134.517</u></b>      |
| <b>Assets</b>                                    |              | <b><u>299.577</u></b>      | <b><u>233.199</u></b>      |

## Consolidated balance sheet at 30.06.2017

|  | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|--|--------------|----------------------------|----------------------------|
| Contributed capital  |              | 59.844                     | 59.844                     |
| Reserve for net revaluation according to the equity method     |              | 0                          | 355                        |
| Retained earnings  |              | 20.617                     | 6.386                      |
| <b>Equity attributable to the Parent's owners</b>              |              | <b>80.461</b>              | <b>66.585</b>              |
| <b>Share of equity attributable to minority interests</b>      |              | <b>6.391</b>               | <b>4.671</b>               |
| <b>Equity</b>  |              | <b>86.852</b>              | <b>71.256</b>              |
| Provisions for investments in associates                       |              | 494                        | 0                          |
| <b>Provisions</b>  |              | <b>494</b>                 | <b>0</b>                   |
| Finance lease liabilities                                      |              | 8.196                      | 7.531                      |
| Debt to other credit institutions                              |              | 40.795                     | 187                        |
| <b>Non-current liabilities other than provisions</b>           | 15           | <b>48.991</b>              | <b>7.718</b>               |
| Current portion of long-term liabilities other than provisions | 15           | 19.418                     | 8.394                      |
| Payables to other credit institutions                          |              | 56.375                     | 63.077                     |
| Trade payables   |              | 45.654                     | 35.540                     |
| Payables to group enterprises                                  |              | 0                          | 12.816                     |
| Income tax payable   |              | 0                          | 796                        |
| Other payables   | 16           | 41.793                     | 33.602                     |
| <b>Current liabilities other than provisions</b>               |              | <b>163.240</b>             | <b>154.225</b>             |
| <b>Liabilities other than provisions</b>                       |              | <b>212.231</b>             | <b>161.943</b>             |
| <b>Equity and liabilities</b>                                  |              | <b>299.577</b>             | <b>233.199</b>             |
| Associates   | 12           |                            |                            |
| Financial instruments  | 18           |                            |                            |
| Unrecognised rental and lease commitments                      | 19           |                            |                            |
| Contingent liabilities   | 20           |                            |                            |
| Mortgages and securities                                       | 21           |                            |                            |
| Group relations  | 22           |                            |                            |
| Subsidiaries   | 23           |                            |                            |

## Consolidated statement of changes in equity for 2016/17

|   | Contributed<br>capital<br>DKK'000 | Reserve for net<br>revaluation<br>according to<br>the equity<br>method<br>DKK'000 | Retained<br>earnings<br>DKK'000 | Share of equity<br>attributable to<br>minority<br>interests<br>DKK'000 |
|---|-----------------------------------|---|---------------------------------|--|
| Equity beginning<br>of year                           | 59.844                            | 355   | 11.861                          | 4.671  |
| Corrections of<br>errors                              | 0                                 | 0   | (5.475)                         | 0  |
| <b>Adjusted<br/>equity,<br/>beginning of<br/>year</b> | <b>59.844</b>                     | <b>355</b>  | <b>6.386</b>                    | <b>4.671</b>   |
| Exchange rate<br>adjustments                          | 0                                 | 0   | (890)                           | (130)  |
| Value<br>adjustments                                  | 0                                 | 0   | (5.188)                         | 0  |
| Other equity<br>postings                              | 0                                 | 0   | (817)                           | (853)  |
| Tax of equity<br>postings                             | 0                                 | 0   | 1.141                           | 0  |
| Profit/loss for<br>the year                           | 0                                 | (355)   | 19.985                          | 2.703  |
| <b>Equity end of<br/>year</b>                         | <b>59.844</b>                     | <b>0</b>  | <b>20.617</b>                   | <b>6.391</b>   |
|   |                                   |   |                                 | <b>Total<br/>DKK'000</b>   |
| Equity beginning of year                              |                                   |   |                                 | 76.731   |
| Corrections of errors                                 |                                   |   |                                 | (5.475)  |
| <b>Adjusted equity, beginning of year</b>             |                                   |   |                                 | <b>71.256</b>  |
| Exchange rate adjustments                             |                                   |   |                                 | (1.020)  |
| Value adjustments                                     |                                   |   |                                 | (5.188)  |
| Other equity postings                                 |                                   |   |                                 | (1.670)  |
| Tax of equity postings                                |                                   |   |                                 | 1.141  |
| Profit/loss for the year                              |                                   |   |                                 | 22.333   |
| <b>Equity end of year</b>                             |                                   |   |                                 | <b>86.852</b>  |

## Consolidated cash flow statement for 2016/17

|  | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|--|--------------|----------------------------|----------------------------|
| Operating profit/loss                                  |              | 33.567                     | 14.601                     |
| Amortisation, depreciation and impairment losses       |              | 14.537                     | 13.340                     |
| Working capital changes                                | 17           | 3.136                      | 17.245                     |
| <b>Cash flow from ordinary operating activities</b>    |              | <b>51.240</b>              | <b>45.186</b>              |
| Financial income received                              |              | 1.581                      | 1.768                      |
| Financial income paid                                  |              | (5.746)                    | (5.512)                    |
| Income taxes refunded/(paid)                           |              | (5.039)                    | (4.956)                    |
| <b>Cash flows from operating activities</b>            |              | <b>42.036</b>              | <b>36.486</b>              |
| Acquisition etc of intangible assets                   |              | (1.532)                    | (2.111)                    |
| Acquisition etc of property, plant and equipment       |              | (27.498)                   | (35.212)                   |
| Sale of property, plant and equipment                  |              | 8.214                      | 2.046                      |
| Acquisition of fixed asset investments                 |              | (1.131)                    | (1.529)                    |
| Sale of fixed asset investments                        |              | 4.285                      | 4.872                      |
| <b>Cash flows from investing activities</b>            |              | <b>(17.662)</b>            | <b>(31.934)</b>            |
| Loans raised   |              | 50.000                     | 0                          |
| Instalments on loans etc                               |              | 0                          | (756)                      |
| Incurrence of lease obligations                        |              | 13.397                     | 4.169                      |
| Reduction of lease commitments                         |              | (11.099)                   | (7.444)                    |
| Loan to group enterprises                              |              | (62.935)                   | 0                          |
| <b>Cash flows from financing activities</b>            |              | <b>(10.637)</b>            | <b>(4.031)</b>             |
| <b>Increase/decrease in cash and cash equivalents</b>  |              | <b>13.737</b>              | <b>521</b>                 |
| Cash and cash equivalents beginning of year            |              | (52.177)                   | (52.698)                   |
| <b>Cash and cash equivalents end of year</b>           |              | <b>(38.440)</b>            | <b>(52.177)</b>            |
| Cash and cash equivalents at year-end are composed of: |              |                            |                            |
| Cash   |              | 17.935                     | 10.900                     |
| Short-term debt to banks                               |              | (56.375)                   | (63.077)                   |
| <b>Cash and cash equivalents end of year</b>           |              | <b>(38.440)</b>            | <b>(52.177)</b>            |



## Notes to consolidated financial statements

|  | <b>2016/17<br/>DKK'000</b>  | <b>2015/16<br/>DKK'000</b>  |
|--|---|---|
| <b>1. Revenue</b>  |   |   |
| <b>Revenue by geographical market</b>  |   |   |
| Denmark  | 156.859   | 166.065   |
| Other EU countries   | 164.060   | 160.086   |
| Rest of the world  | 39.682  | 35.591  |
|  | <b>360.601</b>  | <b>361.742</b>  |
| <b>Revenue by activity</b>   |   |   |
| Retail and web   | 294.535   | 286.828   |
| Franchise  | 66.066  | 74.914  |
|  | <b>360.601</b>  | <b>361.742</b>  |
|  | <b>2016/17<br/>DKK'000</b>  | <b>2015/16<br/>DKK'000</b>  |
| <b>2. Fees to the auditor appointed by the Annual General Meeting</b>                      |   |   |
| Statutory audit services   | 663   | 587   |
| Other assurance engagements  | 35  | 35  |
| Tax services   | 45  | 38  |
| Other services   | 155   | 648   |
|  | <b>898</b>  | <b>1.308</b>  |
| Of the fee for statutory audit services, DKK 166 thousand comprises fee to other auditors. |   |   |
|  | <b>2016/17<br/>DKK'000</b>  | <b>2015/16<br/>DKK'000</b>  |
| <b>3. Staff costs</b>  |   |   |
| Wages and salaries   | 134.003   | 132.710   |
| Pension costs  | 7.784   | 7.709   |
| Other social security costs  | 2.088   | 1.854   |
| Other staff costs  | 3.791   | 3.643   |
|  | <b>147.666</b>  | <b>145.916</b>  |
| Average number of employees  | <b>416</b>  | <b>432</b>  |
|  | <b>Remunera-<br/>tion of<br/>manage-<br/>ment<br/>2016/17<br/>DKK'000</b> | <b>Remunera-<br/>tion of<br/>manage-<br/>ment<br/>2015/16<br/>DKK'000</b> |
| Total amount for management categories   | 1.656   | 2.114   |
|  | <b>1.656</b>  | <b>2.114</b>  |

## Notes to consolidated financial statements

|  | <b>2016/17</b><br><b>DKK'000</b> | <b>2015/16</b><br><b>DKK'000</b> |
|--|----------------------------------|----------------------------------|
| <b>4. Depreciation, amortisation and impairment losses</b>                   |                                  |                                  |
| Amortisation of intangible assets  | 3.710                            | 3.559                            |
| Depreciation of property, plant and equipment                                | 10.827                           | 9.781                            |
| Profit/loss from sale of intangible assets and property, plant and equipment | (680)                            | (339)                            |
|  | <b>13.857</b>                    | <b>13.001</b>                    |
|  |                                  |                                  |
|  | <b>2016/17</b><br><b>DKK'000</b> | <b>2015/16</b><br><b>DKK'000</b> |
| <b>5. Other financial income</b>   |                                  |                                  |
| Other financial income   | 1.581                            | 1.768                            |
|  | <b>1.581</b>                     | <b>1.768</b>                     |
|  |                                  |                                  |
|  | <b>2016/17</b><br><b>DKK'000</b> | <b>2015/16</b><br><b>DKK'000</b> |
| <b>6. Other financial expenses</b>   |                                  |                                  |
| Other financial expenses   | 5.746                            | 5.512                            |
|  | <b>5.746</b>                     | <b>5.512</b>                     |
|  |                                  |                                  |
|  | <b>2016/17</b><br><b>DKK'000</b> | <b>2015/16</b><br><b>DKK'000</b> |
| <b>7. Tax on profit/loss for the year</b>                                    |                                  |                                  |
| Tax on current year taxable income   | 4.429                            | 188                              |
| Change in deferred tax for the year  | 2.345                            | 2.160                            |
| Adjustment concerning previous years   | (267)                            | (51)                             |
| Effect of changed tax rates  | 2                                | 0                                |
|  | <b>6.509</b>                     | <b>2.297</b>                     |
|  |                                  |                                  |
|  | <b>2016/17</b><br><b>DKK'000</b> | <b>2015/16</b><br><b>DKK'000</b> |
| <b>8. Proposed distribution of profit/loss</b>                               |                                  |                                  |
| Transferred to reserve for net revaluation according to the equity method    | (355)                            | 355                              |
| Retained earnings  | 19.984                           | 7.537                            |
| Minority interests' share of profit/loss                                     | 2.703                            | 1.938                            |
|  | <b>22.332</b>                    | <b>9.830</b>                     |

## Notes to consolidated financial statements

|   | <b>Acquired<br/>intangible<br/>assets<br/>DKK'000</b> | <b>Acquired<br/>rights<br/>DKK'000</b>  | <b>Goodwill<br/>DKK'000</b>                         |  |
|---|---|---|---|--|
| <b>9. Intangible assets</b>                               |   |   |   |  |
| Cost beginning of year                                    | 26.544  | 19.349  | 203   |  |
| Exchange rate adjustments                                 | 0   | (452)   | 0   |  |
| Additions   | 0   | 1.532   | 0   |  |
| <b>Cost end of year</b>                                   | <b>26.544</b>   | <b>20.429</b>   | <b>203</b>  |  |
| Amortisation and impairment losses beginning of year      | (18.981)  | (8.317)   | (30)  |  |
| Exchange rate adjustments                                 | 0   | 259   | 0   |  |
| Amortisation for the year                                 | (2.521)   | (1.179)   | (10)  |  |
| <b>Amortisation and impairment losses end of year</b>     | <b>(21.502)</b>                                       | <b>(9.237)</b>  | <b>(40)</b>   |  |
| <b>Carrying amount end of year</b>                        | <b>5.042</b>  | <b>11.192</b>   | <b>163</b>  |  |
|   | <b>Land and<br/>buildings<br/>DKK'000</b>             | <b>Other<br/>fixtures and<br/>fittings, tools<br/>and<br/>equipment<br/>DKK'000</b> | <b>Leasehold<br/>improve-<br/>ments<br/>DKK'000</b> | <b>Property,<br/>plant and<br/>equipment in<br/>progress<br/>DKK'000</b> |
| <b>10. Property, plant and equipment</b>                  |   |   |   |  |
| Cost beginning of year                                    | 8.429   | 45.236  | 52.513  | 12.994   |
| Exchange rate adjustments                                 | (89)  | (315)   | (694)   | (78)   |
| Transfers   | 0   | 23.068  | 0   | 0  |
| Additions   | 0   | 9.453   | 601   | 17.444   |
| Disposals   | (7.250)   | (951)   | (13)  | (23.068)   |
| <b>Cost end of year</b>                                   | <b>1.090</b>  | <b>76.491</b>   | <b>52.407</b>                                       | <b>7.292</b>   |
| Depreciation and impairment losses beginning of the year  | 0   | (29.272)  | (32.143)  | 0  |
| Exchange rate adjustments                                 | 0   | 113   | 272   | 0  |
| Depreciation for the year                                 | (183)   | (4.998)   | (5.646)   | 0  |
| <b>Depreciation and impairment losses end of the year</b> | <b>(183)</b>  | <b>(34.157)</b>   | <b>(37.517)</b>                                     | <b>0</b>   |
| <b>Carrying amount end of year</b>                        | <b>907</b>  | <b>42.334</b>   | <b>14.890</b>                                       | <b>7.292</b>   |

Of the carrying amount at 30.06.2017 for property, plant and equipment amounting to a total of DKK 65,423 thousand, recognised assets not owned by the Entity constitute DKK 19,896 thousand.

## Notes to consolidated financial statements

|  | <b>Investments<br/>in<br/>associates<br/>DKK'000</b> | <b>Other<br/>receivables<br/>DKK'000</b> |
|--|--|--|
| <b>11. Fixed asset investments</b>                         |  |  |
| Cost beginning of year                                     | 125  | 18.769                                   |
| Exchange rate adjustments                                  | 0  | (19)                                     |
| Additions  | 0  | 1.131                                    |
| Disposals  | 0  | (4.285)                                  |
| <b>Cost end of year</b>                                    | <b>125</b>   | <b>15.596</b>                            |
| Revaluations beginning of year                             | 355  | 0  |
| Share of profit/loss for the year                          | (559)  | 0  |
| Investments with negative equity transferred to provisions | 494  | 0  |
| <b>Revaluations end of year</b>                            | <b>290</b>   | <b>0</b>                                 |
| <b>Carrying amount end of year</b>                         | <b>415</b>   | <b>15.596</b>                            |
|  | <b>Registered in</b>                                 | <b>Equity<br/>inte-<br/>rest<br/>%</b>   |
| <b>12. Associates</b>                                      |  |  |
| Change - Sønderborg I/S                                    | Sønderborg   | 50,0                                     |
| COS Enterprises ApS  | Farum  | 50,0                                     |
|  | <b>2016/17<br/>DKK'000</b>                           | <b>2015/16<br/>DKK'000</b>               |
| <b>13. Deferred tax</b>                                    |  |  |
| Intangible assets  | (1.846)  | (617)                                    |
| Property, plant and equipment                              | 446  | 3.349                                    |
| Fixed asset investments                                    | (5.070)  | (6.243)                                  |
| Inventories  | 1.991  | 1.991                                    |
| Tax losses carried forward                                 | 5.042  | 4.428                                    |
|  | <b>563</b>   | <b>2.908</b>                             |
| <b>Changes during the year</b>                             |  |  |
| Beginning of year  | 2.908  |  |
| Recognised in the income statement                         | (2.345)  |  |
| <b>End of year</b>   | <b>563</b>   |  |

Deferred tax is incumbent on tax loss carryforwards, which Management expects to use in the joint taxation within the next few years.

## Notes to consolidated financial statements

### 14. Prepayments

Prepayments mainly comprise expenses prepaid for new collections.

|  | <b>Instalments<br/>within 12<br/>months<br/>2016/17<br/>DKK'000</b> | <b>Instalments<br/>within 12<br/>months<br/>2015/16<br/>DKK'000</b> | <b>Instalments<br/>beyond 12<br/>months<br/>2016/17<br/>DKK'000</b> | <b>Outstanding<br/>after 5 years<br/>DKK'000</b> |
|--|---|---|---|--|
| <b>15. Liabilities<br/>other than<br/>provisions</b> |   |   |   |  |
| Finance lease liabilities                            | 10.418  | 8.297   | 8.196   | 0  |
| Debt to other credit institutions                    | 9.000   | 97  | 40.795  | 4.422  |
|  | <b>19.418</b>   | <b>8.394</b>  | <b>48.991</b>   | <b>4.422</b>                                     |

|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
|---|----------------------------|----------------------------|
| <b>16. Other short-term payables</b>  |                            |                            |
| VAT and duties  | 7.751                      | 7.939                      |
| Wages and salaries, personal income taxes, social security costs, etc payable | 6.225                      | 3.981                      |
| Holiday pay obligation  | 10.236                     | 11.175                     |
| Derivative financial instruments  | 5.984                      | 794                        |
| Other costs payable   | 11.597                     | 9.715                      |
|   | <b>41.793</b>              | <b>33.604</b>              |

|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
|---|----------------------------|----------------------------|
| <b>17. Change in working capital</b>    |                            |                            |
| Increase/decrease in inventories        | (8.127)                    | 5.068                      |
| Increase/decrease in receivables        | (2.858)                    | 5.015                      |
| Increase/decrease in trade payables etc | 14.121                     | 7.162                      |
|   | <b>3.136</b>               | <b>17.245</b>              |

### 18. Financial instruments

Other payables include the value of forward exchange contracts of DKK 6 million. The contracts have been entered into to hedge the Group's goods purchased in USD. At 30.06.2017, the Group has entered into forward exchange contracts at a total of DKK 14 million which fall due within the next 18 months.

|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
|---|----------------------------|----------------------------|
| <b>19. Unrecognised rental and lease commitments</b>                        |                            |                            |
| Hereof liabilities under rental or lease agreements until maturity in total | <b>94.366</b>              | <b>110.528</b>             |

## Notes to consolidated financial statements

### 20. Contingent liabilities

The Group 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 Group holds ownership interests in the partnership Change – Sønderborg I/S. Consequently, the Group 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.

### 21. Mortgages and securities

The following assets have been provided as security for debt:

Bank guarantees provided by credit institutions for rent and payment guarantees amount to DKK 14,918 thousand at 30.06.2017.

A company charge of DKK 70,947 thousand nominal has been provided as security for credit facilities with a credit institution. The company charge includes inventories, trade receivables and goodwill. The bank debt amounts to DKK 60,159 thousand at 30.06.2017.

### 22. 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:  
Asian Import ApS, Farum Gydevej 73, 3520 Farum

The consolidated financial statements can be obtained at:  
Asian Import ApS, Farum Gydevej 73, 3520 Farum

## Notes to consolidated financial statements

|  | Registered in | Corpo-<br>rate<br>form | Equity<br>inte-<br>rest<br>% |
|--|---------------|------------------------|------------------------------|
| <b>23. Subsidiaries</b>                  |               |                        |                              |
| Change of Scandinavia A/S                | Farum         | A/S                    | 100,0                        |
| Change of Scandinavia Retail A/S         | Farum         | A/S                    | 100,0                        |
| Change of Scandinavia Sweden AB          | Landvetter    | AB                     | 100,0                        |
| OY Change of Scandinavia Finland AB      | Helsinki      | AB                     | 100,0                        |
| Change of Scandinavia Norway AS          | Tranby        | AS                     | 75,0                         |
| Change of Scandinavia Germany GmbH       | Stuttgart     | GmbH                   | 100,0                        |
| Change of Scandinavia Canada Retail Inc. | Montreal      | Inc.                   | 50,0                         |
| Change of Scandinavia (Asia) Co., Ltd    | China         | Ltd.                   | 100,0                        |
| Changing Textiles Incorporation Ltd.     | Hong Kong     | Ltd.                   | 99,0                         |
| The Intimate Company A/S                 | Farum         | A/S                    | 100,0                        |
| Change of Scandinavia SSC SP. z.o.o.     | Lodz          | SP. z<br>o.o.          | 99,9                         |
| Change of Scandinavia Poland SP. z o.o.  | Lodz          | SP. z<br>o.o.          | 75,0                         |

## Parent income statement for 2016/17

|  | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|--|--------------|----------------------------|----------------------------|
| Revenue                                      |              | 1.420                      | 900                        |
| Other external expenses                      | 1            | (150)                      | (203)                      |
| <b>Gross profit/loss</b>                     |              | <b>1.270</b>               | <b>697</b>                 |
| Staff costs                                  |              | (1.480)                    | (978)                      |
| <b>Operating profit/loss</b>                 |              | <b>(210)</b>               | <b>(281)</b>               |
| Income from investments in group enterprises |              | 20.480                     | 7.366                      |
| Income from investments in associates        |              | (765)                      | 435                        |
| Other financial income                       | 2            | 3                          | 1                          |
| Other financial expenses                     | 3            | (2)                        | (1.543)                    |
| <b>Profit/loss before tax</b>                |              | <b>19.506</b>              | <b>5.978</b>               |
| Tax on profit/loss for the year              | 4            | 125                        | 370                        |
| <b>Profit/loss for the year</b>              | 5            | <b>19.631</b>              | <b>6.348</b>               |



## Parent balance sheet at 30.06.2017

|                                    | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|------------------------------------|--------------|----------------------------|----------------------------|
| Investments in group enterprises   |              | 158.586                    | 135.464                    |
| Investments in associates          |              | 0                          | 271                        |
| Deferred tax                       | 7            | 628                        | 623                        |
| <b>Fixed asset investments</b>     | <b>6</b>     | <b>159.214</b>             | <b>136.358</b>             |
| <b>Fixed assets</b>                |              | <b>159.214</b>             | <b>136.358</b>             |
| Receivables from group enterprises |              | 46.636                     | 0                          |
| Other receivables                  |              | 57                         | 50                         |
| Income tax receivable              |              | 140                        | 20                         |
| <b>Receivables</b>                 |              | <b>46.833</b>              | <b>70</b>                  |
| <b>Cash</b>                        |              | <b>0</b>                   | <b>42</b>                  |
| <b>Current assets</b>              |              | <b>46.833</b>              | <b>112</b>                 |
| <b>Assets</b>                      |              | <b>206.047</b>             | <b>136.470</b>             |

## Parent balance sheet at 30.06.2017

|  | <u>Notes</u> | <u>2016/17<br/>DKK'000</u> | <u>2015/16<br/>DKK'000</u> |
|--|--------------|----------------------------|----------------------------|
| Contributed capital  | 8            | 59.844                     | 59.844                     |
| Reserve for net revaluation according to the equity method     |              | 39.189                     | 16.338                     |
| Retained earnings  |              | (18.572)                   | (9.597)                    |
| <b>Equity</b>  |              | <u><b>80.461</b></u>       | <u><b>66.585</b></u>       |
| Provisions for investments in group enterprises                | 9            | 27.183                     | 19.578                     |
| Provisions for investments in associates                       | 10           | 494                        | 0                          |
| <b>Provisions</b>  |              | <u><b>27.677</b></u>       | <u><b>19.578</b></u>       |
| Debt to other credit institutions                              |              | 40.422                     | 0                          |
| <b>Non-current liabilities other than provisions</b>           | 11           | <u><b>40.422</b></u>       | <u><b>0</b></u>            |
| Current portion of long-term liabilities other than provisions | 11           | 9.000                      | 0                          |
| Payables to other credit institutions                          |              | 0                          | 15.455                     |
| Payables to group enterprises                                  |              | 48.391                     | 33.938                     |
| Other payables   |              | 96                         | 914                        |
| <b>Current liabilities other than provisions</b>               |              | <u><b>57.487</b></u>       | <u><b>50.307</b></u>       |
| <b>Liabilities other than provisions</b>                       |              | <u><b>97.909</b></u>       | <u><b>50.307</b></u>       |
| <b>Equity and liabilities</b>                                  |              | <u><b>206.047</b></u>      | <u><b>136.470</b></u>      |
| Contingent liabilities   | 12           |                            |                            |
| Mortgages and securities                                       | 13           |                            |                            |
| Related parties with controlling interest                      | 14           |                            |                            |

## Parent statement of changes in equity for 2016/17

|   | <b>Contributed<br/>capital<br/>DKK'000</b> | <b>Reserve for net<br/>revaluation<br/>according to<br/>the equity<br/>method<br/>DKK'000</b> | <b>Retained<br/>earnings<br/>DKK'000</b> | <b>Total<br/>DKK'000</b> |
|---|--|---|--|--------------------------|
| Equity beginning<br>of year                           | 59.844                                     | 21.813  | (9.597)                                  | 72.060                   |
| Corrections of<br>errors                              | 0  | (5.475)   | 0  | (5.475)                  |
| <b>Adjusted<br/>equity,<br/>beginning of<br/>year</b> | <b>59.844</b>                              | <b>16.338</b>   | <b>(9.597)</b>                           | <b>66.585</b>            |
| Exchange rate<br>adjustments                          | 0  | (890)   | 0  | (890)                    |
| Value<br>adjustments                                  | 0  | (5.188)   | 0  | (5.188)                  |
| Other equity<br>postings                              | 0  | (817)   | 0  | (817)                    |
| Tax of equity<br>postings                             | 0  | 1.141   | 0  | 1.141                    |
| Profit/loss for<br>the year                           | 0  | 28.605  | (8.975)                                  | 19.630                   |
| <b>Equity end of<br/>year</b>                         | <b>59.844</b>                              | <b>39.189</b>   | <b>(18.572)</b>                          | <b>80.461</b>            |

## Notes to parent financial statements

|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
|---|----------------------------|----------------------------|
| <b>1. Fees to the auditor appointed by the Annual General Meeting</b>     |                            |                            |
| Statutory audit services  | 40                         | 40                         |
| Tax services  | 5                          | 5                          |
| Other services  | 75                         | 70                         |
|   | <b>120</b>                 | <b>115</b>                 |
|   |                            |                            |
|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
| <b>2. Other financial income</b>  |                            |                            |
| Other financial income  | 3                          | 1                          |
|   | <b>3</b>                   | <b>1</b>                   |
|   |                            |                            |
|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
| <b>3. Other financial expenses</b>  |                            |                            |
| Financial expenses from group enterprises                                 | 2                          | 340                        |
| Interest expenses   | 0                          | 1.203                      |
|   | <b>2</b>                   | <b>1.543</b>               |
|   |                            |                            |
|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
| <b>4. Tax on profit/loss for the year</b>                                 |                            |                            |
| Change in deferred tax for the year                                       | 5                          | (370)                      |
| Adjustment concerning previous years                                      | (130)                      | 0                          |
|   | <b>(125)</b>               | <b>(370)</b>               |
|   |                            |                            |
|   | <b>2016/17<br/>DKK'000</b> | <b>2015/16<br/>DKK'000</b> |
| <b>5. Proposed distribution of profit/loss</b>                            |                            |                            |
| Transferred to reserve for net revaluation according to the equity method | 28.605                     | 7.580                      |
| Retained earnings   | (8.974)                    | (1.232)                    |
|   | <b>19.631</b>              | <b>6.348</b>               |

## Notes to parent financial statements

|   | <b>Investments<br/>in group<br/>enterprises<br/>DKK'000</b> | <b>Investments<br/>in<br/>associates<br/>DKK'000</b> |
|---|---|--|
| <b>6. Fixed asset investments</b>   |   |  |
| Cost beginning of year  | 119.372   | 25   |
| <b>Cost end of year</b>   | <b>119.372</b>  | <b>25</b>  |
| Revaluations beginning of year  | 21.567  | 246  |
| Exchange rate adjustments   | (890)   | 0  |
| Adjustments on equity   | (854)   | 0  |
| Amortisation of goodwill  | (10)  | 0  |
| Share of profit/loss for the year   | 20.830  | (765)  |
| Adjustment of intra-group profits   | (340)   | 0  |
| Investments with negative equity depreciated over receivables   | 828   | 0  |
| Investments with negative equity transferred to provisions  | 7.605   | 494  |
| Fair value adjustments  | (4.047)   | 0  |
| Other adjustments   | (5.475)   | 0  |
| <b>Revaluations end of year</b>   | <b>39.214</b>   | <b>(25)</b>  |
| <b>Carrying amount end of year</b>  | <b>158.586</b>  | <b>0</b>   |
|   | <b>2016/17<br/>DKK'000</b>                                  | <b>2015/16<br/>DKK'000</b>                           |
| <b>7. Deferred tax</b>  |   |  |
| Tax losses carried forward  | 628   | 623  |
|   | <b>628</b>  | <b>623</b>   |
| <b>Changes during the year</b>  |   |  |
| Beginning of year   | 623   |  |
| Recognised in the income statement  | 5   |  |
| <b>End of year</b>  | <b>628</b>  |  |
| Deferred tax is incumbent on tax loss carryforwards, which Management expects to use in the joint taxation within the next few years. |   |  |
|   | <b>Number</b>   | <b>Nominal<br/>value<br/>DKK'000</b>                 |
| <b>8. Contributed capital</b>   |   |  |
| Ordinary shares   | 59.844.000  | 59.844   |
|   | <b>59.844.000</b>   | <b>59.844</b>  |

## Notes to parent financial statements

### 9. Provisions for investments in group enterprises

Provisions for investments in group enterprises relate to group enterprises with negative equity.

### 10. Provisions for investments in associates

Provisions for investments in associates relate to associates with negative equity.

|  | <b>Instalments<br/>within 12<br/>months<br/>2016/17<br/>DKK'000</b> | <b>Instalments<br/>beyond 12<br/>months<br/>2016/17<br/>DKK'000</b> | <b>Outstanding<br/>after 5 years<br/>DKK'000</b> |
|--|---|---|--|
| <b>11. Liabilities other than provisions</b> |   |   |  |
| Debt to other credit institutions            | 9.000   | 40.422  | 4.422  |
|  | <b>9.000</b>  | <b>40.422</b>   | <b>4.422</b>                                     |

### 12. 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 has issued letters of support to some subsidiaries.

### 13. Mortgages and securities

The Company has undertaken guarantee of payment of the subsidiaries' bank debt and of the credit lines provided to the subsidiaries. The bank debt of the subsidiaries totals DKK 52,127 thousand at 30.06.2017. The recourse guarantee commitments total DKK 14,918 thousand at 30.06.2017.

The Company's and the subsidiary's bank loans are secured by way of a charge of DKK 500 thousand nominal granted on the shares in Change of Scandinavia A/S and Change of Scandinavia Retail A/S, respectively. The carrying amount of the shares is DKK 129,922 thousand at 30.06.2017.

### 14. Related parties with controlling interest

Asian Import ApS, Farum Gydevej 73, 3520 Farum is the sole shareholder of the Company.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent 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 had been miscalculated in previous years compared to the price structure within the Group. Consequently, the Company's cost of sales and inventories have been wrongly recognised.

Management has calculated the total additional cost of sales at DKK 7,019 thousand before tax and has treated the matter as material errors in previous years by adjusting equity at the beginning of the year. The adjusted equity is positive by DKK 71,256 thousand at 01.07.2016.

The total additional expense of DKK 7,019 thousand relates to the financial year 2015/16. Consequently, the comparative figure for cost of sales has been restated, decreasing the gross profit by DKK 7,019 thousand to DKK 96,231 thousand.

The additional expense has been recognised in inventories in 2015/16 so that inventories amount to DKK 70,205 thousand. Management assesses that the restatement does not have any effect on the Group's financial position at 30.06.2017.

### 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.

## Accounting policies

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

### 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.

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.



## Accounting policies

### Income statement

#### 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 as well as property, plant and equipment.

#### Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

#### Income from investments in group enterprises

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

#### 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.

## Accounting policies

### Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, including foreign currency financial instruments held to maturity, 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 payables and transactions in foreign currencies, including foreign currency financial instruments held to maturity, 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 refund concerning tax losses).

### Balance sheet

#### Goodwill

Goodwill comprises key money and is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to ten years for strategically acquired enterprises and activities with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Intellectual property rights etc

Intellectual property rights etc comprise acquired intangible assets and acquired rights.

Acquired intangible rights and acquired rights are measured at cost less accumulated amortisation. Acquired intangible rights and acquired rights are amortised over their remaining duration.

The lease rights term is determined at 20 years for those leases which are interminable.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

## Accounting policies

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:

|  |           |
|--|-----------|
| Buildings  | 50 years  |
| Other fixtures and fittings, tools and equipment | 3-8 years |
| Leasehold improvements                           | 5-8 years |

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

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

### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised intra-group profits or losses.

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

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

Investments in group enterprises 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 plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised pro rata internal profits and losses.

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.

## Accounting policies

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

### Receivables

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

### 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 consists of purchase price plus delivery costs. Cost of manufactured goods consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### 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.

Product development costs relating to new collections are recognised as prepayments. Product development costs are expensed when the sale of collections is realised. Direct costs of materials and collections incurred as well as indirect costs of wages and salaries and freight are capitalised.

### Cash

Cash comprises cash in hand and bank deposits.

### Minority interests

Minority interests comprise non-controlling interests' share of equity in subsidiaries not wholly owned by the Parent.

### Other provisions

Other provisions comprise provisions for negative investments in group enterprises and associates.

## Accounting policies

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

### 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.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.