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# Change of Scandinavia Holding A/S

Farum Gydevej 73
3520 Farum
Central Business Registration
No 29147167

# Annual report 01.07.2017 - 30.06.2018

The Annual General Meeting adopted the annual report on 08.01.2019

**Chairman of the General Meeting**

______________________________________
Name: Tom Deichmann

# Contents

# Entity details

**Entity**
Change of Scandinavia Holding A/S
Farum Gydevej 73
3520 Farum

Central Business Registration No (CVR): 29147167
Registered in: Furesø
Financial year: 01.07.2017 - 30.06.2018

**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
Postboks 1600
0900 København C

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Change of Scandinavia Holding 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 and cash flows 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, 08.01.2019

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

**Qualified opinion**

We have audited the consolidated financial statements and the parent financial statements of Change of Scandinavia Holding A/S for the financial year 01.07.2017 - 30.06.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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, except for possible effect of the matter described in the Basis for qualified opinion section, 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 30.06.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2017 - 30.06.2018 in accordance with the Danish Financial Statements Act.

**Basis for qualified opinion**

In the consolidated financial statements, the German subsidiary is consolidated with Revenue of 42.702 DKK’000, Cost of Sales of DKK’000 12.806, Profit for the Year of DKK’000 319, Assets of DKK’000 26.192 including Goodwill of DKK’000 4.393, and a negative Equity of DKK’000 13.979. The Group acquired activities in the German subsidiary effectively from 01.07.2017 but the deal was not finalized until after the balance sheet date. A German auditor was appointed by the Board of Directors in October 2018 to perform the audit of German financial statements for Group audit purposes. Instructions were issued to the local German auditor in order to perform procedures addressing the risks identified. However, the audit work was not performed in accordance with the Instructions and accordingly not sufficient including that timelines were not met. Based on this, we are not able to conclude whether the following accounts; Revenue, Cost of Sales, and Goodwill related to the German subsidiary are correctly consolidated.

Due to the above, we are not able to obtain sufficient audit evidence for the investment for the German subsidiary included in the parent financials.

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 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 qualified opinion.

# Independent auditor's report

**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 Parent’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 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 these 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 Parent’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

# Independent auditor's report

- 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 Parent’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.

**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.

# Independent auditor's report

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, 08.01.2019

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Henrik Jacob Vilmann Wellejus
State Authorised Public Accountant
Identification No (MNE) mne24807

# Management commentary

| | 2017/18 DKK'000 | 2016/17 DKK'000 | 2015/16 DKK'000 | 2014/15 DKK'000 | 2013/14 DKK'000 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| **Key figures** | | | | | |
| Revenue | 421.743 | 360.601 | 361.742 | 338.302 | 303.908 |
| Gross profit/loss | 222.490 | 198.903 | 185.189 | 150.223 | 146.800 |
| EBITDA | 37.505 | 47.329 | 27.756 | 14.353 | 31.780 |
| Operating profit/loss | 17.971 | 33.472 | 21.620 | (5.538) | 20.541 |
| Net financials | (7.442) | (4.724) | (2.474) | 7.062 | (5.897) |
| Profit/loss for the year | 7.973 | 22.334 | 9.830 | (1.296) | 8.412 |
| Profit/loss for the year excl minority interests | 5.511 | 19.631 | 7.892 | (1.472) | 7.929 |
| Total assets | 284.577 | 299.577 | 233.199 | 228.065 | 200.724 |
| Investments in property, plant and equipment | 23.649 | 27.498 | 36.522 | 18.337 | 10.463 |
| Equity | 92.385 | 86.852 | 71.256 | 64.461 | 71.359 |
| Equity excl minority interests | 82.924 | 80.461 | 66.585 | 61.541 | 68.995 |
| Average invested capital incl goodwill | 127.064 | 137.956 | 143.671 | 129.987 | 111.684 |
| Net interest-bearing debt | 35.577 | 54.193 | 79.018 | 89.726 | 43.170 |
| Average numbers of employees | 559 | 499 | 432 | 417 | 364 |
| **Ratios** | | | | | |
| Gross margin (%) | 52,8 | 55,2 | 51,2 | 44,4 | 48,3 |
| Net margin (%) | 1,9 | 6,2 | 2,7 | (0,4) | 2,8 |
| Return on invested capital incl goodwill (%) | 19,8 | 27,0 | 17,5 | (4,3) | 19,5 |
| Revenue/Invested capital incl goodwill | 3,3 | 2,6 | 2,5 | 2,6 | 2,7 |
| Financial gearing (%) | 0,4 | 0,6 | 1,1 | 1,4 | 0,6 |
| Return on equity (%) | 6,7 | 26,7 | 12,3 | (2,3) | 12,0 |
| Equity ratio (%) | 29,1 | 26,9 | 28,6 | 27,0 | 34,4 |

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

# Management commentary

| Ratios | Calculation formula | Calculation formula reflects |
|---|---|---|
| Gross margin (%) | Gross profit/loss x 100 / Revenue | The entity's operating gearing. |
| Net margin (%) | Profit/loss for the year x 100 / Revenue | The entity's operating profitability. |
| Return on invested capital incl goodwill (%) | EBITA x 100 / Average invested capital incl goodwill | The return generated by the entity on the investors' funds. |
| Revenue/Invested capital incl goodwill | Revenue / Average invested capital incl goodwill | Turnover rate of capital employed by the entity. |
| Financial gearing | Net interest-bearing debt / Equity excl minority interests | The entity's financial gearing. |
| Return on equity (%) | Profit/loss for the year excl minority interests x 100 / Average equity excl minority interests | The entity's return on capital invested in the entity by the owners. |
| Equity ratio (%) | Equity excl minority interests x 100 / 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 and the impairment losses for intangible assets including goodwill.

# 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 2017/18 shows a profit of DKK 7.973 thousand and the consolidated balance sheet shows equity of DKK 92.385 thousand at 30.06.2018.

The company has during the year with success implemented a new concept for staff training in the stores and seen very positive result on the store performance, particular in the second half of the year.

The implementation of a comprehensive new and integrated IT & ERP platform in all Group companies the previous two years has made the company ready for its omni-channel strategy, and e-commerce solutions are now fully incorporated in the operational business model.

The near-shoring of Group functions and warehouse activities from Denmark to Poland has been consolidated during the year, and the organization is now well suited to support the Group's further expansion in the European and Canadian markets.

The Group opened 15 new own stores during the year with 4 in Scandinavia, 6 in Germany and 5 in Canada. A review of the store portfolio also meant that 7 own stores were closed during the year, hereof 6 in Scandinavian markets.

The Group also increased its number of own operated stores during the year by taking over the German franchise stores as well as nine Norwegian franchise stores. This has increased the turnover of the Group but also increased the cost base, having a negative effect on the EBITDA margin. Going forward, the takeover of the franchise stores is expected to impact the Group result positively, but the result for this year has been affected negatively by one-off effects of more than DKK 5 million. This includes write-off of accounts receivables and reduced Group margin on products sold, which was on stock in the stores at the time of the takeover.

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

The result of the year is within the expected range, however it is slightly below the budgeted level, particular driven by lower sales than planned in the first half of the year.

**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.

# Management commentary

**Outlook**

In 2018/19, the Group will primarily focus on maintaining and develop the improved performance of the existing stores and on expanding its activities further in the European and Canadian markets. Review of the existing store portfolio will continue to ensure that all stores are expected to contribute to the Group result.

The planned expansion will require investment in new store equipment and a higher working capital due to increased stock. Growth in both the Group turnover and profit before tax is expected compared to 2017/18.

**Particular risks**

**General risks**

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

**Currency risks**

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

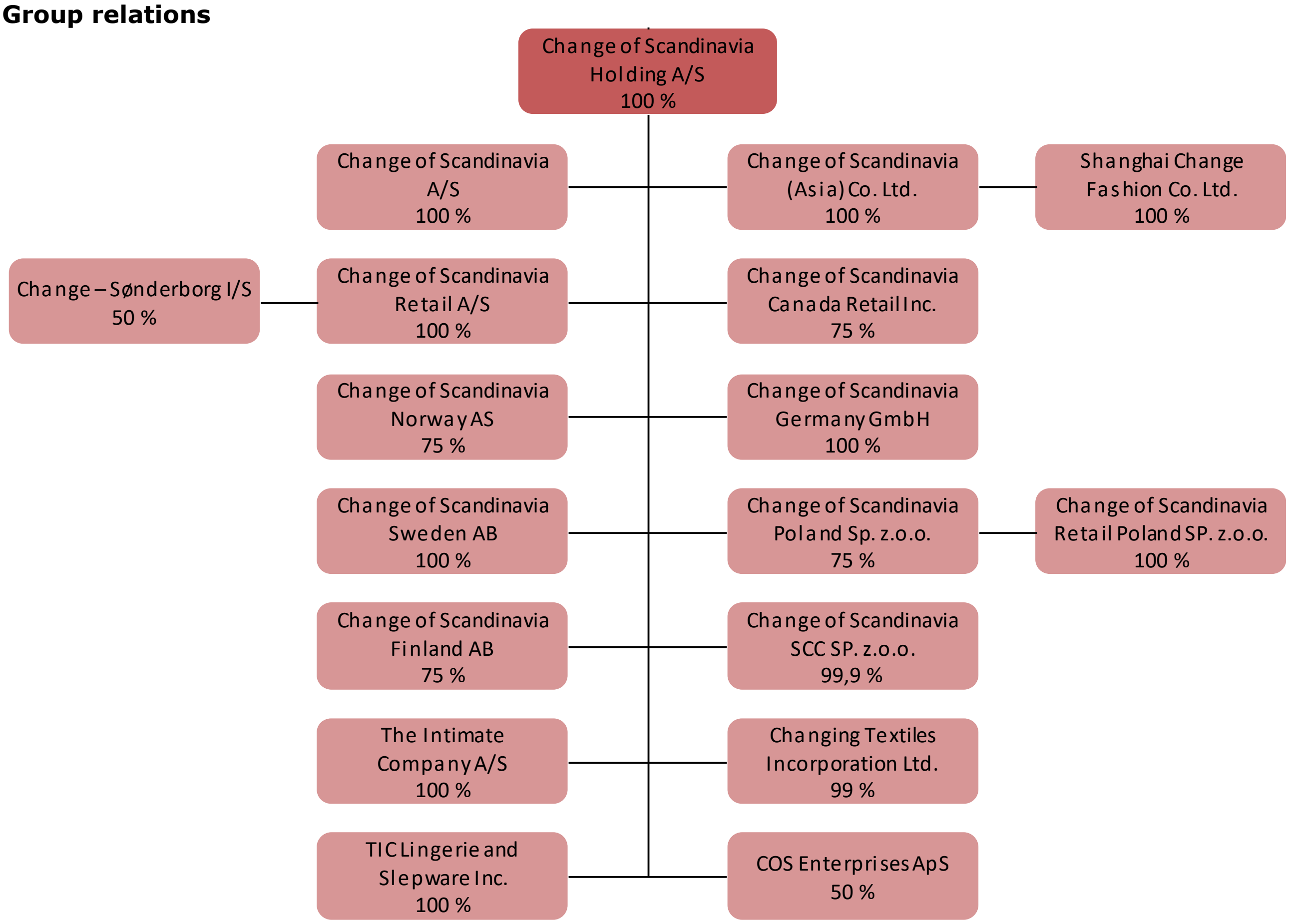
According to the policy approved by the Board of Directors, the risks related to purchases done in USD are from now on hedged using forward exchange contracts.

**Environmental performance**

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

# Management commentary

**Group relations**




**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 Company has less than 50 employees and is therefore not obliged to disclose its policies on gender composition. The Company does not have a policy regarding gender composition, and no Group policy has been established either.

The Board of Directors consists of six members, three men and three women – and with it, the Company practices an even distribution of men and women on the Board of Directors.

**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 2017/18

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Revenue | 1 | 421.743 | 360.601 |
| Other operating income | | 3.371 | 1.145 |
| Cost of sales | | (81.125) | (67.594) |
| Other external expenses | 2 | (121.499) | (95.249) |
| **Gross profit/loss** | | **222.490** | **198.903** |
| Staff costs | 3 | (178.413) | (147.666) |
| Depreciation, amortisation and impairment losses | 4 | (19.534) | (13.857) |
| Other operating expenses | | (6.572) | (3.908) |
| **Operating profit/loss** | | **17.971** | **33.472** |
| Income from investments in associates | | (81) | (559) |
| Other financial income | 5 | 1.869 | 1.581 |
| Other financial expenses | 6 | (9.230) | (5.746) |
| **Profit/loss before tax** | | **10.529** | **28.748** |
| Tax on profit/loss for the year | 7 | (2.556) | (6.414) |
| **Profit/loss for the year** | 8 | **7.973** | **22.334** |

# Consolidated balance sheet at 30.06.2018

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Acquired intangible assets | | 20.805 | 5.042 |
| Acquired rights | | 8.277 | 11.192 |
| Goodwill | | 6.552 | 163 |
| **Intangible assets** | 9 | **35.634** | **16.397** |
| Land and buildings | | 86 | 907 |
| Other fixtures and fittings, tools and equipment | | 17.849 | 42.334 |
| Leasehold improvements | | 29.521 | 14.890 |
| Property, plant and equipment in progress | | 6.649 | 7.292 |
| **Property, plant and equipment** | 10 | **54.105** | **65.423** |
| Investments in associates | | 380 | 415 |
| Other investments | | 32 | 0 |
| Other receivables | | 11.638 | 15.596 |
| Deferred tax | 13 | 8.301 | 6.579 |
| **Fixed asset investments** | 11 | **20.351** | **22.590** |
| **Fixed assets** | | **110.090** | **104.410** |
| Manufactured goods and goods for resale | | 71.254 | 72.533 |
| Prepayments for goods | | 6 | 7 |
| **Inventories** | | **71.260** | **72.540** |
| Trade receivables | | 18.653 | 35.699 |
| Receivables from group enterprises | | 50.304 | 50.119 |
| Receivables from associates | | 0 | 2.459 |
| Other receivables | | 746 | 8.454 |
| Income tax receivable | | 0 | 78 |
| Prepayments | 14 | 10.824 | 7.883 |
| **Receivables** | | **80.527** | **104.692** |
| **Cash** | | **22.700** | **17.935** |
| **Current assets** | | **174.487** | **195.167** |
| **Assets** | | **284.577** | **299.577** |

# Consolidated balance sheet at 30.06.2018

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Contributed capital | | 59.844 | 59.844 |
| Retained earnings | | 23.080 | 20.617 |
| **Equity attributable to the Parent's owners** | | **82.924** | **80.461** |
| **Share of equity attributable to minority interests** | | **9.461** | **6.391** |
| **Equity** | | **92.385** | **86.852** |
| Other provisions | | 446 | 0 |
| Provisions for investments in associates | | 746 | 494 |
| **Provisions** | | **1.192** | **494** |
| Finance lease liabilities | | 6.353 | 8.196 |
| Debt to other credit institutions | | 35.022 | 47.938 |
| **Non-current liabilities other than provisions** | 15 | **41.375** | **56.134** |
| Current portion of long-term liabilities other than provisions | 15 | 19.857 | 19.916 |
| Bank loans | | 45.417 | 48.734 |
| Trade payables | | 46.030 | 45.654 |
| Income tax payable | | 1.932 | 0 |
| Other payables | | 36.297 | 41.793 |
| Deferred income | | 92 | 0 |
| **Current liabilities other than provisions** | | **149.625** | **156.097** |
| **Liabilities other than provisions** | | **191.000** | **212.231** |
| **Equity and liabilities** | | **284.577** | **299.577** |

| | |
|---|---|
| Associates | 12 |
| Financial instruments | 17 |
| Unrecognised rental and lease commitments | 18 |
| Contingent liabilities | 19 |
| Assets charged and collateral | 20 |
| Group relations | 21 |
| Subsidiaries | 22 |

# Consolidated statement of changes in equity for 2017/18

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Share of equity attributable to minority interests DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 59.844 | 20.617 | 6.391 | 86.852 |
| Exchange rate adjustments | 0 | (70) | (43) | (113) |
| Fair value adjustments of hedging instruments | 0 | 1.099 | 0 | 1.099 |
| Value adjustments | 0 | (3.836) | 651 | (3.185) |
| Tax of entries on equity | 0 | (241) | 0 | (241) |
| Profit/loss for the year | 0 | 5.511 | 2.462 | 7.973 |
| **Equity end of year** | **59.844** | **23.080** | **9.461** | **92.385** |

# Consolidated cash flow statement for 2017/18

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Operating profit/loss | | 17.971 | 33.567 |
| Amortisation, depreciation and impairment losses | | 19.535 | 14.537 |
| Working capital changes | 16 | 18.066 | 3.136 |
| **Cash flow from ordinary operating activities** | | **55.572** | **51.240** |
| Financial income received | | 1.869 | 1.581 |
| Financial expenses paid | | (5.584) | (5.746) |
| Income taxes refunded/(paid) | | (3.357) | (5.039) |
| **Cash flows from operating activities** | | **48.500** | **42.036** |
| Acquisition etc of intangible assets | | (5.404) | (1.532) |
| Acquisition etc of property, plant and equipment | | (23.650) | (27.498) |
| Sale of property, plant and equipment | | 1.437 | 8.214 |
| Acquisition of fixed asset investments | | (1.368) | (1.131) |
| Sale of fixed asset investments | | 908 | 4.285 |
| Loan to group enterprises | | 2.274 | (62.935) |
| **Cash flows from investing activities** | | **(25.803)** | **(80.597)** |
| Loans raised | | 0 | 50.000 |
| Repayments of loans etc | | (9.705) | 0 |
| Incurrence of lease obligations | | 0 | 13.397 |
| Reduction of lease commitments | | (5.113) | (11.099) |
| **Cash flows from financing activities** | | **(14.818)** | **52.298** |
| **Increase/decrease in cash and cash equivalents** | | **7.879** | **13.737** |
| Cash and cash equivalents beginning of year | | (30.799) | (44.536) |
| Currency translation adjustments of cash and cash equivalents | | 203 | 0 |
| **Cash and cash equivalents end of year** | | **(22.717)** | **(30.799)** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 22.700 | 17.935 |
| Short-term debt to banks | | (45.417) | (48.734) |
| **Cash and cash equivalents end of year** | | **(22.717)** | **(30.799)** |

# Notes to consolidated financial statements

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **1. Revenue** | | |
| **Revenue by geographical market** | | |
| Denmark | 148.348 | 156.859 |
| Other European countries | 229.174 | 164.060 |
| Rest of the world | 44.221 | 39.682 |
| | **421.743** | **360.601** |
| | | |
| **Revenue by activity** | | |
| Retail and web | 391.404 | 294.535 |
| Franchise | 30.339 | 66.066 |
| | **421.743** | **360.601** |

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **2. Fees to the auditor appointed by the Annual General Meeting** | | |
| Statutory audit services | 694 | 663 |
| Other assurance engagements | 0 | 35 |
| Tax services | 88 | 45 |
| Other services | 146 | 155 |
| | **928** | **898** |

Of the fee, DKK 242 thousand comprises fee to other auditors than appointed by the Annual General Meeting.

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **3. Staff costs** | | |
| Wages and salaries | 155.810 | 134.003 |
| Pension costs | 8.494 | 7.784 |
| Other social security costs | 10.669 | 2.088 |
| Other staff costs | 3.440 | 3.791 |
| | **178.413** | **147.666** |
| | | |
| Average number of employees | **559** | **499** |

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

# Notes to consolidated financial statements

| **4. Depreciation, amortisation and impairment losses** | **2017/18 DKK'000** | **2016/17 DKK'000** |
|---|---|---|
| Amortisation of intangible assets | 7.125 | 3.710 |
| Depreciation of property, plant and equipment | 9.961 | 10.827 |
| Impairment losses on property, plant and equipment | 2.434 | 0 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 14 | (680) |
| | **19.534** | **13.857** |

| **5. Other financial income** | **2017/18 DKK'000** | **2016/17 DKK'000** |
|---|---|---|
| Financial income arising from group enterprises | 1.821 | 0 |
| Other financial income | 48 | 1.581 |
| | **1.869** | **1.581** |

| **6. Other financial expenses** | **2017/18 DKK'000** | **2016/17 DKK'000** |
|---|---|---|
| Exchange rate adjustments | 4.596 | 0 |
| Other financial expenses | 4.634 | 5.746 |
| | **9.230** | **5.746** |

| **7. Tax on profit/loss for the year** | **2017/18 DKK'000** | **2016/17 DKK'000** |
|---|---|---|
| Current tax | 2.541 | 4.429 |
| Change in deferred tax | (1.963) | 2.250 |
| Adjustment concerning previous years | 1.978 | (267) |
| Effect of changed tax rates | 0 | 2 |
| | **2.556** | **6.414** |

| **8. Proposed distribution of profit/loss** | **2017/18 DKK'000** | **2016/17 DKK'000** |
|---|---|---|
| Transferred to reserve for net revaluation according to the equity method | 0 | (355) |
| Retained earnings | 5.511 | 19.986 |
| Minority interests' share of profit/loss | 2.462 | 2.703 |
| | **7.973** | **22.334** |

# Notes to consolidated financial statements

| | Acquired intangible assets DKK'000 | Acquired rights DKK'000 | Goodwill DKK'000 |
|---|---|---|---|
| **9. Intangible assets** | | | |
| Cost beginning of year | 26.544 | 20.429 | 203 |
| Exchange rate adjustments | 0 | (46) | (26) |
| Transfers | 49.998 | (4.144) | 1.967 |
| Additions | 243 | 0 | 5.161 |
| **Cost end of year** | **76.785** | **16.239** | **7.305** |
| Amortisation and impairment losses beginning of year | (21.502) | (9.237) | (40) |
| Exchange rate adjustments | 0 | 45 | 2 |
| Transfers | (28.966) | 2.178 | (50) |
| Amortisation for the year | (5.512) | (948) | (665) |
| **Amortisation and impairment losses end of year** | **(55.980)** | **(7.962)** | **(753)** |
| **Carrying amount end of year** | **20.805** | **8.277** | **6.552** |

Of the carrying amount at 30.06.2018 for acquired intangible assets amounting to a total of DKK 20,805 thousand the Group has recognised DKK 18,275 thousand of this as software.

# Notes to consolidated financial statements

| | Land and buildings DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improve-ments DKK'000 | Property, plant and equipment in progress DKK'000 |
|---|---|---|---|---|
| **10. Property, plant and equipment** | | | | |
| Cost beginning of year | 1.090 | 76.491 | 52.407 | 7.292 |
| Exchange rate adjustments | (5) | (185) | (1.275) | 0 |
| Transfers | (942) | (51.983) | 20.715 | (2.402) |
| Additions | 0 | 5.506 | 13.496 | 4.647 |
| Disposals | 0 | (367) | (497) | (2.888) |
| **Cost end of year** | **143** | **29.462** | **84.846** | **6.649** |
| Depreciation and impairment losses beginning of year | (183) | (34.157) | (37.517) | 0 |
| Exchange rate adjustments | 2 | 57 | 883 | 0 |
| Transfers | 155 | 25.455 | (12.016) | 0 |
| Depreciation for the year | (31) | (3.104) | (6.827) | 0 |
| Reversal regarding disposals | 0 | 136 | 152 | 0 |
| **Depreciation and impairment losses end of year** | **(57)** | **(11.613)** | **(55.325)** | **0** |
| **Carrying amount end of year** | **86** | **17.849** | **29.521** | **6.649** |

# Notes to consolidated financial statements

| | Investments in associates DKK'000 | Other investments DKK'000 | Other receivables DKK'000 | Deferred tax DKK'000 |
|---|---|---|---|---|
| **11. Fixed asset investments** | | | | |
| Cost beginning of year | 125 | 0 | 15.596 | 6.579 |
| Exchange rate adjustments | 0 | 0 | (106) | 0 |
| Transfers | 0 | 0 | (4.280) | 0 |
| Additions | 0 | 32 | 1.336 | 1.722 |
| Disposals | 0 | 0 | (908) | 0 |
| **Cost end of year** | **125** | **32** | **11.638** | **8.301** |
| Revaluations beginning of year | 290 | 0 | 0 | 0 |
| Share of profit/loss for the year | (81) | 0 | 0 | 0 |
| Dividend | (206) | 0 | 0 | 0 |
| Investments with negative equity value transferred to provisions | 252 | 0 | 0 | 0 |
| **Revaluations end of year** | **255** | **0** | **0** | **0** |
| **Carrying amount end of year** | **380** | **32** | **11.638** | **8.301** |

| | Registered in | Equity interest % |
|---|---|---|
| **12. Associates** | | |
| Change - Sønderborg I/S | Sønderborg | 50,0 |
| COS Enterprises ApS | Farum | 50,0 |

| | 2017/18 DKK'000 |
|---|---|
| **13. Deferred tax** | |
| **Changes during the year** | |
| Beginning of year | 6.579 |
| Recognised in the income statement | 1.963 |
| Recognised directly in equity | (241) |
| **End of year** | **8.301** |

# Notes to consolidated financial statements

### 14. Prepayments

Prepayments mainly comprise expenses prepaid for new collections.

| | Due within 12 months 2017/18 DKK'000 | Due within 12 months 2016/17 DKK'000 | Due after more than 12 months 2017/18 DKK'000 |
|---|---|---|---|
| **15. Liabilities other than provisions** | | | |
| Finance lease liabilities | 7.148 | 10.418 | 6.353 |
| Debt to other credit institutions | 12.709 | 9.498 | 35.022 |
| | **19.857** | **19.916** | **41.375** |

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **16. Change in working capital** | | |
| Increase/decrease in inventories | 1.280 | (8.127) |
| Increase/decrease in receivables | 21.813 | (2.858) |
| Increase/decrease in trade payables etc | (5.027) | 14.121 |
| | **18.066** | **3.136** |

### 17. Financial instruments

Other payables include the value of forward exchange contracts of DKK 4.9 million. The contracts have been entered into to hedge the Group's goods purchased in USD. At 30.06.2018, the Group has entered into forward exchange contracts at a total of DKK 13.7 million which fall due within the next 18 months.

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **18. Unrecognised rental and lease commitments** | | |
| Liabilities under rental or lease agreements until maturity in total | **139.347** | **94.366** |

### 19. 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.

# Notes to consolidated financial statements

**20. Assets charged and collateral**
The following assets have been provided as security for debt:

Bank guarantees provided by credit institutions for rent and payment guarantees amount to DKK 17,382 thousand at 30.06.2018.

Two company charges of each DKK 60,000 thousand nominal has been provided as security for credit facilities with credit institutions. The company charge includes inventories, trade receivables and goodwill. The bank debt amounts to DKK 93,148 thousand at 30.06.2018.

**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:
Asian Import ApS, Farum Gydevej 73, 3520 Farum

The foreign financial statements can be acquired by contacting:
Asian Import ApS, Farum Gydevej 73, 3520 Farum

| | Registered in | Corpo-rate form | Equity inte-rest % |
|---|---|---|---|
| **22. Subsidiaries** | | | |
| 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 | 75,0 |
| 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. | 75,0 |
| 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 o.o. | 99,9 |
| Change of Scandinavia Poland SP. z o.o. | Lodz | SP. z o.o. | 75,0 |
| TiC Lingerie and Sleepware Inc. | Montreal | Inc. | 100,0 |

# Parent income statement for 2017/18

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Revenue | | 1.460 | 1.420 |
| Other external expenses | | (483) | (150) |
| **Gross profit/loss** | | **977** | **1.270** |
| Staff costs | 1 | (1.500) | (1.480) |
| **Operating profit/loss** | | **(523)** | **(210)** |
| Income from investments in group enterprises | | 7.859 | 20.480 |
| Income from investments in associates | | (252) | (765) |
| Other financial income | 2 | 2.587 | 3 |
| Other financial expenses | 3 | (2.199) | (2) |
| **Profit/loss before tax** | | **7.472** | **19.506** |
| Tax on profit/loss for the year | 4 | (1.961) | 125 |
| **Profit/loss for the year** | 5 | **5.511** | **19.631** |

# Parent balance sheet at 30.06.2018

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Investments in group enterprises | | 143.641 | 158.586 |
| Receivables from group enterprises | | 57.287 | 46.636 |
| Investments in associates | | 0 | 0 |
| Other receivables | | 0 | 57 |
| Deferred tax | 7 | 658 | 628 |
| **Fixed asset investments** | 6 | **201.586** | **205.907** |
| **Fixed assets** | | **201.586** | **205.907** |
| Other receivables | | 50 | 0 |
| Joint taxation contribution receivable | | 119 | 140 |
| **Receivables** | | **169** | **140** |
| **Cash** | | **1** | **0** |
| **Current assets** | | **170** | **140** |
| **Assets** | | **201.756** | **206.047** |

# Parent balance sheet at 30.06.2018

| | Notes | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|---|
| Contributed capital | 8 | 59.844 | 59.844 |
| Reserve for net revaluation according to the equity method | | 24.244 | 39.189 |
| Retained earnings | | (1.229) | (18.572) |
| **Equity** | | **82.859** | **80.461** |
| Provisions for investments in group enterprises | 9 | 24.177 | 27.183 |
| Provisions for investments in associates | 10 | 746 | 494 |
| **Provisions** | | **24.923** | **27.677** |
| Debt to other credit institutions | | 32.672 | 40.422 |
| **Non-current liabilities other than provisions** | 11 | **32.672** | **40.422** |
| Current portion of long-term liabilities other than provisions | 11 | 10.112 | 9.000 |
| Trade payables | | 44 | 0 |
| Payables to group enterprises | | 51.010 | 48.391 |
| Other payables | | 136 | 96 |
| **Current liabilities other than provisions** | | **61.302** | **57.487** |
| **Liabilities other than provisions** | | **93.974** | **97.909** |
| **Equity and liabilities** | | **201.756** | **206.047** |
| Contingent liabilities | 12 | | |
| Assets charged and collateral | 13 | | |
| Related parties with controlling interest | 14 | | |

# Parent statement of changes in equity for 2017/18

| | Contributed capital DKK'000 | Reserve for net revaluation according to the equity method DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 59.844 | 39.189 | (18.572) | 80.461 |
| Exchange rate adjustments | 0 | (70) | 0 | (70) |
| Value adjustments | 0 | (3.901) | 0 | (3.901) |
| Other entries on equity | 0 | 1.099 | 0 | 1.099 |
| Tax of entries on equity | 0 | (241) | 0 | (241) |
| Profit/loss for the year | 0 | (11.832) | 17.343 | 5.511 |
| **Equity end of year** | **59.844** | **24.244** | **(1.229)** | **82.859** |

# Notes to parent financial statements

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **1. Staff costs** | | |
| Wages and salaries | 1.359 | 1.342 |
| Pension costs | 136 | 132 |
| Other social security costs | 5 | 6 |
| | **1.500** | **1.480** |
| | | |
| Average number of employees | **1** | **1** |

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.

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **2. Other financial income** | | |
| Financial income arising from group enterprises | 2.210 | 0 |
| Other financial income | 377 | 3 |
| | **2.587** | **3** |

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **3. Other financial expenses** | | |
| Financial expenses from group enterprises | 22 | 2 |
| Other interest expenses | 2.146 | 0 |
| Exchange rate adjustments | 31 | 0 |
| | **2.199** | **2** |

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **4. Tax on profit/loss for the year** | | |
| Change in deferred tax | (30) | 5 |
| Adjustment concerning previous years | 1.991 | (130) |
| | **1.961** | **(125)** |

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **5. Proposed distribution of profit/loss** | | |
| Transferred to reserve for net revaluation according to the equity method | (11.832) | 28.605 |
| Retained earnings | 17.343 | (8.974) |
| | **5.511** | **19.631** |

# Notes to parent financial statements

| | Investments in group enterprises DKK'000 | Investments in associates DKK'000 |
|---|---|---|
| **6. Fixed asset investments** | | |
| Cost beginning of year | 119.372 | 25 |
| **Cost end of year** | **119.372** | **25** |
| | | |
| Revaluations beginning of year | 39.214 | (25) |
| Exchange rate adjustments | (70) | 0 |
| Adjustments on equity | (2.486) | 0 |
| Amortisation of goodwill | (10) | 0 |
| Share of profit/loss for the year | 18.569 | 0 |
| Adjustment of intra-group profits | (10.699) | 0 |
| Investments with negative equity value depreciated over receivables | (15.447) | 0 |
| Investments with negative equity value transferred to provisions | (3.006) | 0 |
| Other adjustments | (1.796) | 0 |
| **Revaluations end of year** | **24.269** | **(25)** |
| | | |
| **Carrying amount end of year** | **143.641** | **0** |

Goodwill is recognised with DKK 153 thousand in the carrying amount of investments in group enterprises.

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

| | 2017/18 DKK'000 | 2016/17 DKK'000 |
|---|---|---|
| **7. Deferred tax** | | |
| Tax losses carried forward | 658 | 628 |
| | **658** | **628** |
| | | |
| **Changes during the year** | | |
| Beginning of year | 628 | |
| Recognised in the income statement | 271 | |
| Recognised directly in equity | (241) | |
| **End of year** | **658** | |

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

# Notes to parent financial statements

| | Number | Nominal value DKK'000 |
|---|---:|---:|
| **8. Contributed capital** | | |
| Ordinary shares | 59.844.000 | 59.844 |
| | **59.844.000** | **59.844** |

**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.

| | Due within 12 months 2017/18 DKK'000 | Due within 12 months 2016/17 DKK'000 | Due after more than 12 months 2017/18 DKK'000 |
|---|---:|---:|---:|
| **11. Liabilities other than provisions** | | | |
| Debt to other credit institutions | 10.112 | 9.000 | 32.672 |
| | **10.112** | **9.000** | **32.672** |

**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 ect for the jointy taxed companies, and for anyobligation to withhold tax at source on interest, royalties and dividends the jointly taxed companies. The jointly taxed companies' total known net liability under the joint taxation arrangement is stated in the administration company's financial statements.

The Company has issued letters of support to some subsidiaries.

**13. Assets charged and collateral**

The Company has undertaken guarantee of payment of the subsidiaries' bank debt and of the credit lines provided to the subsidiaries. The net bank debt of the subsidiaries totals DKK 42,793 thousand at 30.06.2018. The bank and rent guarantee commitments total DKK 17,382 thousand at 30.06.2018.

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 132,382 thousand at 30.06.2018.

# Notes to parent financial statements

**14. Related parties with controlling interest**

The Entity's related parties include the Parent, Asian Import ApS as well as the Board of Directors and the Chief Executive Officer, Claus Walther Jensen, Svanemøllevej 4, st., 2100 Copenhagen Ø, who is the principal shareholder of Asian Import ApS.

# 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.

**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.

**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 the 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’ proportionate share of profit or loss is presented as a separate item in Management’s proposal for distribution of profit or loss, and their share of subsidiaries’ net assets is presented as a separate item in group equity.

# Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition 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 rate 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

**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 the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

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.

**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.

# Accounting policies

**Fair value adjustments of investment property**
Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

**Other operating income**
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Cost of sales**
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

**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 writedowns 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**
Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, 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.

**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.

# Accounting policies

**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.

**Balance sheet**
**Goodwill**
Goodwill and acquired rights comprises takeover of stores and key money and is amortised straight-line over its estimated useful life, which is determined 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 20 years for strategically acquired enterprises and activities with a strong market position and a long-term earnings profile where the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

**Intellectual property rights etc**
Acquired intangible assets comprise software, development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

The basis of amortisation is cost less estimated residual value after the end of useful life. Straight-line amortisation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|---|
| Software | 5-8 years |
| Completed development projects | 5-8 years |

Acquired intangible assets are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Acquired intangible assets are written down to the lower of recoverable amount and carrying amount.

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

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.

# Accounting policies

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.

Estimated useful lives and residual values are reassessed annually.

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

**Investments in group enterprises**
In the parent financial statements, 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 value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these en-terprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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 enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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 writedowns for bad and doubtful debts.

**Other investments**

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted investments measured at the lower of cost and net realisable value.

**Deferred tax**

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

Deferred tax assets, including the tax base of tax loss carry forwards, 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 and work in progress 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.

**Prepayments**

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

**Cash**

Cash comprises cash in hand and bank deposits.

**Other provisions**

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

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

# Accounting policies

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.

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

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

**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 loans.