Change of Scandinavia Holding A/S

Farum Gydevej 73, DK-3520 Farum

Annual Report for 1 July 2022 - 30 June 2023

CVR No 29 14 71 67

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11/12 2023

Tom Deichmann
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Change of Scandinavia Holding A/S for the financial year 1 July 2022 - 30 June 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Farum, 11 December 2023

Executive Board

Claus Walther Jensen

Board of Directors

Tom Deichmann Chairman	Julie Breil	Gitte Breil
Claus Walther Jensen	Annette Carina Thomsen	Thomas Black-Petersen
Tilman Götz Galler		

Independent Auditor's Report

To the Shareholder of Change of Scandinavia Holding A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Change of Scandinavia Holding A/S for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- 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.

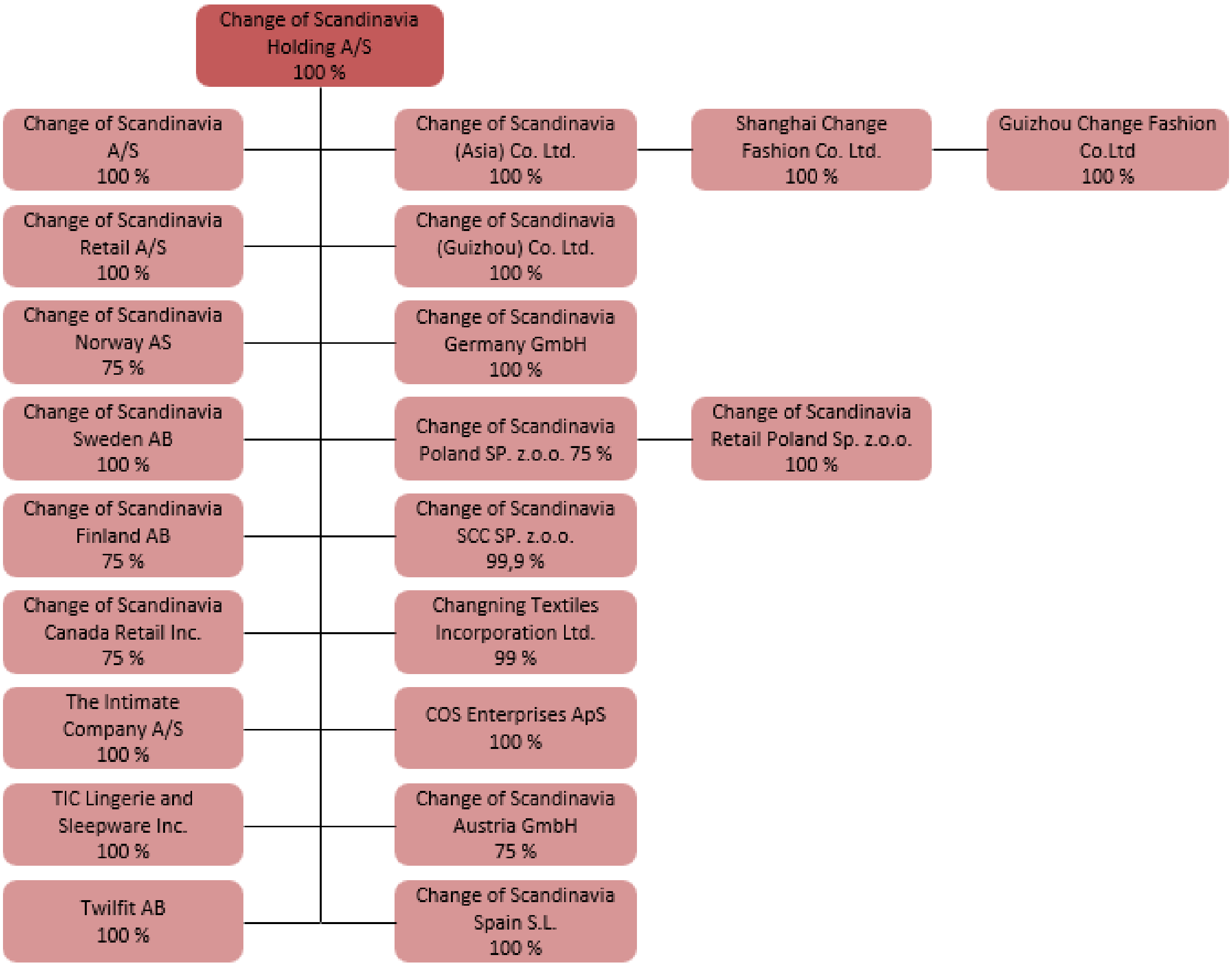
Hillerød, 11 December 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Aslund Pedersen	Michael Blom
statsautoriseret revisor	statsautoriseret revisor
mne17120	mne32797

Company Information

The Company	Change of Scandinavia Holding A/S Farum Gydevej 73 DK-3520 Farum CVR No: 29 14 71 67 Financial period: 1 July - 30 June Municipality of reg. office: Furesø
Board of Directors	Tom Deichmann, Chairman Julie Breil Gitte Breil Claus Walther Jensen Annette Carina Thomsen Thomas Black-Petersen Tilman Götz Galler
Executive Board	Claus Walther Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød

Group Chart


Change of Scandinavia Holding A/S 100 %
Change of Scandinavia A/S 100 %
Change of Scandinavia (Asia) Co. Ltd. 100 %
Shanghai Change Fashion Co. Ltd. 100 %
Guizhou Change Fashion Co.Ltd 100 %
Change of Scandinavia Retail A/S 100 %
Change of Scandinavia (Guizhou) Co. Ltd. 100 %
Change of Scandinavia Norway AS 75 %
Change of Scandinavia Germany GmbH 100 %
Change of Scandinavia Sweden AB 100 %
Change of Scandinavia Poland SP. z.o.o. 75 %
Change of Scandinavia Retail Poland Sp. z.o.o. 100 %
Change of Scandinavia Finland AB 75 %
Change of Scandinavia SCC SP. z.o.o. 99,9 %
Change of Scandinavia Canada Retail Inc. 75 %
Changning Textiles Incorporation Ltd. 99 %
The Intimate Company A/S 100 %
COS Enterprises ApS 100 %
TIC Lingerie and Sleepware Inc. 100 %
Change of Scandinavia Austria GmbH 75 %
Twilfit AB 100 %
Change of Scandinavia Spain S.L. 100 %

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	844,300	873,490	704,924	520,804	489,455
Gross profit/loss	409,548	464,405	370,803	336,864	265,139
EBITDA	63,262	137,494	74,495	113,212	53,883
Profit/loss before financial income and expenses	17,240	93,559	27,535	85,726	30,226
Net financials	-5,240	-8,853	-4,315	508	-1,540
Net profit/loss for the year	5,674	67,122	17,402	66,195	24,394
Balance sheet					
Balance sheet total	499,744	531,450	466,746	498,644	322,215
Equity	94,047	142,299	79,299	124,755	121,530
Cash flows					
Cash flows from:					
- operating activities	31,309	49,497	58,127	85,874	53,590
- investing activities	-58,898	-22,980	-18,536	-33,966	-27,477
including investment in property, plant and equipment	-41,446	-11,456	-10,089	-17,064	-19,789
- financing activities	-9,150	-3,458	-34,874	-5,055	-14,182
Change in cash and cash equivalents for the year	-36,739	23,059	4,717	46,853	11,931
Number of employees	1,868	1,443	1,101	808	628
Ratios					
Gross margin	48.5 %	53.2 %	52.6 %	64.7 %	54.2 %
Profit margin	2.0 %	10.7 %	3.9 %	16.5 %	6.2 %
Return on assets	3.4 %	17.6 %	5.9 %	17.2 %	9.4 %
Solvency ratio	18.8 %	26.8 %	17.0 %	25.0 %	37.7 %
Return on equity	4.8 %	60.6 %	17.1 %	53.8 %	22.6 %

Management's Review

Key activities

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

Development in the year

The income statement of the Group for 2022/23 shows a profit of TDKK 5,674, and at 30 June 2023 the balance sheet of the Group shows equity of TDKK 94,047.

This year we have experienced that the buying behavior in the retail industry has been affected by the situation in the world with increasing inflation, uncertainty and negative development of currency rates in our main markets. This has impacted our sales and profit negatively. We have taken various commercial initiatives to minimize the macro-economic impact on revenue and costs. This resulted in a negative revenue development of -3%. In constant currency the revenue for the full group is on par with 21/22.

As we were expecting a difficult macro-economic climate, we adapted a more aggressive campaigning strategy which resulted in 10% higher sales volume and an 18% increase of Club Change members. We expect the increased market share will benefit the company in the coming year. However, the increased discounts had a negative impact on the revenue and especially the profitability for this year.

The company continuously assess the store portfolio with an aim of only having stores that contribute positively to the Group result. Consequently, it was decided to close 8 stores which primarily were double locations after the acquisition of Twilfit. This process has now been finalized.

In the Fiscal year we have opened a total of 35 new stores in 7 markets. The company also launched a new state of the art e-commerce solution in all countries to secure future growth and improved omni-channel functionalities.

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

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

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’s Review

Foreign exchange risks

The Company is exposed to general currency risks as regards its operations, however the risk mainly relatesto CNY. The majority part of the Company’s purchasing of goods and material is done in CNY while the Company invoices in DKK, SEK, NOK, EUR, PLN and CAD.

According to the policy approved by the Board of Directors, the risks related to purchases done in CNY are hedged using forward exchange contracts running for up to 12 months.

Targets and expectations for the year ahead

In 2023/24 the Company expects that the global retail market will remain challenged due to the on-going macro-economic uncertainty. The Company is undergoing an organizational transformation with a more business orientated focus on the store operations to secure higher profitability in the retail stores, and additional resources are being added to the e-commerce department. This process will be finalized during 23/24 and we expect to see positive revenue and profitability results from these initiatives in the 24/25 fiscal year. We expect to open 25 Change concept stores and close 3-5 stores during the year.

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

Research and development

The Company’s intellectual capital resources are related to the development of products and future sales activities. Good quality, production of new products and the right market approach is sufficent to ensure return on the research and development activites.

External environment

Please refer to the section "Enviromental performance".

Statement of corporate social responsibility

The overall business model of Change Holding A/S is described in section “Key Activities”.

In 2024 we are going to hire an ESG Specialist, this position will be responsible for coordinating and reporting on all the ESG areas, by supporting the business strategy, being operational, communicate throughout the organization, steering cross-functional work streams and act as reporting counterpart to stakeholders across the business.

Environmental performance

The Company’s environmental impact on its surroundings is very limited. We are aware of the environmental risks related to this type of business with energy consumption in our factories, transportation of goods from Asia to Europe and running physical stores.

The Company strives to improve and optimize its energy consumption, but we do not yet have an official

Management's Review

policy. It has been down-prioritized due to Covid crisis where all focus has been on getting through the crisis. The board of Directors has started project on working with this in spring 2023 where it will be anchored in the group management team.

Social and employee Conditions:

For us it's important to take responsibility as an employer both in our Stores, Factory, Warehouse and Offices. We are providing health insurance to employees.

During autumn 2022 we made a harassment policy and a whistleblower scheme, which both went live in January 2023.

The consequences of not having a whistleblower scheme have been a lack of the mechanisms in place to correct problems in a timely way. It can harm the employees and company in several ways not having these policies: It can lead to more public disclosures which can lead to being seen as less trustworthy, harm a company's reputation, decrease transparency and employee motivation, and increase the risk of financial damage. By installing the whistleblower scheme, we are now preventing these risks.

The purpose of installing the harassment policy and the whistleblower scheme is also being able to provide important opportunities for employees to report potential misconduct or concerns. We have improved the opportunities for employees, business partners, etc. to reach out and speak up about illegal or serious matters in a safe and secure way, without the person(s) concerned needing to fear that reporting will have negative consequences. These policies have a preventive effect, so we avoid any reluctance to report significant matters.

By having a harassment policy and a whistleblower scheme we have become more attractive as an employer. For our current employees ensuring retention and not increasing the staff turnover, by having a structured system helping enhance our organizational culture, employee satisfaction and commitment. For candidates to choose us as their next employer by having an open, ethical work culture which allow all employees to speak up.

Since launch of our whistleblower scheme in 2023 we have had 4 reports. 3 of those fall outside the scope of the whistleblower scheme and the reports were rejected. The whistleblower schemes were notified of this. 1 report was within the scope and was investigated including interviews with the whistleblower scheme and the person mentioned in the report. A change was made in the organization to prevent this for happing again, which is in line we our zero-tolerance policy, as all employees should experience a healthy working environment.

In August 2022 we implemented a hybrid working policy for our office staff, to balance the match to our culture, our ambitions and at the same time create possibilities for our employees in their work-life. Which has resulted in a stability in our teams.

For our factory we have an Occupational health and safety (OHS) policy which is a standardized management system. Our own factory has developed a work plan for the establishment of safety

Management's Review

standardization, and in 2022 a safety committee has been set up to promote the implementation of improvements and to limit risks. In 2023 we will be able to measure the effect of this committee.

As an employer it is also important to take a social responsibility giving opportunities and educate, at our Headquarter we have trainees and interns. In 2022 we had one trainee graduating.

We have donated underwear to women in need. We have made a difference for women who are being abused and/or involved in street prostitution. In 2023 we started donating clothing to the rape centers in Danish hospitals. This issue is a worldwide problem that we find in all markets where Change is marked leader. For 2024 we aim to help in a bigger scale than just Denmark.

Human rights:

We have an official politic towards our vendors that they need to comply with our code of conduct.

The supply chain of our company has the highest risk within this area, with a variety of vendors and factories.

We comply with all local and national applicable laws and regulations, including, but not limited to, those related to employment/labor, child labor, involuntary labor, coercion harassment, nondiscrimination, associations, health & safety as well as compensation and wages.

Our supplier portfolio is very stable, and we strategically use mainly long-term cooperation suppliers in our set-up of supply chain, for raw materials, sewing factories and ready-made products. All to avoid any irregularity or risk in comply with the Code of Conduct as well as to secure the fundamental set-up of quality assurance.

As a result of the long-term policy of comply with the Code of Conduct, we have medium to high end portfolio of suppliers and vendors, which also allow us to secure the conditions at the factories and locations. As a constant security, our own quality controllers and staff visits regularly. This is an on-going work and a standard process of working procedure, anchored to the top of the management.

In 2023 we have consolidated even more and in accordance with our own factory is expanding and producing a larger share of our products, we are limiting risks even further.

All vendors and suppliers used in 2023 have signed our code of conduct.

Anti-corruption and bribery:

As a company we have an official policy around this. We have a zero-tolerance for corruption and bribe and do not accept this. This zero-tolerance is anchored in the board of directors.

The supply chain of our company has the highest risk within this area, with a variety of vendors and factories.

Management's Review

When going into new production agreements we are performing due diligence of the potential new vendor to secure these are trustworthy.

In the fiscal year 22/23, we have not entered new agreements or vendors, but have reduced the number of factories and vendors, due to an active consolidation of business. All of our current vendors apply to our policy.

We will continue to have strict focus on anti-cooruption and briebery in our continuous work.

Data Ethics:

In Change, we collect, generate and process data of both personal and non-personal nature across our entire business. We apply customer data from our Change Customer Club in marketing to secure personalized targeting. We do GDPR audits in the countries to recognize the GDPR obligations. We secure that we use the data with purpose and that the data is only available for employees that are working with the data.

Decisions and use of data and new technology is taken by the board of directors. We are following the data ethic guidelines and are on an ongoing basis evaluating and taking the guidelines into consideration when using data and bringing in new technology.

Statement on gender composition

The Company has less than 50 employees and is therefore not obliged to disclose its policies on gender composition. However, the company has decided to expose it gender composition in the Board of Directors. The Board of Directors consists of seven members, four men and three women and with it, the Company practices an even distribution of men and women on the Board of Directors.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 30 June 2023 of the Group and the results of the activities and cash flows of the Group for the financial year for 2022/23 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 July - 30 June

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent 2022/23 TDKK	Parent 2021/22 TDKK
Revenue	3	**844,300**	**873,490**	**1,495**	**1,496**
Work on own account recognised in assets		6,589	5,966	0	0
Other operating income	4	2,595	6,411	0	0
Expenses for raw materials and consumables		-166,491	-170,276	0	0
Other external expenses		-277,445	-251,186	-172	-244
Gross profit/loss		**409,548**	**464,405**	**1,323**	**1,252**
Staff expenses	5	-346,286	-326,911	-1,495	-1,497
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	-43,650	-43,369	0	0
Other operating expenses	7	-2,372	-566	0	0
Profit/loss before financial income and expenses		**17,240**	**93,559**	**-172**	**-245**
Income from investments in subsidiaries	8	0	0	2,172	62,463
Income from investments in associates		0	-88	0	0
Financial income	9	6,736	506	2,805	2,198
Financial expenses	10	-11,976	-9,271	-854	-3,864
Profit/loss before tax		**12,000**	**84,706**	**3,951**	**60,552**
Tax on profit/loss for the year	11	-6,326	-17,584	-391	420
Net profit/loss for the year		**5,674**	**67,122**	**3,560**	**60,972**

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Proposed distribution of profit				
Proposed dividend for the year	0	30,000	0	30,000
Reserve for net revaluation under the equity method	0	0	-23,567	67,731
Minority interests' share of net profit/loss of subsidiaries	2,113	6,150	0	0
Retained earnings	3,561	30,972	27,127	-36,759
	5,674	**67,122**	**3,560**	**60,972**

Balance Sheet 30 June

Assets

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent 2022/23 TDKK	Parent 2021/22 TDKK
Completed development projects		3,811	3,628	0	0
Acquired licenses		18,283	21,429	0	0
Acquired trademarks		4,137	6,699	0	0
Customer base		51,182	58,987	0	0
Goodwill		6,625	7,900	0	0
Development projects in progress		19,391	9,108	0	0
Intangible assets	12	**103,429**	**107,751**	**0**	**0**
Land and buildings		0	0	0	0
Other fixtures and fittings, tools and equipment		22,548	16,004	0	0
Leasehold improvements		37,271	26,330	0	0
Property, plant and equipment	13	**59,819**	**42,334**	**0**	**0**
Investments in subsidiaries	14	0	0	198,642	225,243
Receivables from group enterprises	15	0	0	0	2,157
Other receivables	15	13,790	12,497	0	0
Fixed asset investments		**13,790**	**12,497**	**198,642**	**227,400**
Fixed assets		**177,038**	**162,582**	**198,642**	**227,400**
Inventories	16	**169,941**	**156,555**	**0**	**0**
Trade receivables		2,198	560	0	0
Receivables from group enterprises		10,688	13,396	45,642	46,023
Other receivables	22	13,176	40,678	0	0
Deferred tax asset	20	23,313	18,481	0	0
Corporation tax		9,257	0	0	0
Corporation tax receivable from group enterprises		0	0	1,739	2,130
Prepayments	17	21,612	29,938	0	0
Receivables		**80,244**	**103,053**	**47,381**	**48,153**
Cash at bank and in hand		**72,521**	**109,260**	**33**	**13,126**
Currents assets		**322,706**	**368,868**	**47,414**	**61,279**

Balance Sheet 30 June

Assets

		Group		Parent	
	Note	2022/23	2021/22	2022/23	2021/22
		TDKK	TDKK	TDKK	TDKK
Assets		**499,744**	**531,450**	**246,056**	**288,679**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent 2022/23 TDKK	Parent 2021/22 TDKK
Share capital	18	5,000	5,000	5,000	5,000
Reserve for net revaluation under the equity method		0	0	54,447	78,014
Other statutory reserves		-4,288	1,965	-4,288	1,965
Reserve for hedging transactions		-6,213	8,024	0	0
Retained earnings		87,005	83,444	26,343	13,454
Proposed dividend for the year		0	30,000	0	30,000
Equity attributable to shareholders of the Parent Company		**81,504**	**128,433**	**81,502**	**128,433**
Minority interests		12,543	13,866	0	0
Equity		**94,047**	**142,299**	**81,502**	**128,433**
Provision for deferred tax	20	15,054	16,197	0	0
Provisions relating to investments in group enterprises		0	0	5,141	10,500
Provisions		**15,054**	**16,197**	**5,141**	**10,500**
Credit institutions		0	1,248	0	0
Lease obligations		1,451	5,481	0	0
Deposits		624	624	0	0
Other payables		408	0	0	0
Long-term debt	21	**2,483**	**7,353**	**0**	**0**
Subordinate loan capital		0	25,468	0	25,468
Credit institutions	21	156,207	111,982	0	0
Lease obligations	21	1,924	1,194	0	0
Trade payables		89,927	70,305	80	560
Payables to group enterprises		5,581	0	159,102	123,343
Corporation tax		43,476	37,052	0	0
Other payables	21,22	82,809	110,649	231	375
Deferred income	23	8,236	8,951	0	0
Short-term debt		**388,160**	**365,601**	**159,413**	**149,746**
Debt		**390,643**	**372,954**	**159,413**	**149,746**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent 2022/23 TDKK	Parent 2021/22 TDKK
Liabilities and equity		**499,744**	**531,450**	**246,056**	**288,679**
Unusual events	1				
Subsequent events	2				
Distribution of profit	19				
Contingent assets, liabilities and other financial obligations	26				
Related parties	27				
Fee to auditors appointed at the general meeting	28				
Accounting Policies	29				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Other statutory reserves	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	5,000	0	1,965	8,024	83,444	30,000	128,433	13,866	142,299
Exchange adjustments	0	0	-6,253	0	0	0	-6,253	-1,788	-8,041
Ordinary dividend paid	0	0	0	0	0	-30,000	-30,000	-1,648	-31,648
Fair value adjustment of hedging instruments, beginning of year	0	0	0	-10,288	0	0	-10,288	0	-10,288
Fair value adjustment of hedging instruments, end of year	0	0	0	-7,965	0	0	-7,965	0	-7,965
Tax on adjustment of hedging instruments for the year	0	0	0	4,016	0	0	4,016	0	4,016
Net profit/loss for the year	0	0	0	0	3,561	0	3,561	2,113	5,674
Equity at 30 June	**5,000**	**0**	**-4,288**	**-6,213**	**87,005**	**0**	**81,504**	**12,543**	**94,047**

Statement of Changes in Equity

Parent

	Share capital	Reserve for net revaluation under the equity method	Other statutory reserves	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	5,000	78,014	1,965	0	13,453	30,000	128,432	0	128,432
Exchange adjustments	0	0	-6,253	0	0	0	-6,253	0	-6,253
Ordinary dividend paid	0	0	0	0	0	-30,000	-30,000	0	-30,000
Fair value adjustment of hedging instruments, beginning of year	0	0	0	0	-10,288	0	-10,288	0	-10,288
Fair value adjustment of hedging instruments, end of year	0	0	0	0	-7,965	0	-7,965	0	-7,965
Tax on adjustment of hedging instruments for the year	0	0	0	0	4,016	0	4,016	0	4,016
Net profit/loss for the year	0	-23,567	0	0	27,127	0	3,560	0	3,560
Equity at 30 June	**5,000**	**54,447**	**-4,288**	**0**	**26,343**	**0**	**81,502**	**0**	**81,502**

pwc

Cash Flow Statement 1 July - 30 June

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK
Net profit/loss for the year		5,674	67,122
Adjustments	24	55,208	70,008
Change in working capital	25	-4,312	-76,147
Cash flows from operating activities before financial income and expenses		**56,570**	**60,983**
Financial income		6,737	505
Financial expenses		-20,879	-9,270
Cash flows from ordinary activities		**42,428**	**52,218**
Corporation tax paid		-11,119	-2,721
Cash flows from operating activities		**31,309**	**49,497**
Purchase of intangible assets		-17,666	-11,683
Purchase of property, plant and equipment		-41,446	-11,456
Sale of fixed asset investments etc		214	159
Cash flows from investing activities		**-58,898**	**-22,980**
Payment of lease obligations		-3,300	-1,235
Repayment of payables to group enterprises		0	-11,594
Repayment of other long-term debt		-25,468	-24,531
Raising of loans from credit institutions		42,977	44,503
Raising of loans from group enterprises		8,289	0
Dividend paid		-31,648	-10,601
Cash flows from financing activities		**-9,150**	**-3,458**
Change in cash and cash equivalents		**-36,739**	**23,059**
Cash and cash equivalents at 1 July		109,260	86,201
Cash and cash equivalents at 30 June		**72,521**	**109,260**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		72,521	109,260
Cash and cash equivalents at 30 June		**72,521**	**109,260**

Notes to the Financial Statements

1 Unusual events

The financial position at 30 June 2023 of the Company and the results of the activities of the Company for the financial year for 2022/23 have not been affected by any unusual events.

2 Subsequent events

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

3 Revenue

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Revenue, Denmark	231,377	221,274	1,495	1,496
Revenue, other European countries	555,690	593,228	0	0
Revenue, rest of the world	57,233	58,988	0	0
	844,300	**873,490**	**1,495**	**1,496**
Business segments				
Retail and web	836,392	871,141	0	0
Franchise	7,908	2,349	0	0
Management fee	0	0	1,495	1,496
	844,300	**873,490**	**1,495**	**1,496**

4 Other operating income

Debt forgiveness	0	4,353	0	0
Compensation Covid-19	237	1,512	0	0
Profit on sale of fixed assets	8	304	0	0
Other income	2,350	242	0	0
	2,595	**6,411**	**0**	**0**

Notes to the Financial Statements

		Group		Parent	
		2022/23	2021/22	2022/23	2021/22
		TDKK	TDKK	TDKK	TDKK
5	**Staff expenses**				
	Wages and salaries	291,435	268,749	1,356	1,357
	Pensions	18,080	18,595	137	137
	Other social security expenses	32,002	33,615	2	3
	Other staff expenses	4,769	5,952	0	0
		346,286	**326,911**	**1,495**	**1,497**
	Including remuneration to the Executive Board	**1,754**	**1,753**	**1,754**	**1,753**
	Average number of employees	**1,868**	**1,443**	**1**	**1**
6	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	19,533	18,413	0	0
	Depreciation of property, plant and equipment	24,117	24,956	0	0
		43,650	**43,369**	**0**	**0**
7	**Other operating expenses**				
	Loss on sale of fixed assets	610	0	0	0
	Other expenses	1,762	566	0	0
		2,372	**566**	**0**	**0**

		Parent	
		2022/23	2021/22
		TDKK	TDKK
8	**Income from investments in subsidiaries**		
	Share of profits of subsidiaries	2,172	62,463
		2,172	**62,463**

Notes to the Financial Statements

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
9 Financial income				
Interest received from group enterprises	1,068	0	1,782	2,202
Other financial income	121	271	0	1
Exchange adjustments	5,547	235	1,023	-5
	6,736	**506**	**2,805**	**2,198**
10 Financial expenses				
Interest paid to group enterprises	0	88	549	734
Other financial expenses	5,562	7,332	305	3,135
Exchange adjustments, expenses	6,414	1,851	0	-5
	11,976	**9,271**	**854**	**3,864**
11 Tax on profit/loss for the year				
Current tax for the year	8,269	19,029	391	0
Deferred tax for the year	-1,959	-1,445	0	-420
Adjustment of deferred tax concerning previous years	16	0	0	0
	6,326	**17,584**	**391**	**-420**

Notes to the Financial Statements

12 Intangible assets

Group

	Completed development projects	Acquired licenses	Acquired trademarks	Customer base	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	3,628	70,235	18,938	75,296	14,859	9,108
Exchange adjustment	0	(273)	(344)	389	77	0
Additions for the year	3,811	3,572	0	0	0	10,283
Disposals for the year	(3,628)	(53)	0	0	0	0
Cost at 30 June	3,811	73,481	18,594	75,685	14,936	19,391
Impairment losses and amortisation at 1 July	0	48,806	12,240	16,309	6,959	0
Exchange adjustment	0	(248)	1,549	664	284	0
Amortisation for the year	3,628	6,640	668	7,530	1,068	0
Reversal of amortisation of disposals for the year	(3,628)	0	0	0	0	0
Impairment losses and amortisation at 30 June	0	55,198	14,457	24,503	8,311	0
Carrying amount at 30 June	**3,811**	**18,283**	**4,137**	**51,182**	**6,625**	**19,391**

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

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

Notes to the Financial Statements

13 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 July	145	57,012	132,267
Exchange adjustment	8	1,188	-1,092
Additions for the year	0	17,741	23,705
Disposals for the year	0	-230	-21
Cost at 30 June	153	75,711	154,859
Impairment losses and depreciation at 1 July	145	40,940	105,937
Exchange adjustment	8	394	-591
Depreciation for the year	0	11,866	12,242
Reversal of impairment and depreciation of sold assets	0	-37	0
Impairment losses and depreciation at 30 June	153	53,163	117,588
Carrying amount at 30 June	**0**	**22,548**	**37,271**
Including assets under finance leases amounting to	0	195	1,872

Notes to the Financial Statements

14 Investments in subsidiaries

	Parent 2022/23 TDKK	Parent 2021/22 TDKK
Cost at 1 July	136,098	134,611
Additions for the year	0	1,487
Cost at 30 June	136,098	136,098
Value adjustments at 1 July	78,014	11,228
Exchange adjustment	-6,151	1,284
Net profit/loss for the year	13,967	92,289
Dividend to the Parent Company	-5,351	-2,876
Other equity movements, net	-4,264	5,914
Amortisation of goodwill	-7,530	-6,276
Other adjustments	-14,237	-23,550
Value adjustments at 30 June	54,448	78,013
Equity investments with negative net asset value amortised over receivables	2,955	632
Equity investments with negative net asset value transferred to provisions	5,141	10,500
Carrying amount at 30 June	**198,642**	**225,243**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Change of Scandinavia A/S	Farum	100 %
Chnage of Scandinavia Retail A/S	Farum	100 %
Change of Scandinavia Sweden AB	Härryda	100 %
OY Change of Scandinavia Finland AB	Helsinki	75 %
Change of Scandinavia Norway AS	Tranby	75 %
Change of Scandinavia Germany GmbH	Berlin	100 %
Change of Scandinavia Canada Retail Inc.	Montreal	75 %
Shanghai Change Fashion Co. Ltd.	China	100 %
Changing Textiles Incorporation Ltd.	Hong Kong	99 %
The Intimate Company A/S	Farum	100 %
Change of Scandinavia SSC SP. z.o.o. Lodz SP	Lodz	100 %
Change of Scandinavia Poland SP. z o.o.	Lodz	75 %

Notes to the Financial Statements

14 Investments in subsidiaries (continued)

Name	Place of registered office	Votes and ownership
TiC Lingerie and Sleepware Inc.	Montreal	100 %
COS Enterprises ApS	Farum	100 %
Change of Scandinavia (Asia) Co Ltd.	China	100 %
Change of Scandinavia Retail Poland Sp.z.o.o.	Lodz	75 %
Change Lingerie GmbH	Wienna	75 %
Twilfit AB	Stockholm	100 %
Change of Scandinavia Spain S.L.	Barcalona	100 %
Change of Scandinavia Guizhou Ltd.	China	75 %
Guizhou Change Fashion Co, LTD	China	100 %

15 Other fixed asset investments

	Group
	Other receiv-ables
	TDKK
Cost at 1 July	12,497
Exchange adjustment	-3
Additions for the year	2,982
Disposals for the year	-1,686
Cost at 30 June	13,790
Carrying amount at 30 June	**13,790**

16 Inventories

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	23,583	15,203	0	0
Finished goods and goods for resale	146,358	141,352	0	0
	169,941	**156,555**	**0**	**0**

Notes to the Financial Statements

17 Prepayments

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

18 Equity

The share capital consists of 50,000 shares of a nominal value of TDKK 100. No shares carry any special rights.

The share capital has developed as follows:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 July	5,000	5,000	5,000	59,844	59,844
Capital increase	0	0	0	0	0
Capital decrease	0	0	0	(54,844)	0
Share capital at 30 June	**5,000**	**5,000**	**5,000**	**5,000**	**59,844**

19 Distribution of profit

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Proposed dividend for the year	0	30,000	0	30,000
Reserve for net revaluation under the equity method	0	0	(23,567)	67,731
Minority interests' share of net profit/loss of subsidiaries	2,113	6,150	0	0
Retained earnings	3,561	30,972	27,127	(36,759)
	5,674	**67,122**	**3,560**	**60,972**

Notes to the Financial Statements

20 Deferred tax asset

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Deferred tax asset at 1 July	2,284	2,507	0	1,094
Amounts recognised in the income statement for the year	1,959	1,445	0	420
Amounts recognised in equity for the year	4,016	(1,668)	0	(1,514)
Deferred tax asset at 30 June	**8,259**	**2,284**	**0**	**0**

The recognised tax asset comprises mainly of tax on reversed internal profits. Management expects that the deferred tax asset is to be utilised in the future. In connection with the assessment of the utilisation of the tax asset, special emphasis has been placed on the Company and Group having expected future growth in both revenue and profit in the long run.

Notes to the Financial Statements

21 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Credit institutions				
Between 1 and 5 years	0	1,248	0	0
Long-term part	0	1,248	0	0
Other short-term debt to credit institutions	156,207	111,982	0	0
	156,207	**113,230**	**0**	**0**
Lease obligations				
Between 1 and 5 years	1,451	5,481	0	0
Long-term part	1,451	5,481	0	0
Within 1 year	1,924	1,194	0	0
	3,375	**6,675**	**0**	**0**
Deposits				
Between 1 and 5 years	624	624	0	0
Long-term part	624	624	0	0
Within 1 year	0	0	0	0
	624	**624**	**0**	**0**
Other payables				
Between 1 and 5 years	408	0	0	0
Long-term part	408	0	0	0
Other short-term payables	82,809	110,649	231	375
	83,217	**110,649**	**231**	**375**

Notes to the Financial Statements

22 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Assets	0	10,288	0	0
Liabilities	7,965	0	0	0

Forward exchange contracts have been concluded to hedge future sale of goods in USD, NOK, SEK, CNH and EUR. At the balance sheet date fair value of the forward exchange contract amounts to DKK 7,965 thousand (asset). The forward exchange contracts terminates within 1-11 months.

Group

	Value adjust-ment, income statement	Value adjust-ment, equity	Fair value at 30 June
	TDKK	TDKK	TDKK
Forward exchange rates contracts	0	-18,253	-7,965

23 Deferred income

Deferred income consists of prepaid giftcards and profit on sales and leaseback agreements.

Notes to the Financial Statements

	Group	
	2022/23	2021/22
	TDKK	TDKK

24 Cash flow statement - adjustments

	2022/23 TDKK	2021/22 TDKK
Financial income	-6,736	-506
Financial expenses	11,976	9,271
Depreciation, amortisation and impairment losses, including losses and gains on sales	43,642	43,366
Income from investments in associates	0	88
Tax on profit/loss for the year	6,326	17,584
Other adjustments	0	205
	55,208	**70,008**

25 Cash flow statement - change in working capital

	2022/23 TDKK	2021/22 TDKK
Change in inventories	(13,386)	(28,201)
Change in receivables	35,852	(24,258)
Change in trade payables, etc	(8,525)	(29,603)
Fair value adjustments of hedging instruments	(18,253)	5,915
	(4,312)	**(76,147)**

Notes to the Financial Statements

	Group		Parent	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK

26 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with :

	2022/23	2021/22	2022/23	2021/22
Bank debts of the Company and the affilate, Change of Scandinavia Retail A/S and Change of Scandinavia A/S are secured by way of a Company charge in intangible and tangible assets and inventories of DKK 60,000 thousand nominal value. The booked value of assets at 30 June amounts to	173,149	165,285	0	0

Rental and lease obligations

	2022/23	2021/22	2022/23	2021/22
Rental ans lease agreements untill expiry in total	305,097	270,672	0	0
Here of liabilties under rental agreements or leases with group enterprises untill expiry	332	356	0	0
Other gurantees	0	67	0	0

Guarantee obligations

	2022/23	2021/22	2022/23	2021/22
Rent and payment gurantees for rental agreements	33,025	23,891	0	0

Notes to the Financial Statements

26 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Asian Import ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Change of Scandinavia Holding A/S has issued letters of support to some subsidiaries.

Change of Scandinavia Holding A/S has issued a bail to Sydbank and Nykredit for loans issued to the parent company Asian Import A/S and the subsidaries Change of Scandinavia A/S and Change of Scandinavia Retail A/S.

The line of credit in Change of Scandinavia Canada Retail Inc. is secured by a pledge of inventory of the Bank Act and a moveable hypothec constituting a first ranking security interest over all present and future tangible and intangible assets in the amount of kDKK 21,109 (kCAD 4,200). A shareholder of the company has guarantees this line of credit and has subordinated their claims up to kDKK 7,664 (kCAD 1,525).

The carrying amount of assets pledged in Change of Scandinavia Canada Retail Inc. equals kDKK 28,599 (kCAD 5,662).

Change of Scandinavia Finland AB has a bank limit for kDKK 745 (kEUR 100) guaranteed by mortgage on company assets.

A distributor of goods to a subsidiary has raised a claim against the subsidiary. The distributor is claiming that the subsidiary has breached their trade agreement. The subsidiary has rejected the claim. The Company lost a part of the claim in 2021/22. Both part has appealed part of the claim. Management in the subsidiary and the board in Change of Scandinavia Holding A/S disagrees in the claimed breach. Based on a legal assessment made by the subsidiary's lawyer, the management and the board find no further risk in the claimed amount for which no provision have been made.

Notes to the Financial Statements

27 Related parties

	Basis
Controlling interest	
Asian Import ApS	Parent Company, 100 % ownership

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

No transactions with related parties were made in the financial year 2022/23 which were not made on arm's length basis.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Asian Import ApS

Consolidated Financial Statements

The Company is included in the Consolidated accounts for the parent Company

Name	Place of registered office
Asian Import ApS	Farum

Notes to the Financial Statements

28 Fee to auditors appointed at the general meeting

	Group 2022/23 TDKK	Group 2021/22 TDKK
PricewaterhouseCoopers		
Audit fee	641	644
Tax advisory services	214	166
Other services	214	208
	1,069	**1,018**
Other		
Audit fee	413	226
Tax advisory services	16	25
Other services	18	226
	447	**477**
	1,516	**1,495**

Notes to the Financial Statements

29 Accounting Policies

The Annual Report of Change of Scandinavia Holding A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022/23 are presented in TDKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

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

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

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

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

29 Accounting Policies (continued)

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Change of Scandinavia Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised

Notes to the Financial Statements

29 Accounting Policies (continued)

in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired

Notes to the Financial Statements

29 Accounting Policies (continued)

entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

29 Accounting Policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of

Notes to the Financial Statements

29 Accounting Policies (continued)

discounts relating to sales.

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment and Govement Grants related to Covid-19.

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with Danish and foreign subsidiaries. The tax effect of the joint taxation is

Notes to the Financial Statements

29 Accounting Policies (continued)

allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill, trademarks and customer base acquired is measured at cost less accumulated amortisation. Goodwill, trademarks and customer base is amortised on a straight-line basis over its useful life, which is assessed at 20 years. Management believes that the Group will have benefits from the required assets during this period.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5-8 years.

Development costs and costs relating to new kollektions of clothes developed by the Company are measured at the lower of cost less accumulated amortisation and recoverable amount. Development costs are amortised over its useful life, which is assessed at 1 year.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

29 Accounting Policies (continued)

Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits and loans to franchisetakers.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

29 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Notes to the Financial Statements

29 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$