Change of Scandinavia Holding A/S

Farum Gydevej 73, DK-3520 Farum

Annual Report for 1 July 2020 - 30 June 2021

CVR No 29 14 71 67

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/11 2021

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 2020 - 30 June 2021.

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 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020/21.

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, 19 November 2021

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 2021 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 2020 - 30 June 2021 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 2020 - 30 June 2021, 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.

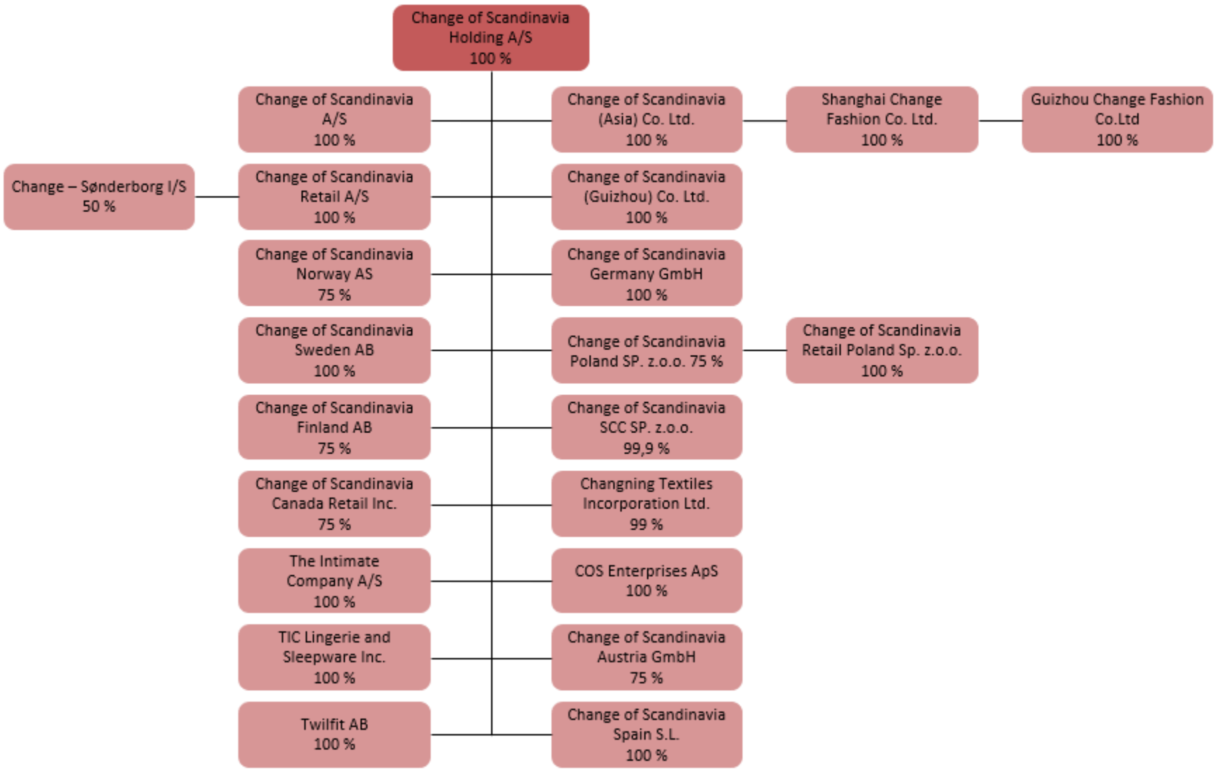
Hillerød, 19 November 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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



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Financial Highlights

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

	Group				
	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	704,924	520,804	489,455	421,743	360,601
Gross profit/loss	370,803	336,864	265,139	225,130	198,903
EBITDA	74,495	113,212	53,883	40,145	47,329
Profit/loss before financial income and expenses	27,535	85,726	30,226	17,971	33,472
Net financials	-4,315	508	-1,540	-7,442	-4,724
Net profit/loss for the year	17,402	66,195	24,394	7,973	22,334
Balance sheet					
Balance sheet total	466,746	498,644	322,215	286,687	299,577
Equity	79,299	124,755	121,530	94,495	86,852
Cash flows					
Cash flows from:					
- operating activities	58,127	85,874	53,590	53,181	42,036
- investing activities	-18,536	-33,966	-27,477	-33,421	-17,662
including investment in property, plant and equipment	-10,089	-17,064	-19,789	-18,091	-27,948
- financing activities	-34,874	-5,055	-14,182	-14,995	-10,637
Change in cash and cash equivalents for the year	4,717	46,853	11,931	4,765	13,737
Number of employees	1,101	808	628	559	499
Ratios					
Gross margin	52.6 %	64.7 %	54.2 %	53.4 %	55.2 %
Profit margin	3.9 %	16.5 %	6.2 %	4.3 %	9.3 %
Return on assets	5.9 %	17.2 %	9.4 %	6.3 %	11.2 %
Solvency ratio	17.0 %	25.0 %	37.7 %	33.0 %	29.0 %
Return on equity	17.1 %	53.8 %	22.6 %	8.8 %	28.3 %

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 2020/21 shows a profit of TDKK 17,402, and at 30 June 2021 the balance sheet of the Group shows equity of TDKK 79,299.

The result of the year has been affected by the Covid-19 pandemic. A large part of the company's retail stores was temporarily closed from November to late Spring due to governmental restrictions in the various markets. This resulted in loss of turnover during the time of closure, however a proportion of the loss in turnover in the physical stores was covered by increased e-commerce activity.

Before the outbreak of the second stage of the Covid-19 pandemic, the company continued its growth and expansion plans. For the first 4 month of the fiscal year the company experienced a LFL sales growth above 6% in own stores and Web. This growth in turnover is a result of the continuous execution of the company's sales and operational excellence program.

The company continuously assess the store portfolio and with the aim of only having stores that contribute to the Group result it was decided to close 8 stores mostly double locations after acquisition of Twilfit. We have also relocated two stores to better locations.

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

As expected, the result of the year has improved compared to last year excluding the effect from purchase price allocation of Twilfit in 19/20 and the management finds the financial development satisfactory. The financial activity of the company until the second Covid-19 outbreak followed the plan. However as described above, the Covid-19 outbreak had a negative effect on the result of the year. The Company performed according to or above the plan after the reopening of the various markets in the late spring.

Operating 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 relates to 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 month.

The risk of the Covid-19 pandemic

The Company is exposed to the risk of a general decline in consumer consumption, should new governmental restrictions be imposed to the retail market due to the Covid-19 pandemic. Based on the company's financial performance from the outbreak of the Covid-19 pandemic and until the date of this report, it is assessed that the company has a strong business model and will be able to cope with a temporary decline in the general retail activity.

A severe and long lock-down of our production and retail activities due to new Covid-19 restrictions is considered a special risk for the company, but it is also assessed that the effect will be less severe than for other retail companies.

Targets and expectations for the year ahead

In 2021/22 the Company expects an increase financial result, due the negative impact in 20/21 but also from the continuing roll out of our sales and operational excellence program. However, the result could be affected negatively by potential restrictions depending on the development of the Covid-19 pandemic.

Continuous investments and improvements of the e-commerce platform is expected to contribute to sales growth.

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

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

Management’s Review

Statement of 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.

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 its 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 2021 of the group and the result of the activities and cash flows of the Group has been affected by the Covid-19 pandemic. A large part of the company’s retail stores were temporarily closed during the winter and spring due to governmental restrictions in the various markets. This resulted in loss of turnover during the time of closure, however a proportion of the loss in turnover in the physical stores was covered by increased e-commerce activity. The company has also received permanent financial aid from governmental packages in various countries, most significantly in Denmark, Norway, Canada and Germany. The Groups cash flow has also been positively affected by a 12 month postponement of VAT and salary tax payment in Sweden.

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 2020/21 TDKK	Group 2019/20 TDKK	Parent 2020/21 TDKK	Parent 2019/20 TDKK
Revenue	3	**704,924**	**520,804**	**1,459**	**1,410**
Work on own account recognised in assets		4,114	3,487	0	0
Other operating income	4	27,768	88,562	0	0
Expenses for raw materials and consumables		-156,533	-111,045	0	0
Other external expenses		-209,470	-164,944	-231	-750
Gross profit/loss		**370,803**	**336,864**	**1,228**	**660**
Staff expenses	5	-296,308	-223,652	-1,551	-1,462
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	-45,165	-27,486	0	0
Other operating expenses	7	-1,795	0	0	0
Profit/loss before financial income and expenses	8	**27,535**	**85,726**	**-323**	**-802**
Income from investments in subsidiaries	9	0	0	16,708	72,025
Income from investments in associates		647	170	0	0
Financial income	10	2,254	5,064	2,571	3,081
Financial expenses	11	-7,216	-4,726	-4,579	-2,467
Profit/loss before tax		**23,220**	**86,234**	**14,377**	**71,837**
Tax on profit/loss for the year	12	-5,818	-20,039	513	39
Net profit/loss for the year		**17,402**	**66,195**	**14,890**	**71,876**

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
Proposed distribution of profit				
Extraordinary dividend paid	0	3,200	0	3,200
Proposed dividend for the year	10,000	67,000	10,000	67,000
Reserve for net revaluation under the equity method	0	0	10,283	0
Minority interests' share of net profit/loss of subsidiaries	2,512	33	0	0
Retained earnings	4,890	-4,038	-5,393	1,676
	17,402	**66,195**	**14,890**	**71,876**

Balance Sheet 30 June

Assets

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK	Parent 2020/21 TDKK	Parent 2019/20 TDKK
Completed development projects		4,111	3,486	0	0
Acquired licenses		23,221	21,397	0	0
Acquired trademarks		8,059	9,810	0	0
Customer base		66,521	74,045	0	0
Goodwill		8,009	8,125	0	0
Development projects in progress		4,647	6,274	0	0
Intangible assets	13	**114,568**	**123,137**	**0**	**0**
Land and buildings		0	27	0	0
Other fixtures and fittings, tools and equipment		19,904	22,725	0	0
Leasehold improvements		35,727	49,139	0	0
Property, plant and equipment in progress		0	245	0	0
Property, plant and equipment	14	**55,631**	**72,136**	**0**	**0**
Investments in subsidiaries	15	0	0	156,469	129,106
Investments in associates	16	1,026	380	0	0
Receivables from group enterprises	17	0	57,102	0	57,102
Other receivables	17	12,225	12,630	0	0
Fixed asset investments		**13,251**	**70,112**	**156,469**	**186,208**
Fixed assets		**183,450**	**265,385**	**156,469**	**186,208**
Inventories	18	**128,354**	**100,522**	**0**	**0**
Trade receivables		1,234	2,857	0	0
Receivables from group enterprises		1,805	6,226	41,581	0
Other receivables	25	29,609	16,534	0	0
Deferred tax asset	22	19,517	12,402	1,094	768
Corporation tax		1,257	0	0	0
Corporation tax receivable from group enterprises		0	0	616	430
Prepayments	19	15,319	13,234	0	25
Receivables		**68,741**	**51,253**	**43,291**	**1,223**

Balance Sheet 30 June

Assets

		Group		Parent	
	Note	2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
Cash at bank and in hand		**86,201**	**81,484**	**0**	**0**
Currents assets		**283,296**	**233,259**	**43,291**	**1,223**
Assets		**466,746**	**498,644**	**199,760**	**187,431**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK	Parent 2020/21 TDKK	Parent 2019/20 TDKK
Share capital	20	5,000	5,000	5,000	5,000
Reserve for net revaluation under the equity method		0	0	10,283	0
Reserve for development costs		2,720	2,720	0	0
Other statutory reserves		1,401	0	1,401	0
Retained earnings		51,861	44,230	44,298	46,950
Proposed dividend for the year		10,000	67,000	10,000	67,000
Equity attributable to shareholders of the Parent Company		**70,982**	**118,950**	**70,982**	**118,950**
Minority interests		8,317	5,805	0	0
Equity		**79,299**	**124,755**	**70,982**	**118,950**
Provision for deferred tax	22	17,010	18,361	0	0
Provisions relating to investments in group enterprises		0	0	10,283	9,815
Other provisions	23	625	624	0	0
Provisions		**17,635**	**18,985**	**10,283**	**9,815**
Subordinate loan capital		25,468	50,000	25,468	50,000
Credit institutions		1,207	1,729	0	0
Lease obligations		5,529	8,265	0	0
Deposits		400	400	0	0
Long-term debt	24	**32,604**	**60,394**	**25,468**	**50,000**
Subordinate loan capital	24	24,531	0	24,531	0
Credit institutions	24	67,520	94,834	0	0
Lease obligations	24	2,381	877	0	0
Trade payables		101,469	109,381	1,073	79
Payables to group enterprises		0	0	66,811	524
Corporation tax		23,669	6,731	0	0
Other payables	25	101,690	65,322	612	8,063
Deferred income	26	15,948	17,365	0	0
Short-term debt		**337,208**	**294,510**	**93,027**	**8,666**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK	Parent 2020/21 TDKK	Parent 2019/20 TDKK
Debt		**369,812**	**354,904**	**118,495**	**58,666**
Liabilities and equity		**466,746**	**498,644**	**199,760**	**187,431**
Unusual events	1				
Subsequent events	2				
Distribution of profit	21				
Contingent assets, liabilities and other financial obligations	29				
Related parties	30				
Fee to auditors appointed at the general meeting	31				
Accounting Policies	32				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Other statutory reserves	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	2,720	0	44,230	67,000	118,950	5,805	124,755
Exchange adjustments	0	0	0	1,401	0	0	1,401	0	1,401
Ordinary dividend paid	0	0	0	0	0	-67,000	-67,000	0	-67,000
Fair value adjustment of hedging instruments, beginning of year	0	0	0	0	809	0	809	0	809
Fair value adjustment of hedging instruments, end of year	0	0	0	0	2,705	0	2,705	0	2,705
Tax on adjustment of hedging instruments for the year	0	0	0	0	-773	0	-773	0	-773
Net profit/loss for the year	0	0	0	0	4,890	10,000	14,890	2,512	17,402
Equity at 30 June	**5,000**	**0**	**2,720**	**1,401**	**51,861**	**10,000**	**70,982**	**8,317**	**79,299**

Statement of Changes in Equity

Parent

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Other statutory reserves	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	0	0	46,950	67,000	118,950	0	118,950
Exchange adjustments	0	0	0	1,401	0	0	1,401	0	1,401
Ordinary dividend paid	0	0	0	0	0	-67,000	-67,000	0	-67,000
Fair value adjustment of hedging instruments, beginning of year	0	0	0	0	809	0	809	0	809
Fair value adjustment of hedging instruments, end of year	0	0	0	0	2,705	0	2,705	0	2,705
Tax on adjustment of hedging instruments for the year	0	0	0	0	-773	0	-773	0	-773
Net profit/loss for the year	0	10,283	0	0	-5,393	10,000	14,890	0	14,890
Equity at 30 June	**5,000**	**10,283**	**0**	**1,401**	**44,298**	**10,000**	**70,982**	**0**	**70,982**

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Cash Flow Statement 1 July - 30 June

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK
Net profit/loss for the year		17,402	66,195
Adjustments	27	55,077	-27,268
Change in working capital	28	-10,013	48,878
Cash flows from operating activities before financial income and expenses		**62,466**	**87,805**
Financial income		2,254	5,064
Financial expenses		-7,216	-4,727
Cash flows from ordinary activities		**57,504**	**88,142**
Corporation tax paid		623	-2,268
Cash flows from operating activities		**58,127**	**85,874**
Purchase of intangible assets		-8,546	-18,030
Purchase of property, plant and equipment		-10,089	-17,064
Sale of fixed asset investments etc		99	996
Dividends received from associates		0	132
Cash flows from investing activities		**-18,536**	**-33,966**
Repayment of loans from credit institutions		-27,836	0
Payment of lease obligations		-3,354	-6,704
Repayment of payables to group enterprises		0	1
Raising of loans from credit institutions		0	6,708
Lease obligations incurred		2,122	5,534
Raising of loans from group enterprises		61,194	0
Raising of other long-term debt		0	50,000
Cash capital reduction		0	-54,844
Dividend paid		-67,000	-5,750
Cash flows from financing activities		**-34,874**	**-5,055**
Change in cash and cash equivalents		**4,717**	**46,853**
Cash and cash equivalents at 1 July		81,484	34,631
Cash and cash equivalents at 30 June		**86,201**	**81,484**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		86,201	81,484

Pengestrømsopgørelse 1. juli - 30. juni

	Note	2020/21	2019/20
		TDKK	TDKK
Cash and cash equivalents at 30 June		**86,201**	**81,484**

Notes to the Financial Statements

1 Unusual events

The financial position at 30 June 2021 of the group and the result of the activities and cash flows of the Group has been affected by the Covid-19 pandemic. A large part of the company's retail stores were temporarily closed during the winter and spring due to governmental restrictions in the various markets. This resulted in loss of turnover during the time of closure, however a proportion of the loss in turnover in the physical stores was covered by increased e-commerce activity. The company has also received permanent financial aid from governmental packages in various countries, most significantly in Denmark, Norway, Canada and Germany. The Groups cash flow has also been positively affected by a 12 month postponement of VAT and salary tax payment in Sweden.

2 Subsequent events

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

3 Revenue

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
Geographical segments				
Revenue, Denmark	174,562	156,677	1,459	1,410
Revenue, other European countries	490,628	326,494	0	0
Revenue, rest of the world	39,734	37,633	0	0
	704,924	**520,804**	**1,459**	**1,410**
Business segments				
Retail and web	694,080	509,826	0	0
Franchise	10,844	10,978	0	0
Management fee	0	0	1,459	1,410
	704,924	**520,804**	**1,459**	**1,410**

Notes to the Financial Statements

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
4 Other operating income				
Compensation Covid-19	24,276	13,135	0	0
Badwill, purchase Twilfit AB	0	73,206	0	0
Profit on sale of fixed assets	99	660	0	0
Other income	3,393	1,561	0	0
	27,768	**88,562**	**0**	**0**

The Group has received compensation related to Covid-19 in a number of countries.

5 Staff expenses

Wages and salaries	247,255	193,029	1,408	1,328
Pensions	14,049	11,082	141	132
Other social security expenses	32,039	16,095	2	2
Other staff expenses	2,965	3,446	0	0
	296,308	**223,652**	**1,551**	**1,462**
Including remuneration to the Executive Board and Board of Directors	**1,627**	**1,555**	**1,627**	**1,555**
Average number of employees	**1,101**	**808**	**1**	**1**

6 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	17,937	9,765	0	0
Depreciation of property, plant and equipment	27,228	17,721	0	0
	45,165	**27,486**	**0**	**0**

Notes to the Financial Statements

		Group		Parent	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
7	**Other operating expenses**				
	Loss on sale of fixed assets	536	0	0	0
	Other expenses	1,259	0	0	0
		1,795	**0**	**0**	**0**

8 Special items

	Group 2020/21	Group 2019/20	Parent 2020/21	Parent 2019/20
Ajustment of shares in subsidaries	0	0	0	5,715
Compensation, Covid-19	24,276	13,135	0	0
Badwill, Twilfit AB	0	73,206	0	0
	24,276	**86,341**	**0**	**5,715**

The Company have received compensation related to Covid-19 in a number of countries.

9 Income from investments in subsidiaries

	Group 2020/21	Group 2019/20	Parent 2020/21	Parent 2019/20
Share of profits of subsidiaries			16,708	72,025
			16,708	**72,025**

10 Financial income

	Group 2020/21	Group 2019/20	Parent 2020/21	Parent 2019/20
Interest received from group enterprises	0	2,077	2,514	3,081
Other financial income	29	39	0	0
Exchange adjustments	2,225	2,948	57	0
	2,254	**5,064**	**2,571**	**3,081**

Notes to the Financial Statements

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK

11 Financial expenses

Interest paid to group enterprises	0	0	243	20
Other financial expenses	6,772	4,656	3,892	2,377
Exchange adjustments, expenses	444	70	444	70
	7,216	**4,726**	**4,579**	**2,467**

12 Tax on profit/loss for the year

Current tax for the year	15,055	2,278	0	0
Deferred tax for the year	-9,239	17,749	-513	-39
Adjustment of tax concerning previous years	2	12	0	0
	5,818	**20,039**	**-513**	**-39**

Notes to the Financial Statements

13 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	9,038	60,414	19,072	75,300	14,859	6,274
Exchange adjustment	0	43	216	0	0	0
Additions for the year	4,113	286	0	0	0	4,710
Transfers for the year	0	6,337	0	0	0	(6,337)
Cost at 30 June	13,151	67,080	19,288	75,300	14,859	4,647
Impairment losses and amortisation at 1 July	5,552	39,017	9,262	1,255	6,734	0
Amortisation for the year	3,488	4,842	1,967	7,524	116	0
Impairment losses and amortisation at 30 June	9,040	43,859	11,229	8,779	6,850	0
Carrying amount at 30 June	**4,111**	**23,221**	**8,059**	**66,521**	**8,009**	**4,647**

Finalized development projects relate to the development of the Company's existing products and new collections for sale in the next financial year. The development projects are finalized or is expected to be finalized in time to go to market with the products according to the marketing plan. The projects are progressing according to plan, and sufficent resources is allocated by Management to the development. The new products are expected to be sold in the present market and trough the Company's existing stores and web sales.

Development projects in progress relates to the groups new IT system and platforms.

Notes to the Financial Statements

14 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	145	43,553	123,590	245
Exchange adjustment	-1	618	1,185	-10
Additions for the year	0	6,599	2,091	837
Disposals for the year	0	-368	-155	0
Transfers for the year	0	1,017	54	-1,072
Cost at 30 June	144	51,419	126,765	0
Impairment losses and depreciation at 1 July	118	20,828	74,451	0
Exchange adjustment	0	40	32	0
Depreciation for the year	26	10,647	16,555	0
Impairment losses and depreciation at 30 June	144	31,515	91,038	0
Carrying amount at 30 June	**0**	**19,904**	**35,727**	**0**
Including assets under finance leases amounting to	0	896	6,861	0

Notes to the Financial Statements

	Parent	
	2020/21	2019/20
	TDKK	TDKK
15 Investments in subsidiaries		
Cost at 1 July	112,303	119,931
Additions for the year	22,308	7,256
Transfers for the year	0	-14,884
Cost at 30 June	134,611	112,303
Value adjustments at 1 July	-9,622	27,193
Exchange adjustment	1,401	-2,280
Net profit/loss for the year	49,743	67,179
Dividend to the Parent Company	0	-101,650
Other equity movements, net	2,741	0
Amortisation of goodwill	-5,983	-116
Change in intercompany profit on inventories etc.	-27,052	52
Other adjustments	0	0
Value adjustments at 30 June	11,228	-9,622
Equity investments with negative net asset value amortised over receivables	347	16,610
Equity investments with negative net asset value transferred to provisions	10,283	9,815
Carrying amount at 30 June	**156,469**	**129,106**

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 Fashion Co. Ltd.	China	100 %
Changing Textiles Incorporation Ltd.	Hong Kong	99 %
The Intimate Company A/S	Farum	100 %

Notes to the Financial Statements

15 Investments in subsidiaries (continued)

Name	Place of registered office	Votes and ownership
Change of Scandinavia SSC SP. z.o.o. Lodz SP	Lodz	100 %
Change of Scandinavia Poland SP. z o.o.	Lodz	75 %
TiC Lingerie and Sleepware Inc.	Montreal	100 %
COS Enterprises ApS	Farum	100 %
Change of Scandinavia 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 Gui Zhou Ltd.	China	75 %
Guizhou Change fashion Co, LTD	China	100 %

Notes to the Financial Statements

16 Investments in associates

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	100	125	0	0
Disposals for the year	0	-25	0	0
Cost at 30 June	100	100	0	0
Value adjustments at 1 July	280	217	0	0
Disposals for the year	0	25	0	0
Net profit/loss for the year	646	170	0	0
Dividends received	0	-132	0	0
Value adjustments at 30 June	926	280	0	0
Carrying amount at 30 June	**1,026**	**380**	**0**	**0**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Change - Sønderborg I/S	Sønderborg	I/S	50 %

17 Other fixed asset investments

	Group
	Other receiv-ables
	TDKK
Cost at 1 July	12,630
Exchange adjustment	67
Additions for the year	727
Disposals for the year	-1,199
Cost at 30 June	12,225
Carrying amount at 30 June	**12,225**

Notes to the Financial Statements

18 Inventories

	Group 2020/21	Group 2019/20	Parent 2020/21	Parent 2019/20
	TDKK	TDKK	TDKK	TDKK
Raw materials and consumables	128,354	100,522	0	0
	128,354	**100,522**	**0**	**0**

19 Prepayments

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

20 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:

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 July	5,000	59,844	59,844	59,844	59,844
Capital increase	0	0	0	0	0
Capital decrease	0	(54,844)	0	0	0
Share capital at 30 June	**5,000**	**5,000**	**59,844**	**59,844**	**59,844**

21 Distribution of profit

	Group 2020/21	Group 2019/20	Parent 2020/21	Parent 2019/20
	TDKK	TDKK	TDKK	TDKK
Extraordinary dividend paid	0	3,200	0	3,200
Proposed dividend for the year	10,000	67,000	10,000	67,000
Reserve for net revaluation under the equity method	0	0	10,283	0
Minority interests' share of net profit/loss of subsidiaries	2,512	33	0	0
Retained earnings	4,890	(4,038)	(5,393)	1,676
	17,402	**66,195**	**14,890**	**71,876**

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK

22 Deferred tax asset

Deferred tax asset at 1 July	(5,959)	13,642	768	980
Amounts recognised in the income statement for the year	9,239	(17,749)	513	39
Amounts recognised in equity for the year	(773)	(1,852)	(187)	(251)
Deferred tax asset at 30 June	**2,507**	**(5,959)**	**1,094**	**768**

The recognised tax asset comprises financial lease debt, tax loss carry-forwards and tax on reversed internal profit. Management expect that the deferred tax asset is to be ultilised in the future. In connecstion with the assessment of the utilasation of the tax asset, special empasis has been placed on the Company and Group having expected future growth in both revenue and profit. The realized figures shows a growth in both revenue and profit.

23 Other provisions

The amount relates to provision for renovation of facilities related to rental agreements with stores.

Other provisions	625	624	0	0
	625	**624**	**0**	**0**

24 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	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
Subordinate loan capital				
Between 1 and 5 years	25,468	50,000	25,468	50,000
Long-term part	25,468	50,000	25,468	50,000
Within 1 year	24,531	0	24,531	0
	49,999	**50,000**	**49,999**	**50,000**
Credit institutions				
Between 1 and 5 years	1,207	1,729	0	0
Long-term part	1,207	1,729	0	0
Other short-term debt to credit institutions	67,520	94,834	0	0
	68,727	**96,563**	**0**	**0**
Lease obligations				
Between 1 and 5 years	5,529	8,265	0	0
Long-term part	5,529	8,265	0	0
Within 1 year	2,381	877	0	0
	7,910	**9,142**	**0**	**0**
Deposits				
Between 1 and 5 years	400	400	0	0
Long-term part	400	400	0	0
Within 1 year	0	0	0	0
	400	**400**	**0**	**0**

The subordinated loan has been issued on specific conditions. If the Companay is sold before the loan is expired the Companay shall pay a premium to the creditor.

Notes to the Financial Statements

25 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	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
Assets	2,705	0	0	0
Liabilities	0	809	0	0

Forward exchange contracts have been concluded to hedge future sale of goods in USD. At the balance sheet date fair value of the forward exchange contract amounts to DKK 2,705 thousand (asset). The forward exchange contracts terminates within 1-11 months.

Group

	Value adjustment, income statement	Value adjustment, equity	Fair value at 30 June
	TDKK	TDKK	TDKK
Forward exchange rates contracts	-624	3,514	2,705

26 Deferred income

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

Notes to the Financial Statements

	Group	
	2020/21	2019/20
	TDKK	TDKK
27 Cash flow statement - adjustments		
Financial income	-2,254	-5,064
Financial expenses	7,216	4,726
Depreciation, amortisation and impairment losses, including losses and gains on sales	45,589	26,826
Income from investments in associates	-647	-170
Tax on profit/loss for the year	5,818	20,039
Other adjustments	-645	-73,625
	55,077	**-27,268**

28 Cash flow statement - change in working capital

	2020/21	2019/20
Change in inventories	(27,832)	9,779
Change in receivables	(12,736)	(5,774)
Change in other provisions	1	177
Change in trade payables, etc	27,040	44,630
Fair value adjustments of hedging instruments	3,514	66
	(10,013)	**48,878**

Notes to the Financial Statements

	Group		Parent	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK

29 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with :

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	147,379	123,522	0	0
Bank debts of the Company and the affilate, Change of Scandinavia Norway AS are secured by way of a Company charge in fixed assets and inventories of DKK 1,297 thousand nominal value. The booked value of assets at 30 June amounts to	0	18,623	0	0

Rental and lease obligations

Rental ans lease agreements untill expiry in total	314,553	373,271	0	0
Here of liabilties under rental agreements or leases with group enterprises untill expiry	710	824	0	0

Guarantee obligations

Rent and payment gurantees for rental agreements	28,484	30,931	0	0

Notes to the Financial Statements

29 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.

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 liablefor the obligations of the undertaking.

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 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 21,215 (kCAD 4,200). A shareholder of the company has guarantees this line of credit and has subordinated their claims up to kDKK 7,702 (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. Management in thesubsidiary 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 risk in the claimed amount.

30 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 2019/20 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

	Group	
	2020/21	2019/20
	TDKK	TDKK
31 Fee to auditors appointed at the general meeting		
PricewaterhouseCoopers		
Audit fee	629	583
Other assurance engagements	47	40
Tax advisory services	162	135
Other services	204	180
	1,042	**938**
Other		
Audit fee	196	183
Tax advisory services	13	10
Other services	81	66
	290	**259**
	1,332	**1,197**

Notes to the Financial Statements

32 Accounting Policies

The Annual Report of Change of Scandinavia Holding A/S for 2020/21 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 2020/21 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

32 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

32 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

32 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

32 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

32 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

32 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

32 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 and associates

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

The items"Investments in subsidiaries" and "Investments in associates" 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 and associates 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 and the associates.

Subsidiaries and associates 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 indi-

32 Accounting Policies (continued)

rect 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

32 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

32 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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$