

# PWT GROUP

ANNUAL REPORT 2016/17

The annual report has been presented and adopted at the Company's Annual General Meeting on 30 April 2018.

*Lotte Fugisang Duhn*

CHAIRMAN  
Lotte Fugisang Duhn



# PWT GROUP

We dress fashion-conscious men in quality clothing from our wholesale company PWT Brands and our two leading menswear chains Wagner and Tøjeksperten.

With seven well-known menswear brands, 204 stores in Denmark, Norway, Sweden and China and attractive web shops, we stand out and provide fashion at a fair price – anytime and anywhere.

PWT Group has more than 500 employees and is owned by Polaris Private Equity and the company's Management and Board of Directors, among others.

## PWT BRANDS

Our seven strong brands are sold by more than 1,100 independent retailers and our own retail chains Tøjeksperten and Wagner.

From our headquarter in Aalborg, PWT Brands markets Lindbergh, Shine Original, JUNK de LUXE, Bison, Jacks Sportswear Intl., Morgan and Huzar in more than 25 countries through stores and web shops alike.

## TØJ|eksperten

With 110 stores, Tøjeksperten is Denmark's largest menswear chain, providing quality clothing and strong brands from the PWT Brands portfolio and other external designers for fashion-conscious men of all ages since 1968.

The careful selection of products and brands reflects our ambition to maintain Tøjeksperten as the leading menswear chain in the medium price range.

## WAGNER

A growing and comprehensive store network in Scandinavia and selected locations in China form the foundation for Wagner's offering of menswear – ranging from trendy denim to classic fashion. Established in 1946, Wagner currently has 53 stores in Denmark, 18 in Norway, 5 in Sweden and 18 in China.

The chain offers an outstanding and affordable selection of contemporary fashion and strong brands including Lindbergh, JUNK de LUXE, Shine Original, Bison and Jacks Sportswear Intl.

# CONTENTS

<b>4</b>	THE COMMENTARY
<b>5</b>	MISSION / VISION
<b>6</b>	YEAR IN SHORT
<b>8</b>	WORD FROM THE CEO
<b>10</b>	THE NUMBERS
<b>11</b>	MANAGEMENT COMMENTARY
<b>16</b>	CORPORATE SOCIAL RESPONSIBILITY
<b>26</b>	CORPORATE GOVERNANCE
<b>28</b>	PWT GROUP - STORES
<b>39</b>	PWT GROUP - BRANDS
<b>45</b>	STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD
<b>46</b>	INDEPENDENT AUDITORS' REPORT
<b>50</b>	FINANCIAL HIGHLIGHTS
<b>51</b>	FINANCIAL HIGHLIGHTS AND KEY RATIOS
<b>53</b>	STATEMENT OF COMPREHENSIVE INCOME
<b>54</b>	BALANCE SHEET
<b>56</b>	STATEMENT OF CHANGES IN EQUITY
<b>58</b>	CASH FLOW STATEMENT
<b>61</b>	NOTES

# THE COMMENTARY



# MISSION

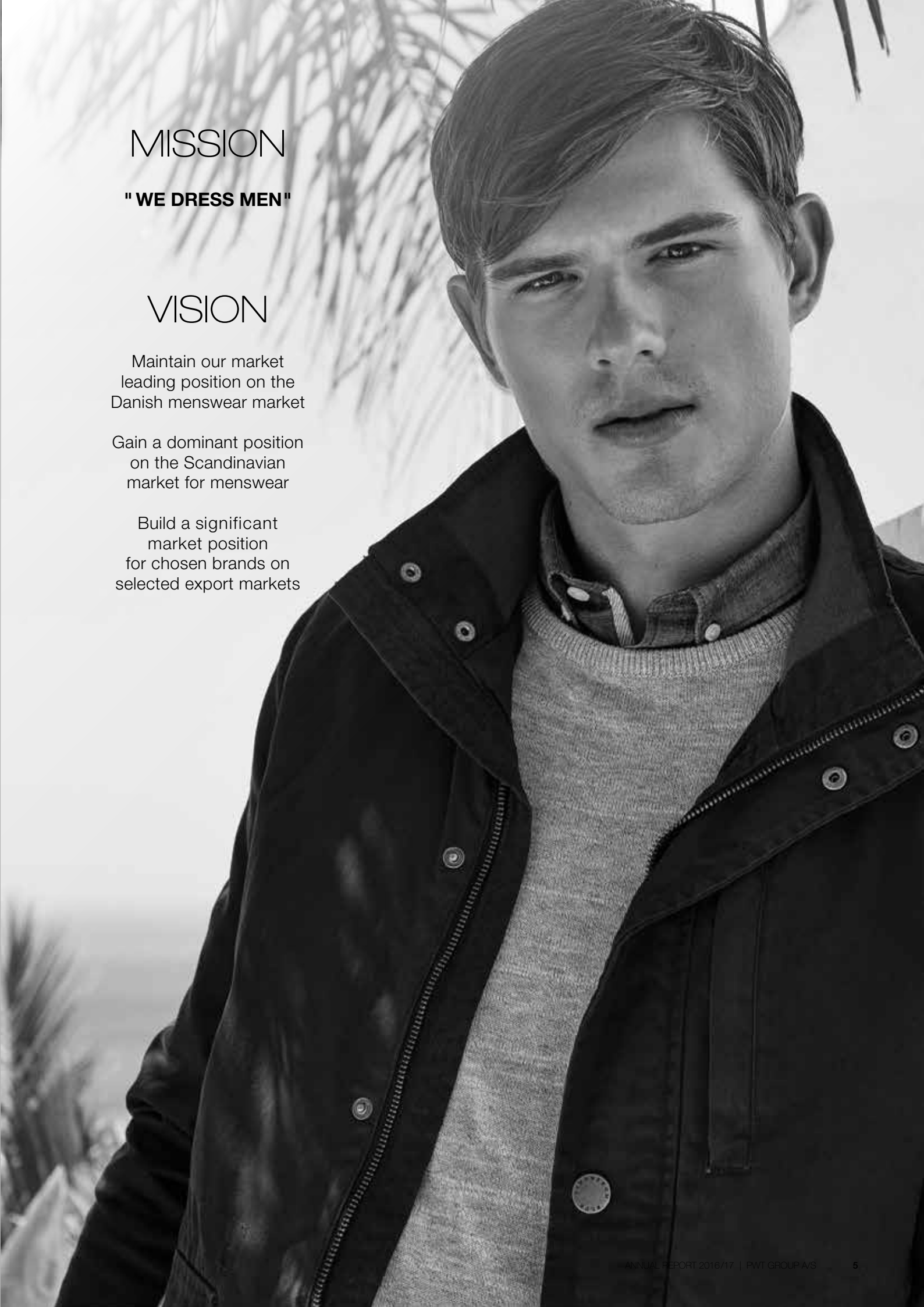
**"WE DRESS MEN"**

# VISION

Maintain our market  
leading position on the  
Danish menswear market

Gain a dominant position  
on the Scandinavian  
market for menswear

Build a significant  
market position  
for chosen brands on  
selected export markets





## YEAR IN SHORT

Our strategic efforts to optimise PWT Group's business and improve the customer's experience continued during the financial year as we invested in the sales force as well as our online presence and omni-channel approach. We furthermore strengthened our footprint in Norway, Sweden and China, while ensuring a focused retail presence in Denmark.

The Group's financial performance was not satisfactory as our Danish retail chains were not able to maintain the momentum of recent years in a challenging market. Our product mix entailed a shift towards a larger share of products at lower price points, and these developments combined with sizeable investments in the future put pressure on profitability.

We are committed to re-balancing the Group's product mix to accommodate customer demand across platforms, while simultaneously generating satisfactory profitability in 2018 and beyond.

### KEY NUMBERS\*

#### REVENUE

**1,111** M DKK

( 863 M DKK )

#### EBITDA

**102** M DKK

( 99 M DKK )

#### EBITDA MARGIN

**9.2%**

( 11.4% )

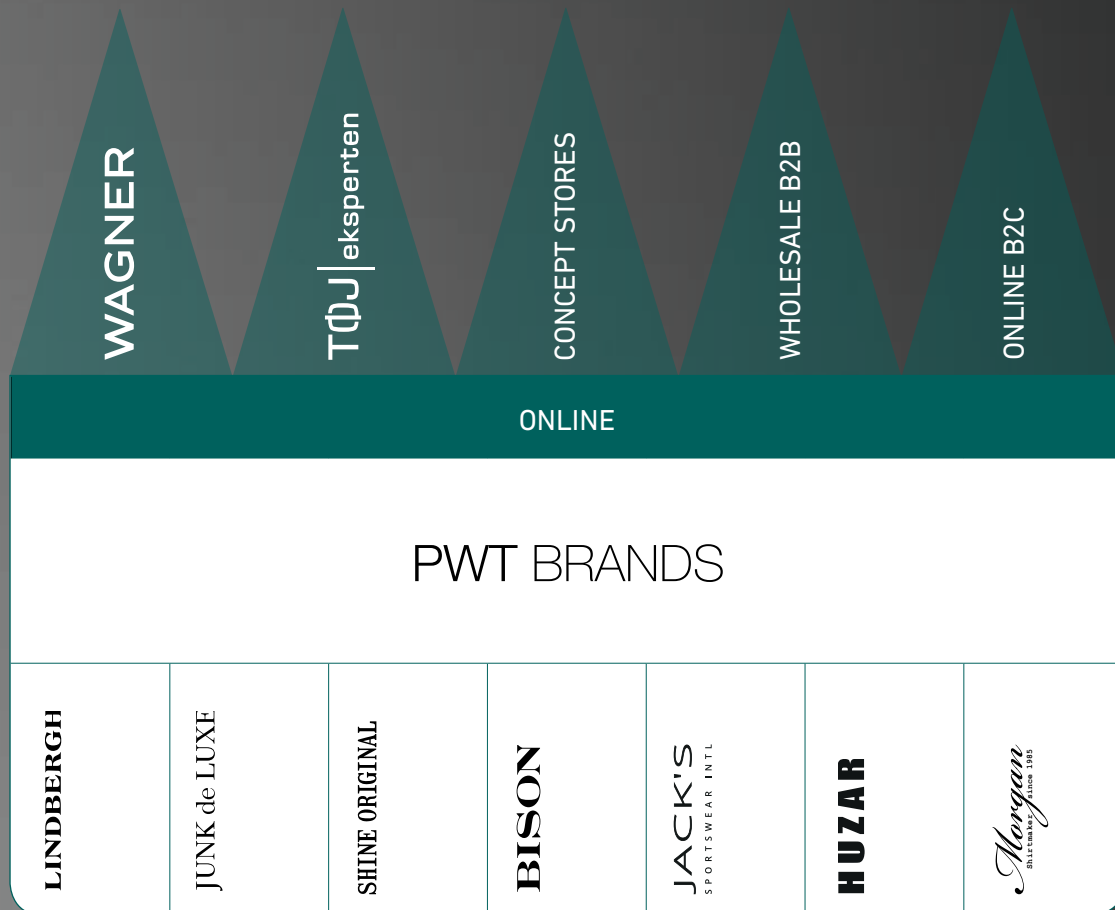
#### SOLVENCY RATIO

**51.2%**

( 48.3 % )

\*All 2016/17 figures cover 15 months as PWT Group has changed its accounting year to follow the calendar year. Prior-year figures cover 12 months.

# PWT GROUP PLATFORM



## FINANCIAL AMBITIONS

- GROUP EBITDA MARGIN OF **15%**
- EXTERNAL REVENUE GROWTH OF **10%** ANNUALLY IN PWT BRANDS
- CONTINUED MARKET SHARE GROWTH IN OUR TWO RETAIL CHAINS



## WORD FROM THE CEO

### – A BALANCING ACT

The employees of PWT Group continued their dedicated efforts to build a stronger business during the financial year, and we took important steps in the right direction as we invested in the Group's physical presence in Denmark and abroad as well as our omni-channel sales across stores and online platforms. Our strategic work is thus on track, and we remain committed to our overall financial ambitions and PWT Group's vision of maintaining our leading position in Denmark and expanding abroad.

While our strategic efforts progressed well during the year, our financial results were not satisfactory in 2016/17, which covered 15 months due to a change in the Group's accounting year. Our Danish retail

chains have historically outperformed competition and won market shares in a challenging Danish retail market, but we were not able to maintain this trend in 2016/17. While we did see negative effects of the bad summer weather and general market developments, the most significant impact on sales and profitability was driven by an unfavourable change in our product mix. In short, we sold more products at lower price points from a product range that had become too broad.

We have set in motion a number of initiatives to re-balance and focus our product range with a view to accommodating customer demand, while simultaneously returning to satisfactory profitability





levels. We will reduce the number of designs in our collections to ensure sharpened attention on each product in terms of design and sourcing, and we have established a working group focused on optimisation, simplification and cooperation across the business. The share of entry price products will be reduced to allow for larger shares of medium-range and premium products that better fits market demand and will contribute to improving earnings. Finally, we are accelerating omni sales to further strengthen our competitiveness against other retail chains and dedicated online stores.

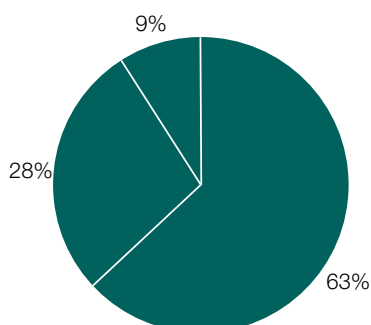
We are tailoring our product offering to meet customers' demand, ensure satisfactory profitability

and build a stronger business poised for growth and prepared to seize the opportunities of the digital age. That is certainly a balancing act, and while we did encounter a bump on the road during the financial year, we are confident that PWT Group is well-positioned to return to the positive trajectory of previous years.

Ole Koch Hansen  
CEO PWT Group A/S

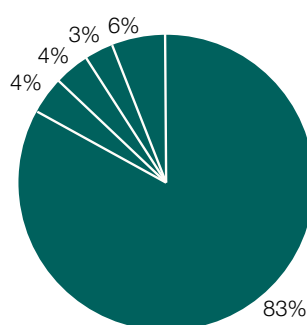
# THE NUMBERS

## REVENUE SEGMENTS



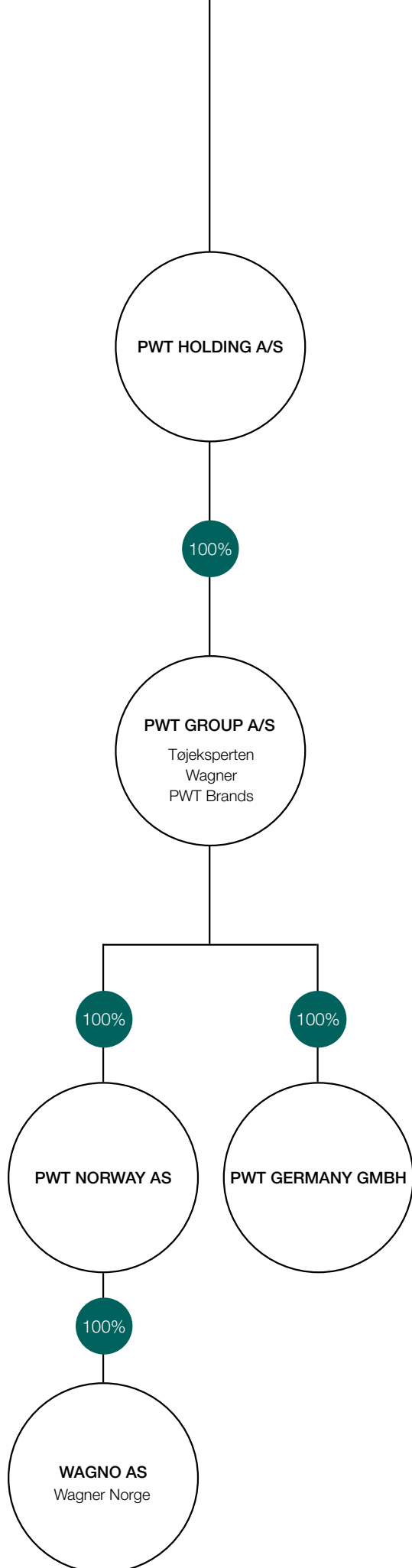
Retail Denmark	63%
Wholesale worldwide	28%
Other units	9%

## REVENUE GEOGRAPHICAL



Denmark	83%
Norway	4%
Sweden	4%
Germany	3%
Other	6%
Total	100%

	REVENUE	COUNTRIES	RETAILERS/ STORES	NUMBER OF EMPLOYEES
PWT BRANDS		TOTAL Independent Retailers	960	164 EMP
TØJ eksperten		TOTAL Denmark	110 110 (50 franchises)	249 EMP
WAGNER		TOTAL Denmark Norway Sweden China	94 53 (26 franchises) 18 (1 franchise) 5 (2 franchises) 18 (Joint venture)	141 EMP
TOTAL PWT	1,111 M DKK	204 STORES	960 RETAILERS	554 EMP



# MANAGEMENT COMMENTARY

## GROUP ACTIVITIES

PWT Group is a leading Scandinavian menswear business, which owns and operates the two menswear chains, Tøjeksperten and Wagner, and the international brand and wholesale company within menswear, PWT Brands.

PWT Group's own two retail chains are operated under separate names and with focus on different target groups as the strategy also sets out to further optimise management and back office functions handling procurement, marketing and administration in order to capitalise on synergies and obtain economies of scale.

Tøjeksperten is the largest menswear chain in Denmark with 110 shops across the country, of which 60 are owned by the Group, while 50 are franchises. Tøjeksperten focuses on quality clothing for fashion-conscious men of all ages and sells both its own and external brands.

Wagner has 53 shops in Denmark and 18 in Norway. 27 Danish and 17 Norwegian shops are owned by the Group, while 26 Danish shops are franchises. Wagner primarily sells the Group's own brands.

PWT Brands is an international brand and wholesale company offering distinctive brands with a full product range within menswear. PWT Brands develops, produces and sells a wide range of strong brands – Lindbergh, Shine Original, Bison, JUNK de LUXE, Morgan, Jack's Sportswear Intl. and Huzar, which i.a. are sold by the Group's own two retail chains. In addition, the Group's brands are sold by more than 1,100 independent retailers in more than 25 countries.



## PERFORMANCE IN THE FINANCIAL YEAR UNDER REVIEW

The Annual Report covers the 15-month period 1 October 2016 - 31 December 2017 as the Company has changed its accounting year to follow the calendar year in connection with a business combination. Because of the Company's nature and scope, including seasonality of the Group's activities, changes in total revenue, operating profit (EBITDA), net profit, equity, cash flows and notes relating hereto for the period 1 October 2016 - 31 December 2017 are not comparable with the 2015/16 financial year figures covering a period of 12 months.

PWT Group's performance in the financial year was not satisfactory as developments in total revenue and operating profit (EBITDA), among other metrics, did not reflect the expanded reporting period of 15 months against the 12 months covered in the 2015/16 Annual Report.

Total revenue came to DKK 1,111 million for the 2016/17 financial year covering 15 months against DKK 863 million in the 12 months of the prior financial year. The Group's wholesale business and retail chains were not able to maintain the momentum of recent years. The Norwegian business grew the number of shops and contributed positively to Group revenue.

Operating profit (EBITDA) was unsatisfactory and came to DKK 102 million corresponding to an EBITDA margin of 9.2% for the 15 months ending on 31 December 2017 against DKK 99 million and 11.4% for the 12 months ending 30 September 2016. The decline in PWT Group's EBITDA margin was driven by the revenue development and negatively impacted by the Group's product mix as sales shifted towards a larger share of products at lower price points compared to recent years. This resulted in a lower contribution margin, which was supplemented by higher costs. Expansion in Norway, investments in our online business and other initiatives were made to maintain turnover under the current market conditions, and these measures put pressure on the EBITDA margin.

The Group's Danish retail chains, Wagner and Tøjeksperten, were challenged by the general market conditions in the Danish retail market during the financial year, and the chains did not maintain the positive momentum from recent financial years. During the 15 months ending on 31 December 2017, the chains generated revenue of DKK 701 million against DKK 549 million for the 12 months ending on 30 September 2016, and operating profit (EBITDA) of DKK 76 million corresponding to an EBITDA margin of 10.8% against DKK 64 million and 11.7%. Despite the slower development in the financial year, the two chains continue to have a strong market position and a solid basis for a substantial earnings increase when market conditions improve.

The brand and wholesale business segment, PWT Brands, saw stable revenue of DKK 614 million against DKK 484 million in the prior financial year, with operating profit (EBITDA) reaching DKK 35 million corresponding to 5.6% in the 15-month period against DKK 39 million and 8.1% for the 12 months ending on 30 September 2016.

The Group's segment 'Other units' comprises online business B2C and retail outside Denmark. The segment's contribution to revenue and operating profit (EBITDA) was DKK 100 million and DKK -9 million, respectively, against DKK 59 million and DKK -5 million in the prior financial year. PWT Group's Norwegian Wagner shops grew revenue following sales growth in existing shops and opening of new shops. The Norwegian business saw a decline in the contribution margin and higher costs from shop openings, among other things, and these developments drove a lower contribution to the Group's EBITDA margin.

The Group's financial expenses increased in 2016/17 due to adjustment of fair value of financial instruments arising from currency hedging in relation to the Group's clothes production, foreign exchange adjustments and cost of bonds reissued. The profit before tax came to DKK 28 million in the 15 months ended 31 December 2017 against DKK 53 million in the prior financial year.

## OPERATIONAL OPTIMISATION

PWT Group continued its strategic efforts to optimise its business and improve the customer's experience with its brands and chains. Operational improvements continued, and the following results were achieved during the year:

- We invested in a strengthening of the sales force and our online presence, and our online sales continued the positive trend on the back of updated websites and new hires.
- Our omni channel approach has seen further progress with touch screens installed in our shops, among other things.
- In Norway, our footprint has increased to 18 shops following steady progress, and the majority of our new stores are seeing a positive development in revenue, whereas there is room for improvement in terms of contribution margin and cost level.
- Wagner's Swedish franchises saw positive developments with 5 new shops opening in 2016/17 and more coming in 2018.
- PWT Group's retail chains' customer club now has more than 600,000 members accounting for around 50% of retail revenue.
- PWT Group's joint venture with a Chinese partner and IFU is progressing, and 3 new Wagner shops opened in China in 2016/17, bringing the total number of shops to 18. Efforts to strengthen the joint venture will continue in 2018.

## RETAIL DENMARK

### TØJEKSPERTEN

During the year, PWT Group's largest retail chain, Tøjeksperten, opened 3 stores and closed 4 stores. The chain reduced costs and thus protected the strong profitability reached in the prior year despite lower average revenue and contribution margin.

## WAGNER

Retail chain Wagner focused the network in Denmark, opening 6 new stores and closing 9 stores. Simultaneously, focused efforts were made to improve profitability in the coming period as revenue and contribution margin were under pressure in 2016/17.

PWT Group's new strategy in Norway has been implemented as the Group has focused the store network by opening 5 Wagner menswear stores in larger cities and closing combined menswear and womenswear stores in other areas. The process has been complex and dragged out, entailing a negative development in earnings in 2016/17 but improved prospects for the coming period.

## WHOLESALE WORLDWIDE

PWT Brands recorded stable revenue, but the contribution margin declined and costs increased during 2016/17. The order book remains stable, and PWT Group has retained staff to be able to seize growth opportunities when the Group's product mix has been re-balanced.

## EVENTS AFTER THE BALANCE SHEET DATE

No material events have occurred after the financial year-end.

## OUTLOOK

In 2018, PWT Group expects operating profit (EBITDA) to develop positively compared to the calendar year 2017\*, driven by sharpened focus on customer demand and an improved contribution margin and cost reductions in a competitive and challenged market.

In the medium term (3-5 years), PWT Group aims to report annual revenue growth in the range of 2-5% with operating profit (EBITDA) improving around 10% in amount despite a continuation of the challenging market conditions. Growth is expected to be driven by increasing export sales of the Group's brands to independent retailers, our omni-channel sales across stores, online platforms and continued progress by the Group's retail chains, and profitability is expected to increase due to continued focus on operational optimisation.

\* Operating profit (EBITDA) for the calendar year 2017 was DKK 49.6 million.

## **Risk management**

Risk management is an integrated part of the managerial process in PWT Group to limit uncertainties and risks in relation to the financial and strategic targets defined for the Group. As part of the annual update and approval of the strategy plan, Management assesses relevant business risks. For the purpose of risk assessment, Management considers, when required, the policy on currency risks adopted by the Board of Directors.

The Executive Board is responsible for ensuring that risks are continuously identified, assessed and accounted for in order to reduce any financial implications and probability of them becoming reality.

## **Operating risks**

The Group's primary operating risks relate to the Group's ability to maintain a leading position on the Danish market for menswear.

The Group operates primarily within retail trading, which is sensitive to market fluctuations, as socio-economic developments and private spending impact revenue and earnings. PWT Group is particularly affected by economic trends in Denmark from where the vast majority of Group revenue derives. Management regularly keeps track of realised and forecast market development to adjust costs and activities.

To counter market-related risks, the Group has, in recent years, invested heavily in developing the Group's brands and sale on the primary export markets by the wholesale business.

In Management's view, the notably strong market position diversifies and reduces operating risks to a certain degree.

## **Financial risks**

The Group manages its financial risks centrally as well as coordinates liquidity management and funding. Together with the Board of Directors, Management annually assesses the Group's most important risks and, by way of regular monthly reporting, reports on aspects which may materially affect the Group's activities and risks. Corporate policy is not to engage in any speculation in financial risks, see note 35.

## **Internal control and risk management systems for financial reporting purposes**

The Board of Directors and the Executive Board are overall responsible for risk management and internal controls in the Group for financial reporting purposes.

An audit committee has been established, which, together with the organisational structure and internal guidelines, makes up the control environment together with legislation and other rules applying to the Group. The Group's organisational structure and staff numbers are addressed at board meetings.

In relation to the financial reporting process, Management pays special attention to the following internal controls, supporting a satisfactory financial reporting process:

- Credit rating of debtors
- Assessment of the valuation of USD positions
- Assessment of accrual and valuation of inventories

PWT Group has established a Group reporting process comprising monthly reporting in the form of budget follow-up, performance assessment and compliance with defined targets.

On the basis of the Group reporting and reporting on other selected areas, five board meetings are held each year at which the reporting received is discussed and assessed.

Moreover, central persons from the Group participate in the board meetings at which they describe and account for the risks and controls within their areas of responsibility.

## **Capital resources**

Management regularly assesses the appropriateness of the Group's capital structure. At 31 December 2017, net interest-bearing debt of the Group had been reduced to DKK 248 million from DKK 363 million on 30 September 2016.

## **Corporate social responsibility**

In its capacity as a portfolio company under Polaris Private Equity, PWT Group complies with the recommendations of the Danish Venture Capital and Private Equity Association (DVCA).

Reference is made to [www.DVCA.dk](http://www.DVCA.dk) for further information on the guidelines.





# CORPORATE SOCIAL RESPONSIBILITY

The global textile industry represents a range of risks towards human and labour rights, the environment, and anti-corruption, and PWT Group is well aware that being one of the large Danish textile companies in this industry comes with a responsibility. The Group continuously identifies and addresses negative impacts that it is causing through its own business operations as well as the ones it is contributing to or connected to through its business relationships.

We want to dress men – with care for people and planet. PWT Group is convinced that working strategically with CSR is essential in order to ensure success within the three overall strategic focus areas;



## PRODUCTS, CUSTOMERS AND GROWTH:

PRODUCTS	CUSTOMERS	GROWTH
Ensuring a sustainable <b>PRODUCTION</b> of textiles	Being able to meet <b>CUSTOMERS'</b> demands	Working strategically with CSR as a driver for sustainable <b>growth</b>
Responsible buying and design processes	Products without harmful chemicals or substances	Good moral and ethics
Proper working conditions	Sustainable usage of products	Continuously assess and improve
Environmental responsibility	CSR into the brands' storytelling	Cooperation and partnerships
Amfori BSCI and Accord engagement		





## POLICY FRAMEWORK

PWT Group's sustainability work is based on the approach set forth in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP's), and PWT Group is committed to comply with internationally recognized principles for sustainability.

The CSR Policy Commitment, which covers social, environmental and economic sustainability, as well as animal welfare, is the general policy framework for the sustainability work. It has been endorsed by management and is included in the supplier

manual which all suppliers are obliged to read and comply with. It describes how PWT Group works on developing and implementing due diligence processes in its business and throughout the supply chain.

Tackling global and wide-spread risks and challenges cannot be achieved by one company alone, and PWT Group firmly believes that working in partnerships leads to greater impact. Therefore, the Group is engaged with numerous organizations and initiatives, including:





## DUE DILIGENCE PROCESSES

PWT Group has worked hard to develop and establish processes that enables the Group to identify, prevent, mitigate and remedy any potential or actual adverse impacts. Implementing such processes requires a continuous effort – and a lot of time and capacity building.

Among other things, a self-assessment procedure has been developed– one internally for PWT Group and one for the active factories. The self-assessment documents are based on Global Compact's 'Self-Assessment Tool', covering challenges with regard to business conduct, human and labour rights, environment and anti-corruption, as well as animal welfare. The individual self-assessments are regularly distributed to the factories in order to develop and maintain an open dialogue with factory managers.

PWT Group is working with a risk overview that is used in the monitoring and prioritizing of the suppliers. Some of the most predominant risks of negative impacts within the textile industry are the following<sup>1</sup>:

## PEOPLE

---

Child labour

.....

Discrimination

.....

Forced labour

.....

Excessive overtime work

.....

Unsafe working environment

.....

Rights to collective bargaining and  
trade union activity

.....

Minimum wages below living wage

.....

## PLANET

---

Water and air pollution

.....

Energy consumption

.....

Excessive usage of water

.....

Usage of hazardous chemicals

.....

Undignified treatment of animals

.....

## ANTI-CORRUPTION

---

Facilitation money

.....

Conflict of interests

.....

Bribery

.....

Extortion

.....

<sup>1</sup> Based on the OECD's "Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector".

The below tables show our primary due diligence processes in regard to our supply chain.

## REQUIREMENTS FOR SUPPLIERS

Sign and comply with CoC

Sign and comply with REACH regulation in regard to no usage of harmful chemicals

Provide valid building and fire safety documents

Work with BSCI (or SA8000 or SEDEX)

Work with the Accord (only Bangladeshi factories)

## ON-GOING ACTIONS FOR THE SUPPLIERS

BSCI inspections and remediation work

Accord inspections and remediation work (only Bangladeshi factories)

Self-Assessments

Factory visits

Testing

Continuous dialogue with PWT Group

## COMMUNICATION AND REPORTING

PWT Group strives to report and communicate openly about the sustainability work and the risks facing the business.

The Group communicates about the CSR work on different occasions, and all policies are presented on the website.

In 2015, two Danish NGOs filed a complaint to the Danish OECD Contact Point, Mæglings- og Klageinstitutionen (MKI), about PWT Group's due diligence work in regards to a specific sub supplier located at the Rana Plaza building, which tragically collapsed.

In October 2017, PWT Group submitted its report on how it has strengthened its due diligence work - and this resulted in a positive assessment and statement from the MKI, and the case has now been closed

You can find PWT Group's report to MKI, as well as the statement from MKI, <http://www.pwt-group.com/?p=2538>

## GRIEVANCE MECHANISM

Employees at PWT Group can report grievances or suggestions to the working environment committee. On the website, a grievance mechanism has also been set up, and both internal and external stakeholders can report through this. Until now, no complaints have been received through the complaint mechanism. Potential complaints will be handled with care for anonymity.

Through the Accord initiative, workers at factories in Bangladesh who are part of the Accord, have access to an anonymous grievance mechanism which is handled by the Accord administration. This includes a hotline to which workers can call and raise a complaint. On the Accord's website you can read more about the procedure and results<sup>2</sup>. Until now, PWT Group has not received any complaints regarding the Group's active factories.

Through the amfori BSCI system, factories' grievance procedures are assessed - and they are expected to have a complaint/suggestion box.

<sup>2</sup> <http://bangladeshaccord.org/safety-complaints-mechanism/>

## PEOPLE

When it comes to human- and labour rights, the most predominant risk of adverse impacts arises from the production. Accordingly, PWT Group dedicates the vast majority of its CSR efforts to supporting suppliers in identifying, preventing and addressing adverse impacts on workers and the surrounding community.

The Danish context equals less risks, the Group still needs to continuously work on its own internal due diligence system, so that it can address potential and actual adverse impacts in its own business. This area has therefore been divided into 'internal procedures' and 'Supply Chain Management'.

## INTERNAL PROCEDURES

### Policy

The policy base for the internal work within this area is the Employee Handbook and the Code of Conduct. All new employees receive a copy of the Employee Handbook. The CoC was updated in autumn 2016 and follows the approach set forth in the OECD Guidelines and the UNGPs with focus on establishing a management system and a 'know and show' approach.

### Actions and results

The most important resources for PWT Group are its employees, and the Group wants to ensure a satisfying and inspiring working environment. The working environment committee continuously assesses the working environment and makes recommendations for improvements. PWT Group generally promotes health and well-being at work and all employees are offered a health insurance scheme. During the year, the staff organization organizes events, seminars and workshops for social and educational purposes.

In 2017, PWT Group conducted a self-assessment, and in regards to human and labour rights, three risks were identified, covering; physical overload, excessive overtime, and lack of diversity. To all three issues, action plans have been set up.

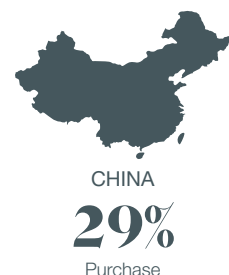
## SUPPLY CHAIN MANAGEMENT

### Sourcing countries

PWT Group does not own any factories, but we cooperate with a range of suppliers; mainly from Bangladesh, China, Pakistan, Cambodia, Turkey and Portugal.

The top-50 suppliers account for more than 90% of the annual orders

PWT Group has worked for more than three years with 70% of the top-50 suppliers





PAKISTAN

**9%**

Purchase



CAMBODIA

**6%**

Purchase



TURKEY

**5%**

Purchase



PORTUGAL

**4%**

Purchase



OTHER COUNTRIES

**7%**

Purchase



## Policy

PWT Group requires suppliers to sign and comply with the Code of Conduct. Also, all suppliers are expected to send us valid building and fire safety certificates for all active factories<sup>3</sup>.

PWT Group has, since 2013, been an active member of the amfori (earlier FTA) and the amfori BSCI platform is actively used as the main certification system. Suppliers are expected to work with the amfori BSCI (or other certification systems as SEDEX, or SA8000), but in cases where the factory has not yet started the BSCI process, PWT Group is willing to enter into a cooperation and then expects them to join over time.

Since 2013, PWT Group has been an active member of the Accord – an initiative aiming to create improvements within fire, building and electricity safety at production factories in Bangladesh. Through the initiative, PWT Group is committed to maintaining our sourcing volume in Bangladesh. PWT Group is also committed to require all active Bangladeshi suppliers to work with the Accord Inspection Programme, help secure remediation, and support worker participation and training programmes at the factories. The current Accord will end in May 2018, and PWT Group has already signed the 'Accord 2.0', which will take over from June 1, 2018.

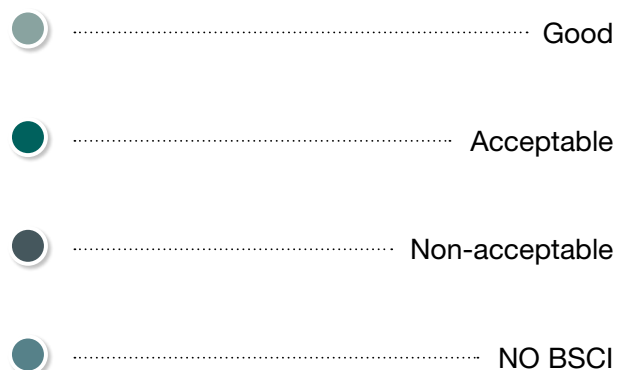
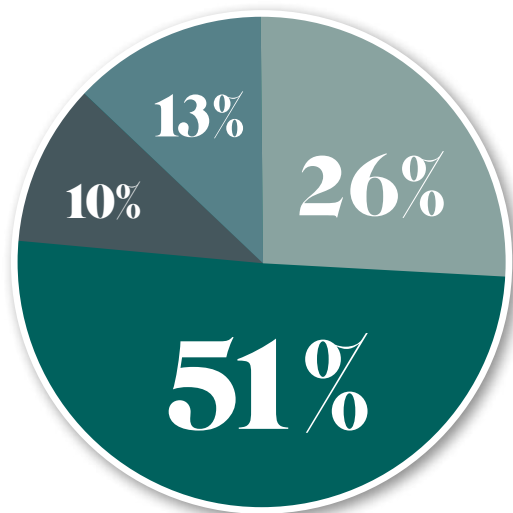
## Actions and results

PWT Group has intensified the daily dialogues with suppliers and factory managers substantially. In regards to collecting building and fire safety certificates, this effort has been intensified, but the aim of 100% for top 50-suppliers has not yet been accomplished.

In regards to the amfori BSCI work, PWT Group is in daily contact with suppliers regarding coming inspections, feedback and support, etc. The yearly third-party assessments of the factories' remediation work are used to promote dialogue and raise awareness with the factory managers.

77% of the top-50 suppliers are at an acceptable level in regards to the BSCI remediation work. However, PWT Group continuously works to support further improvements for these suppliers. 10% of the top-50 suppliers are at a non-acceptable level, and we are regularly in dialogue with them on how

to ensure improvements. For the 13% who are not yet working with BSCI, we keep the dialogue open and encourage them to join the initiative.



In regard to the Accord work, inspection reports are received and acted upon on a daily basis. PWT Brands sources from 19 factories in Bangladesh – and PWT Group is 'lead brand' on 11 of these. The Accord also includes an extensive training programme for the factories' safety committees. Currently, 11 active factories and one inactive factory are participating in the programme. PWT Group has asked the Accord to include three additional factories to the programme, and they are expected to start the process during spring 2018. Three factories have completed the training program, and the remaining 12 factories are expected to complete the training program before May 2018. PWT Group encourages

<sup>3</sup> Building and fire safety (as well as electrical safety) is included in the scope of the Accord and amfori BSCI, but PWT Group still asks suppliers to provide these official documents

suppliers to participate in this, as local capacity building is an important tool for advancement within sustainability

## PLANET

The textile industry represents some serious adverse impacts on the environment – especially when it comes to the production and extraction of raw materials, as well as manufacturing of the ready-made garments. PWT Group wants to take on its responsibility on these matters by supporting the suppliers in reducing the adverse impacts. Internally, the Group also wants to prevent and mitigate adverse impacts on the environment. Until now, CSR efforts have primarily focused on social sustainability in the supply chain, but PWT Group is committed to strengthening its work in regard to environmental sustainability within the next few years.

## Policy

The Group has not yet established a policy for this area, but plans to do so within the next few years. However, the area is covered in both our CSR Policy and CoC. When it comes to the suppliers, they are assessed on their work with environmental issues within the amfori BSCI scope. PWT Group is also exploring the possibility of strengthening the monitoring of its suppliers' work with environmental sustainability, through different systems.

In regards to the use of chemicals, all suppliers are required to sign a REACH declaration – they need to guarantee that their products comply with the REACH EU Directive. For many years now, PWT Group has required its suppliers to guarantee the non-use of AZO dyes.

In regard to animal welfare, all relevant suppliers need to sign and comply with the Animal Welfare Policy, which states, among other things, that PWT Group only accepts leather from animals bred for the food industry, that mulesing is not acceptable, and that no animals are to be skinned or plucked alive.

## Actions and results

During PWT Group's self-assessment, issues were identified covering; transport, chemical testing, material use, and usage of our products (wash, recycling, etc.). To all issues, action plans have been set up.

PWT Group has worked diligently with both collecting REACH declarations and oekotex certificates from its suppliers, as well as strengthening the testing program. Until now, 99% of the tested products have passed the chemical testing in first try, and PWT Group is really proud of its suppliers' work in this regard. Going forward, the program will be strengthened by focusing on product groups with high risks (like leather).

Currently, 11 suppliers have a valid oekotex certificate, while 17 factories have provided oekotex certificates from their suppliers.

## ANTI-CORRUPTION

PWT Group wishes to combat corruption and bribery and seeks to promote openness and transparency. The Group is aware that being present in countries like China and Bangladesh, it needs to be very attentive to the risk of corruption.

Indeed PWT Group's sourcing countries represent high-risk of corruptive business conduct:

COUNTRIES	RANKING OUT OF 176
Bangladesh	145
China	79
Pakistan	116
Cambodia	156
Turkey	75
Portugal	29

Source: Transparency International, Corruption Perceptions Index 2017

[https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017#table](https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table)

### Policy

PWT Group has established an Anti-Corruption Policy, which is based on the UN Convention against Corruption and signed by The Executive Board. It is included in the Employee Handbook and Supplier Manual.

### Actions and results

The Anti-Corruption Policy was developed and implemented during 2017. Together with the policy, a 'Facilitation and Hospitality Register' was set up. Until now, three gifts have been registered and approved by management. The policy and procedure have been communicated internally, but during the coming years the aim is to communicate more about it in order to ensure integration throughout the business activities. During PWT Group's self-assessment process, one issue was identified concerning lack of training among employees. An action plan has been set for the issue.

### CLOSING REMARKS

Across all three CSR areas, PWT Group has a range of future actions that it aims to onboard within the coming years. Among others, to develop more training material/information and conduct more training on CSR matters across the Group, to continue to strengthen the dialogues with suppliers, and to continue cooperating with different stakeholders.

PWT Group acknowledges that sustainability work is a long term and perpetual process requiring resources and time. The Group considers the CSR agenda as a fundamental and decisive factor for operating a sound and sustainable business, and it will continue its intensified engagement within the CSR agenda.











# CORPORATE GOVERNANCE

---

PWT Group is a Group primarily owned by Polaris Private Equity, which holds a 65% stake. Other major shareholders include Ole Koch Hansen (CEO and board member) with a stake of 16%. In addition, the rest of the general management, the Board of Directors and former owners hold a stake of 19%. Reference is made to note 31 on related party disclosures and ownership.

Six members serve on the Board of Directors, with Henrik Theilbjørn as the chairman. The Board members are nominated and elected by the shareholders. Five board meetings were held during the financial year. Additionally, the chairman of the Board of Directors and the Executive Board meet approx. every second month. Extraordinary meetings are convened if mandated by the circumstances.

The duties of the Board of directors and the Executive Board are i.a. set out in PWT Group's Articles of Association, the Danish Companies Act, the Danish Financial Statements Act and good practice for enterprises of a similar size. In addition – in its capacity as a private equity-company – the Group complies with the guidelines for corporate governance.

The Board of Directors oversees that the Executive Board complies with the strategies and objectives laid down. Each month, the Executive Board reports in writing on the Group's position and on movements in profitability and capital resources.

The Board of Directors and the Executive Board are responsible for the Group's risk management and internal controls for the purpose of financial reporting. Organisational structure and internal guidelines make up the control environment together with laws and other rules applying to the Group. The Executive Board regularly assesses the Group's organisational structure as well as sets out and approves overall policies, procedures and controls relating to the financial reporting process.



PWT Group A/S has developed a formal Group reporting process, comprising monthly reporting, which includes budget follow-up, assessment of performance as well as compliance with strategies adopted and targets laid down.

The Group has set up an audit committee. External auditors participate in board meetings and meetings in the audit committee as required by the circumstances, however, at least once year. The Board of Directors performs the duties set out in section 31.2 of the Danish Act on Approved Auditors and Audit firms.

The General Meeting has not granted any special powers, e.g. to dividend distribution.

- Candidates of both genders should be on the shortlist for recruitment
- Headhunters are obliged to present candidates of both genders

In 2017 there was no need for changes to the Management Team and consequently, a more equal gender split on the Management Team has not been achieved.

The management positions of the Board of Directors and the Executive Board are disclosed in note 32.

Find out more about Polaris Private Equity at [www.polarisequity.dk](http://www.polarisequity.dk).

#### **REPORT ON THE GENDER COMPOSITION IN MANAGEMENT, CF. SECTION 99 B OF THE DANISH FINANCIAL STATEMENTS AC**

Women are underrepresented on both the Board of Directors and in Management. The Board of Directors in PWT Group A/S has passed a resolution to the effect that the number of women serving on the Board of Directors must account for 20% on or before 1 April 2019. PWT Group strives to find suitable female candidates when recruiting board members.

PWT Group has still not reached its target regarding the underrepresented gender on the Board as no women are represented and since no new Board members were elected in 2016/17.

The Group's gender diversity policy for the Management Team emphasises diversity in the broadest sense and lays out the principle to always hire the most qualified person, regardless of gender, age, nationality, sexual orientation or religious beliefs. When an opening presents itself on the Management Team, the following recruitment procedures are applied in order to find suitable candidates:

PWT GROUP

**STORES**





## WAGNER



**WAGNER – A multi brand concept made of brands from the PWT portfolio.** A growing and comprehensive store network in Scandinavia and selected locations in China form the foundation for Wagner's offering of menswear – ranging from trendy denim to classic fashion.

Established in 1946, Wagner currently has 53 stores in Denmark, 18 in Norway, 5 in Sweden and 18 in China. The chain offers an outstanding and affordable selection of contemporary fashion and strong brands including Lindbergh, Shine Original, Bison, Junk de Luxe and Jacks Sportswear Intl.



18 STORES IN CHINA

53 STORES ACROSS DENMARK

18 STORES IN NORWAY

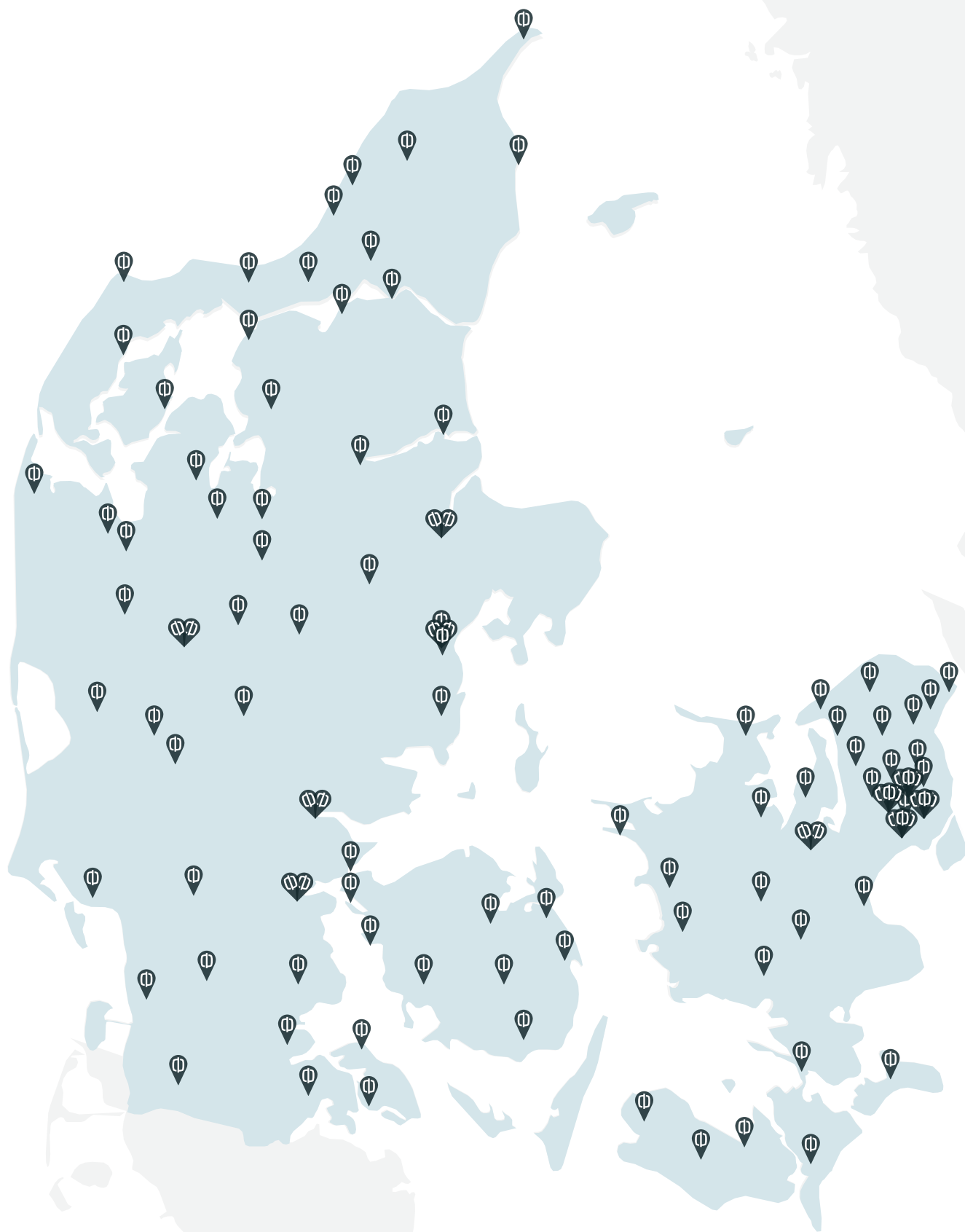
5 STORES IN SWEDEN





**TØJEKSPERTEN – Denmark’s largest menswear chain.** With 110 stores it is the largest menswear chain in Denmark. Tøjeksperten is providing quality clothing and strong brands from the PWT Brands portfolio and other external designers for fashion-conscious men of all ages since 1968.

The careful selection of products and brands reflects our ambition to maintain Tøjeksperten as the leading menswear chain in the medium price range.



110 STORES ACROSS DENMARK



PWT GROUP

**BRANDS**





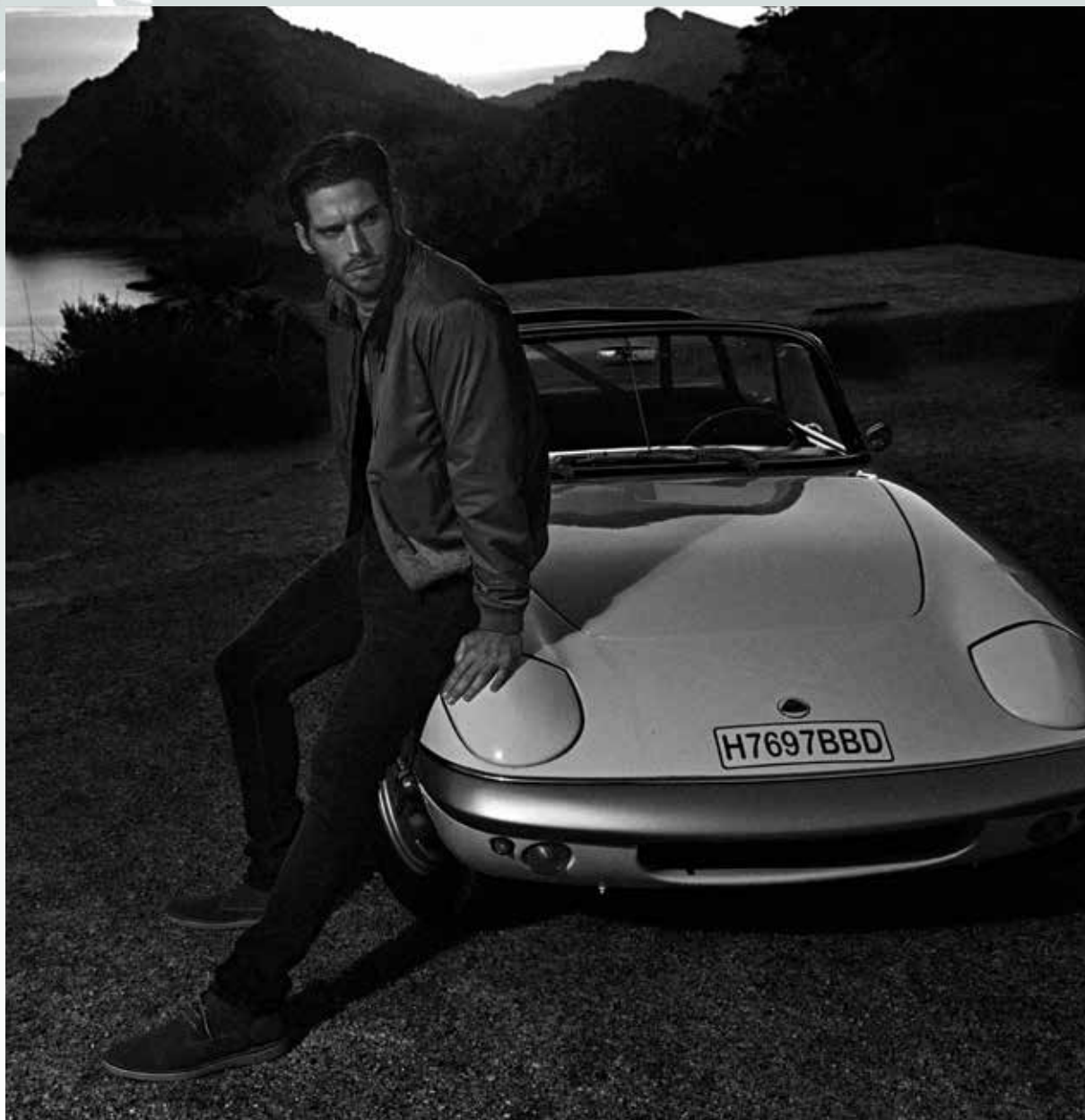
**LINDBERGH - BLUE LABEL - From cool formal to rugged casual** - The rugged and casual collection of Lindbergh. The look is signified by the inspiration of americana – sporty and army clothing – combined with a vintage denim identity. Designed with the highest industrial quality available with key emphasis on the working man.

The ambition is to integrate ‘fully functioning’ utility into the garments. Moreover, the aviation heritage and identity of Charles Lindbergh are strongly incorporated into the blue label collection.

The assortment holds all garment groups, with jeans, casual shirts, t-shirt, jackets, etc., as the most underlining key items. The design and purchasing team of Lindbergh are dedicated to securing a cool and masculine look, based on the highest industrial quality, with respect for the strong heritage of the Lindbergh label. In addition to this, we aim to find a solid balance between design, quality and affordable price.

## LINDBERGH BLACK

---



**LINDBERGH - BLACK LABEL - From cool formal to rugged casual** -The preppy and classic formal collection of Lindbergh. A label containing all garment groups where the most essential ones are shirts, suits, jackets and knits. This label also contains a broad range of accessories to include socks, shoes and scarfs.

The fitting is modern and the garments are characterised by the highest quality industrial fit. The look is signified by an authentic, smart and sporty Italian style. The colors are both neutral and fresh, the level of detail is simple and thoughtful, with a strong emphasis on the fashionconscious individual.

The black label contributes to the basic wardrobe, as well as the sustainable luxury look. It is clothing and accessories for today's informed man.



## LINDBERGH WHITE

---



**LINDBERGH - WHITE LABEL** The fashion formal collection of Lindbergh, with a look that reflects simplicity and coolness. The most dominating garment groups are shirts, suits, jackets and knits.

The fitting is shaped, tight and comfortable and the design reveals convenience and authenticity. The identity and core of the white label are based upon independence and personal style.

Fundamentals of neutral and colorful tones determine details, clean stitching and fine treatments outline the collection. Being true to the heritage of Charles Lindbergh, the white label is perfect for any and every occasion.

## LINDBERGH RED

---



**LINDBERGH - RED LABEL** Collection offers sporty functional clothing, that makes the consumer feel comfortable and confident. The Red line is the newest sub label to the Lindbergh brand and brings about the demand for sporty and functional garments. This line stretches our mission and ambition about creating clothing for men, who are interested in acquiring a wardrobe, based on problem solving and finding something cool, that matches their need for functional sport and casual wear.

The sport collection of Lindbergh will start out offering two annual capsule collections. Our design exudes strength and modern masculinity. This sportswear collection combines a sharp, clean silhouette with innovative performance fabrics, accented by bold pops of colors. Key details add sporty elements to the collections. The garments reflect high quality, innovation and are engineered for active movement, whether you are actively exploring the world, or pushing yourself to the limit through sport activities.



## SHINE ORIGINAL

---



**SHINE ORIGINAL - A hybrid of denim and fashion wear** - Emphasising the diversity of individuality. Style and personality has no rules – no code. Nor do we. Individuality is about creation of oneself. It's all about being in demand and setting the agenda. We know how important individual style and personal image is.

We are enthusiastic original individuals, we travel, explore music, various places, art – basically, we see inspiration in whatever is going on, around us. We strive to continually develop, design and discover new fabrics, trimmings and inspiration to create collections, which holds attitude, aesthetics, coolness and diversity on several levels, yet at an affordable price level.

We encourage our friends to create their own individual style – and be original!

## JUNK de LUXE

---



**JUNK de LUXE - Eclectic juggling** - First and foremost, about a certain kind of hip, urban attitude. An uncompromisingly cross over style, making its presence felt on the biggest catwalk of them all - the street. The style is an eclectic combination of collectibles and details from many decades of fashion and function wear. We keep up with current trends while not being a slave to fashion.

This is the inspiration to the design of JUNK de LUXE. A design direction rooted in the best from the past, but pointing forward. Our aim is to create a hybrid between vintage and modern garments, a combination which we call: Street Tailoring.

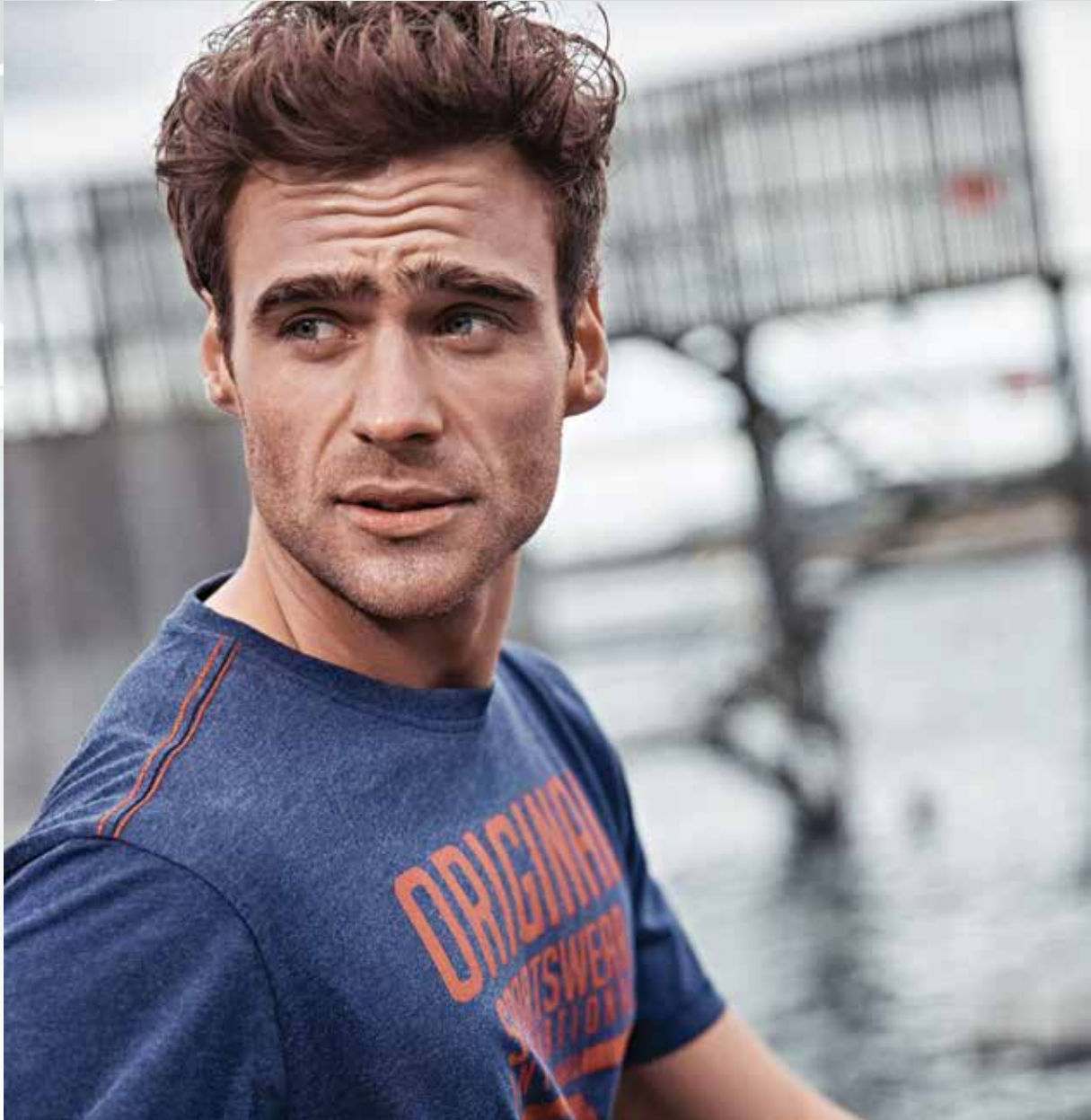




**BISON - No nonsense clothing - Made to last -** A clothing brand founded in Denmark in 1961. From the beginning characterised as a specialist brand based on the bison, a durable character from which we take inspiration to the soul of our brand and our legacy.

Bison works with contemporary fashion and lifestyle driven aesthetic, in the field of classic casual wear and functional garments, for everyday performance.

Bison develops a practical, stylish and durable range of no-nonsense clothing for no-nonsense men.



**JACK'S SPORTSWEAR INTL - Sharp sporty casual style** - Casual clothing for the average consumer. The target audience is broad and the collection is very commercial.

Given the wide audience, the goal is to create a collection containing as many “must have” styles as possible – and the fabrics and color choices are therefore a dynamic size – compared to what is necessary to achieve the goal of this collection.

In short, a good quality product – at a competitive price.



# STATEMENT

# STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

---

The Board of Directors and the Executive Board have today discussed and adopted the Annual Report of PWT Group A/S for the period 1 October 2016 - 31 December 2017.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017, and of the results of the Group's and the Parent Company's operations and cash flows for

the financial year 1 October 2016 - 31 December 2017.

In our opinion, the Management commentary includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Company face.

We recommend that the Annual General Meeting approve the Annual Report.

Aalborg, 20 April 2018

## Executive Board

Ole Koch Hansen  
CEO

Claus Back Nielsen  
CFO

---

## Board of Directors

Henrik Thorup Theilbjørnn  
(Chairman)

Jan Johan Kühl

Allan Bach Pedersen

Jan Bøgh

Torben Fog

Ole Koch Hansen

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF PWT GROUP A/S



### OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 October 2016 to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of IFRSC-Group for the financial year 1 October 2016 - 31 December 2017, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 Financial 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 Statement Act. We did not identify any material misstatement in Management's Review.

### 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 International Financial Reporting Standards as adopted by the EU and further requirements in 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 Parent 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 Parent 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 judgment and maintain professional skepticism 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 Group's and the Parent Company'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 Parent 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 Parent 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.

Aalborg, 20 April 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR no 3377 1231



SØREN KORGAARD-MØLLERUP  
State Authorised Public Accountant  
mne31477



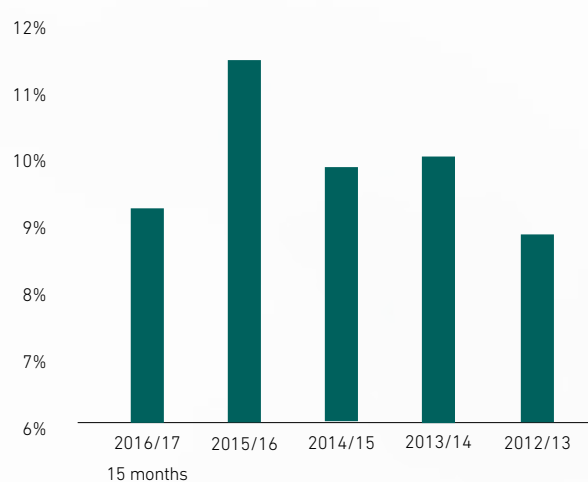
CONRAD LUNDGAARD  
State Authorised Public Accountant  
mne34529



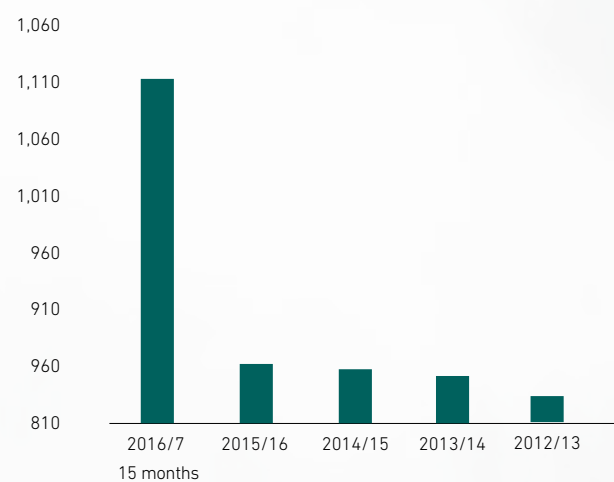


# FINANCIAL HIGHLIGHTS

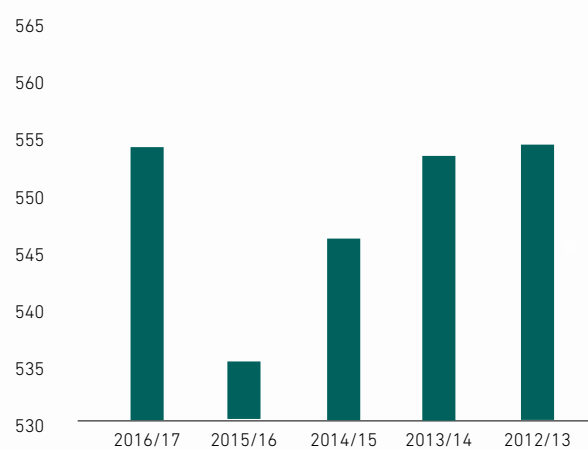
## EBITDA MARGIN



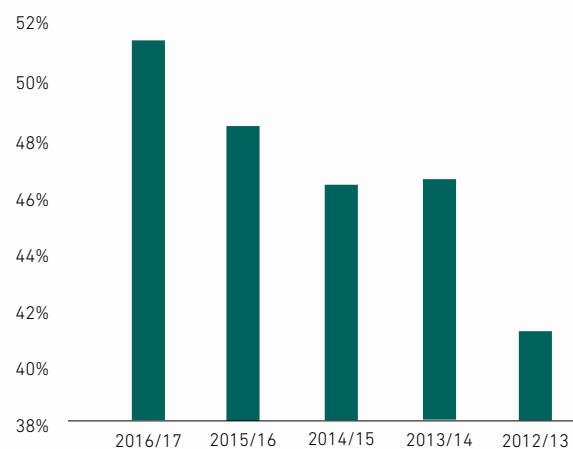
## REVENUE MILLION DKK



## EMPLOYEES



## SOLVENCY RATIO



# FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK MIO.	2016/17 15 months	2015/16	2014/15	2013/14	2012/13
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Revenue	1,111	863	858	852	832
Gross profit	378	306	291	287	272
EBITDA	102	99	85	85	73
EBITA	73	78	70	70	55
Profit/loss from ordinary activities	73	78	70	70	55
Profit/loss from financial income and expenses (including associate)	44	25	-38	-18	-37
Profit/loss for the year	15	41	23	37	10
Comprehensive income for the year	15	41	23	37	15
<b>BALANCE SHEET</b>					
Total assets	992	1,022	990	926	947
Investment in property, plant and equipment	67	57	42	24	23
Equity	508	494	457	431	390
<b>CASH FLOWS</b>					
Cash flows from operating activities	161	49	11	68	31
Cash flows from investing activities, net	-47	-41	-35	-16	-15
Thereof, investment in property, plant and equipment	-39	-12	-10	-13	-8
Cash flows from financing activities	-47	-1	0	-15	-21
Total cash flows	68	7	-24	37	-5
<b>EMPLOYEES</b>					
Average number of employees	554	535	546	553	554
<b>FINANCIAL RATIOS STATED AS A PERCENTAGE</b>					
Gross margin	34.0	35.5	33.9	33.7	32.7
EBITDA margin	9.2	11.4	9.8	10.0	8.8
Operating margin (EBIT)	6.6	9.1	8.1	8.2	6.5
Return on invested capital	7.3	7.9	7.4	7.6	5.9
Solvency ratio	51.2	48.3	46.2	46.5	41.2
Return on equity	2.9	8.6	5.3	9.0	2.7

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

For definitions, please see the accounting policies.





# STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD 1 OCTOBER 2016 – 31 DECEMBER 2017

DKK'000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Revenue	3	1,111,232	862,827	1,042,444	813,965
Cost of sales	4	502,885	381,076	490,644	373,222
Other operating income	5	75	0	75	0
Other external costs	6	230,881	175,359	197,261	152,141
<b>Gross profit/loss</b>		<b>377,541</b>	<b>306,392</b>	<b>354,614</b>	<b>288,602</b>
Staff costs	7	275,610	207,639	247,626	189,990
<b>Profit/loss before depreciation/amortisation and impairment losses (EBITDA)</b>		<b>101,931</b>	<b>98,753</b>	<b>106,988</b>	<b>98,612</b>
Depreciation/amortisation	8	29,063	20,647	22,542	17,771
<b>Operating profit/loss (EBIT)</b>		<b>72,868</b>	<b>78,106</b>	<b>84,446</b>	<b>80,841</b>
Financial income	9	739	4,394	1,717	4,718
Financial expenses	10	36,860	26,079	35,771	25,796
Share of net profit and impairment of associates and group enterprises	18,19	8,302	3,049	-25,351	0
<b>Profit before tax</b>		<b>28,445</b>	<b>53,372</b>	<b>25,041</b>	<b>59,763</b>
Tax on profit/loss for the year	11	13,886	12,497	11,518	13,225
<b>Profit for the year</b>		<b>14,559</b>	<b>40,875</b>	<b>13,523</b>	<b>46,538</b>
<b>Other comprehensive income</b>					
Items available for reclassification into statement of comprehensive income items:					
Foreign exchange adjustments regarding translation of foreign entities		197	-62	0	0
<b>Other comprehensive income before tax</b>		<b>197</b>	<b>-62</b>	<b>0</b>	<b>0</b>
Tax on other comprehensive income	11	0	0	0	0
<b>Other comprehensive income</b>		<b>197</b>	<b>-62</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income for the year</b>		<b>14,756</b>	<b>40,813</b>	<b>13,523</b>	<b>46,538</b>

# BALANCE SHEET

AT 31 DECEMBER 2017 AND 30 SEPTEMBER 2016

DKK'000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2016/17	2015/16	2016/17	2015/16
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Software	12	7,174	3,749	7,174	3,749
Trademarks	13	2,442	3,311	2,442	3,311
Goodwill	14	614,461	613,461	613,461	613,461
Other intangible assets	15	1,192	1,341	1,192	1,341
Total intangible assets		625,269	621,862	624,269	621,862
Property, plant and equipment					
Fixtures and fittings, tools and equipment	16	31,753	25,490	23,781	18,547
Leasehold improvements	17	35,280	31,978	24,472	21,433
Total property, plant and equipment		67,033	57,468	48,253	39,980
Investments					
Investments in group enterprises	18	0	0	8,908	1,956
Investments in associates	19	0	7,086	0	10,135
Deposits	21	15,186	14,743	14,910	14,474
Total investments		15,186	21,829	23,818	26,565
Total non-current assets		707,488	701,159	696,340	688,407
CURRENT ASSETS					
Inventories	22	191,076	214,613	177,902	202,134
Receivables					
Trade receivables	23	55,758	85,013	48,889	69,981
Amounts owed by group enterprises		0	0	37,468	46,235
Amounts owed by associated companies		6,779	648	6,779	59
Derivative financial instruments	27	0	1,471	0	1,471
Other receivables		4,725	2,228	4,578	2,182
Prepayments		6,755	5,924	5,652	4,830
Total receivables		74,017	95,284	103,366	124,758
Cash at bank and in hand		19,866	10,708	14,235	8,180
Total current assets		284,959	320,605	295,503	335,072
Total assets		992,447	1,021,764	991,843	1,023,479

# BALANCE SHEET

AT 31 DECEMBER 2017 AND 30 SEPTEMBER 2016

		CONSOLIDATED		PARENT COMPANY	
DKK'000	NOTE	2016/17	2015/16	2016/17	2015/16
EQUITY AND LIABILITIES					
EQUITY					
Share capital	24	1,985	1,985	1,985	1,985
Retained earnings		506,294	491,565	514,487	500,964
Foreign currency translation reserve		27	0	0	0
Total equity		508,306	493,550	516,472	502,949
LIABILITIES					
Non-current liabilities					
Provisions	25	6,254	6,450	5,430	5,899
Deferred tax	20	24,236	10,913	24,837	14,106
Total non-current liabilities		30,490	17,363	30,267	20,005
Current liabilities					
Provisions	25	2,727	150	2,661	150
Bank loans and overdrafts	26	21,833	80,506	21,833	80,318
Lease debt		540	171	540	171
Trade payables		93,437	78,353	91,632	71,507
Loans from group enterprises		245,798	292,685	245,798	292,874
Corporation tax		3,054	3,601	3,158	3,601
Derivative financial instruments	27	2,171	0	2,171	0
Other payables		67,423	43,287	61,114	38,427
Deferred income	28	16,668	12,098	16,197	13,477
Total current liabilities		453,651	510,851	445,104	500,525
Total liabilities		484,141	528,214	475,371	520,530
Total equity and liabilities		992,447	1,021,764	991,843	1,023,479



# STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

DKK'000	Share capital	Reserves earnings	Foreign currency translation reserve	Total
Equity at 1 October 2015	1,985	454,896	-108	456,773
Corrections at 1 October 2015	0	-4,036	0	-4,036
Profit for the year	0	40,875	0	40,875
Correction of error	0	0	-62	-62
<b>Equity at 30 September 2016</b>	<b>1,985</b>	<b>491,735</b>	<b>-170</b>	<b>493,550</b>
Equity at 1 October 2016	1,985	491,735	-170	493,550
Profit for the year	0	14,559	0	14,559
Other comprehensive income	0	0	197	197
<b>Equity at 31 December 2017</b>	<b>1,985</b>	<b>506,294</b>	<b>27</b>	<b>508,306</b>

# STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY

DKK'000	Share capital	Reserves earnings	Foreign currency translation reserve	Total
Equity at 1 October 2015	1,985	458,220	0	460,205
Corrections at 1 October 2016	0	-3,794	0	-3,794
Profit for the year	0	46,538	0	46,538
<b>Equity at 30 September 2016</b>	<b>1,985</b>	<b>500,964</b>	<b>0</b>	<b>502,949</b>
Equity at 1 October 2016	1,985	500,964	0	502,949
Profit for the year	0	13,523	0	13,523
<b>Equity at 31 December 2017</b>	<b>1,985</b>	<b>514,487</b>	<b>0</b>	<b>516,472</b>



# CASH FLOW STATEMENT

DKK'000	NOTE	CONSOLIDATED		PARENT COMPANY	
		2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Profit for the year before tax		27,616	53,372	50,392	59,763
<b>Adjustments for non-cash operating items:</b>					
Depreciation/amortisation and gain/loss on intangible assets and property, plant and equipment		28,988	20,647	22,467	17,771
Loss from associate		8,302	3,049	0	0
Other non-cash operating items, net		4,021	-937	2,241	0
Financial income		-739	-4,394	-1,717	-4,718
Financial expenses		37,688	26,079	35,771	25,796
Cash generated from operations (operating activities) before changes in working capital		105,876	97,816	109,154	98,612
Change in working capital:					
Change in receivables		15,148	3,986	-4,407	-13,644
Change in inventories		23,537	-19,213	24,232	-16,137
Change in current liabilities in general		46,508	-9,610	45,571	-9,919
Cash generated from operations (operating activities)		191,069	72,979	174,550	58,912
Interest income, received		739	2,381	1,717	2,705
Interest expense, paid		-29,596	-26,008	-28,508	-25,725
Corporation tax paid		-1,097	-74	-1,172	-74
<b>Cash flows from operating activities</b>		<b>161,115</b>	<b>49,278</b>	<b>146,587</b>	<b>35,818</b>
Acquisition of property, plant, leasehold and equipment		-38,603	-31,809	-27,045	-16,585
Acquisition of intangible assets		-7,604	-2,434	-6,604	-2,434
Acquisition of investments in financial assets		-443	-6,886	-1,766	-6,886
Disposal of property, plant and equipment		75	0	75	0
<b>Cash flows from investing activities</b>		<b>-46,575</b>	<b>-41,129</b>	<b>-35,340</b>	<b>-25,905</b>
Free cash flows		114,540	8,149	111,247	9,913
Change in bank loans		369	-175	369	-175
Change in intercompany loans		-47,077	-634	-47,076	-517
Capital contribution		0	0	0	0
<b>Cash flows from financing activities</b>		<b>-46,708</b>	<b>-809</b>	<b>-46,707</b>	<b>-692</b>
<b>Changes in cash and cash equivalents</b>		<b>67,832</b>	<b>7,340</b>	<b>64,540</b>	<b>9,221</b>
Cash and cash equivalents 1 October 2016		-69,799	-77,138	-72,138	-81,359
<b>Cash and cash equivalents 31 December 2017</b>		<b>-1,967</b>	<b>-69,798</b>	<b>-7,598</b>	<b>-72,138</b>

Cash and cash equivalents include bank loans and overdrafts (2016/17: 21,833) recognised as current liabilities less cash at bank and in hand (2016/17: 19,866).









# NOTES

## GENERAL MATTERS

- 1 Accounting policies
- 2 Significant accounting estimates and judgements

## NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

- 3 Revenue
- 4 Cost of sales
- 5 Other operating income and costs
- 6 Other external costs
- 7 Staff costs
- 8 Depreciation/amortisation
- 9 Financial income
- 10 Financial expenses
- 11 Tax

## NOTES TO THE BALANCE SHEET

- 12 Software
- 13 Trademarks
- 14 Goodwill
- 15 Other intangible assets
- 16 Fixtures and fittings, tools and equipment
- 17 Leasehold improvements
- 18 Investments in group enterprises
- 19 Investments in associates
- 20 Deferred income tax
- 21 Deposits
- 22 Inventories
- 23 Trade receivables
- 24 Share capital
- 25 Provisions
- 26 Bank loans and bond loans
- 27 Derivative financial instruments
- 28 Deferred income

## NOTES WITHOUT REFERENCE

- 29 Chargers and collateral
- 30 Contingent items, etc.
- 31 Related party disclosures and ownership
- 32 Management positions of the Board of Directors and the Executive Board
- 33 Events after the balance sheet date
- 34 New financial reporting regulations
- 35 Financial risks and financial instruments

**Financial reporting basis**

PWT Group A/S is a limited liability company domiciled in Denmark. The financial part of the annual report for the period 1 October 2016 – 31 December 2017 comprise both the consolidated financial statements of PWT Group A/S and its subsidiaries (group) as well as the parent company financial statements.

The Annual Report covers the period 1 October 2016 - 31 December 2017, thus covering a 15 month period, as the Company have changed its accounting year to follow the calendar year in connection with a business combination. Because of the Company's nature and scope, including seasonality of the Group's activities, changes in net profit, equity, cash flows and notes relating hereto for the period 1 October 2016 - 31 December 2017 is not comparable to a full period of 12 months.

In connection with preparing the annual report for 2016/17, management have identified an erroneous method for accounting of loyalty programmes in previous years. The net impact amounts to DKK 4.0 million and have been restated in the opening balances of assets, liabilities and equity but with no effect on net result in 2015/2016 and 2016/2017. The accounting treatment of loyalty programmes have been amended accordingly, cf. accounting policies for "Revenue" and "Deferred revenue".

The consolidated financial statements and parent company financial statements of PWT Group A/S are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and disclosure requirements of annual reports of reporting class C enterprises (large), see the Danish statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act. The Board of Directors and the Executive Board have discussed and adopted the annual report of PWT Group A/S. The annual report will be presented for adoption by the shareholders of PWT Group A/S at the annual general meeting on 20 April 2018.

**Basis of preparation**

The consolidated financial statements and the parent company financial statements are presented in Danish kroner (DKK), which is the reporting currency of the Group's activities and the Parent Company's functional currency. The annual report relies on the historical cost principle except for those instances where International Financial Reporting Standards specifically require a different basis of measurement.

The accounting policies, as set out below, have been consistently applied for the full financial year and for the comparative figures.

**ACCOUNTING POLICIES****Implementation of new and revised standards and interpretations**

PWT Group A/S has implemented all relevant new and revised accounting standards issued by IASB and effective at 1 October 2016. The implementation of the new and revised accounting standards did not have any material financial effect on the statement of PWT Group A/S' results, assets and liabilities as well as equity for the purpose of the financial reporting for the financial years presented. Reference is made to note 34 for new financial reporting regulation.

**CONSOLIDATION****Consolidated financial statements**

The annual report comprises the Parent Company, PWT Group A/S, and enterprises under the control of the Parent Company. The Parent Company is deemed to exercise control when the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The acquisition method of accounting is used to account for business combinations by the group. Det bør beskrives her og ikke under Investment in subsidiaries. Upon acquisition of new subsidiaries, the acquisition method is applied, and subsequently the newly acquired enterprises' assets and liabilities are measured at fair value at the date of acquisition. The tax effect of any reassessments is taken into account.

**Consolidation principles**

The consolidated financial statements are prepared on the basis of the financial statements of PWT Group A/S and its subsidiaries in which similar financial statement items are integrated. On consolidation, intra-group income and expenses, shareholdings, dividends, intra-group balances as well as realised and unrealised internal gains and losses on intra-group transactions are eliminated. The annual reports used for preparing the consolidated financial statements have been recognised in accordance with the accounting policies of the Group.

**Foreign currency translation**

On initial recognition, transactions denominated in currencies different from the individual enterprise's functional currency are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the statement of comprehensive income as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose is recognised in the statement of comprehensive income as financial income or financial expenses.

Upon recognition in the consolidated financial statements of enterprises with a functional currency different from DKK, the statements of comprehensive income are translated into Danish kroner at average exchange rates for the year, and balance sheet items are translated at the exchange rates at the balance sheet.

Foreign exchange differences arising upon translation of foreign subsidiaries' balance sheet items at the beginning of the year to the exchange rates at the balance sheet date and upon translation of statements of comprehensive income from average exchange rates to the exchange rates at the balance sheet date are recognised as other comprehensive income.

**Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value at the settlement date and subsequently measured at fair value at the balance sheet date. Positive and negative fair values of derivative financial instruments are recognised as a separate balance sheet item.

Changes in fair value of derivative financial instruments designated as or qualifying for recognition as an effective hedge of future transactions are recognised as other comprehensive income. The ineffective part is recognised immediately in the statement of comprehensive income. When the hedged transactions are carried out, the accumulated changes are recognised together with the hedged transactions. For derivative financial instruments not qualifying for treatment as hedging instruments, changes are regularly recognised in the statement of comprehensive income as financial income and financial expenses.

**STATEMENT OF COMPREHENSIVE INCOME****Revenue**

Income from the sale of goods for resale and finished goods is recognised in the statement of comprehensive income provided that delivery and transfer of risk to the buyer have taken place before the year end and the income may be reliably measured and is expected to be received. Revenue is measured excluding VAT and duties, less discounts in relation to the sale and less discounts and bonus points relating to loyalty programs (customer club).

Bonus points relating to loyalty programs collected are recognised in the statement of comprehensive income as a



reduction in revenue and under the liability "deferred income". The collected bonus points are measured based on the projected utilisation thereof.

**Costs of goods for resale**

Together with changes in inventories of goods for resale, this item comprises costs in generating revenue. Changes in inventories of goods for resale are recognised as costs of goods for resale.

**Other external costs**

Other external costs comprise costs of premises, sales and distribution costs as well as administrative expenses. Supplements to cover marketing costs are recognised as other external costs.

**Staff costs**

Staff costs comprise payroll, pensions and other social security costs relating to staff.

**Other operating income and costs**

Other operating income and costs comprise items secondary to the primary activities of the enterprises, including gains on disposal of intangible assets and property, plant and equipment.

**Financial income and expenses**

Financial income and expenses comprise interest income and expense, realised and unrealised exchange gains and losses on transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the onaccount tax scheme. Financial income and expenses are recognised at the amounts relating to the financial year.

Financial income and expenses also comprises fair value adjustments at derivative instruments.

**Corporation tax and deferred tax**

The Company is jointly taxed with its parent company and the other jointly taxed Danish subsidiaries. Danish corporation tax is allocated among the jointly taxed Danish companies in proportion to their taxable income. The parent company, P-WT 2007 A/S, serves as the management company for the jointly taxed entity and thereby handles the payment of tax, etc. to the Danish tax authorities. Tax for the year comprises current tax for the year and changes in deferred tax and is recognised in the profit for the year, as other comprehensive income or directly in equity all depending on the recognition of the underlying element.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## BALANCE SHEET

### Intangible assets

#### Goodwill

Goodwill acquired are measured at cost less accumulated impairment losses. Upon recognition of goodwill, the goodwill amount is allocated on the activities of the Group's activities generating independent cash inflows (cash-generating units). The determination of cash-generating units follows the managerial structure and internal financial management and reporting in the Group.

Goodwill is not amortised, but subject to impairment testing at least once a year. The carrying amount of goodwill is written down in the statement of comprehensive income in the cases where the carrying amount exceeds projected future net income from the enterprise/activity generating the goodwill.

As the group have reorganised its reporting structure in a way that changes the composition of its cash-generating units to which goodwill has been allocated, the goodwill have been reallocated to the reorganised units. This reallocation have been performed using an approach where the goodwill is reallocated based on the original business cases from the acquisitions by which the goodwill is allocated to the reorganised cash-generating units according to the business acquired. Corresponding information for earlier periods have been restated accordingly.

#### Software

Software is measured at cost less accumulated amortisation and impairment losses. The basis of amortisation is cost.

#### Trademarks

Trademarks are measured at cost less accumulated amortisation. The basis of amortisation is cost. The expected useful life is based on the trademarks marked position.

#### Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation. The basis of amortisation is cost.

#### Useful life

Software .....	5 years
Trademarks .....	5-10 years
Other intangible assets .....	10 years

**Property, plant and equipment**

Fixtures and fittings, tools and equipment as well as leasehold improvements (shops) are measured at cost less accumulated depreciation and impairment losses.

The basis of depreciation is cost less projected residual value after the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Financially leased assets are recognised on the balance sheet at the lower of fair value and net present value of discounted lease payments. Financially leased assets are depreciated in accordance with the Company's general accounting policies. The capitalised value of the lease obligation is recognised as a liability on the balance sheet, and the interest element of the lease payment is recognised as an expense in the statement of comprehensive income.

Depreciation is provided on a straight line basis relying on the following assessment of the assets' projected useful lives:

	<b>Useful life</b>
Fixtures and fittings, tools and equipment .....	3-5 years
Leasehold improvements .....	5-7 years

The basis of depreciation is stated taking into account the scrap value of the asset and is reduced by impairment losses. The period of depreciation and the scrap value are determined at the date of acquisition and reassessed annually.

**Impairment of property, plant and equipment and intangible assets**

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. If such an indication exist, the recoverable amount of the asset is stated to determine the need for impairment and the scope thereof.

The recoverable amount of goodwill is determined at least once a year irrespective of whether there is any indication of impairment.

If the asset does not generate any cash inflows independently of other assets, the recoverable amount of the smallest cash-generating unit in which the asset is included is determined.

The recoverable amount is the higher of an asset's or the cash-generating unit's fair value less sales costs and its value in use. When the value in use is determined, projected future cash flows are discounted to present value using a discount rate reflecting actual market assessment of the time value of funds and the special risks attributable to the asset and the cash-generating unit and for which no adjustment has been made in projected future cash flows.

If the asset's or the cash-generating unit's recoverable amount is lower than its carrying amount, the carrying amount is written down to the recoverable amount. With regard to cash-generating units, the goodwill amount is initially written down, and subsequently any need for additional impairment is allocated on the residual assets of the unit. However, the individual asset is not written down to a value lower than its fair value less projected sales costs.

Impairment is recognised in results. In case of any subsequent reversal of impairment arising from changes in assumptions of the stated recoverable amount, the asset's or the cash-generating unit's carrying amount is increased to adjusted recoverable amount, however, not exceeding the carrying amount which the asset of the cash-generating unit would have had if no impairment had taken place. Impairment of goodwill is not reversed.

**Investments in subsidiaries**

Investments in subsidiaries are recognised and measured at cost less any impairment losses in the parent company financial statements.

Impairment testing is conducted annually as set out above when the carrying amount exceeds the book value of net assets in the consolidated financial statements or if there is any other indication of impairment. If the carrying amount exceeds the recoverable amount, write-down is made to this lower amount.

Newly acquired or newly established enterprises are recognised in the financial statements from the date of acquisition.

Positive differences (goodwill) between cost and the fair value of assets and liabilities taken over are recognised as investments in group enterprises in line with the same principles as acquired goodwill described above in the section on intangible assets.

### **Investments in associates**

Investments in associates are recognized and measured in the consolidated financial statements in accordance with the equity method. The investments are measured at the proportionate share of the entities' equity value less or plus the proportionate intercompany gains and losses and plus the carrying amount of goodwill.

Investments in associates are recognised and measured at cost less any impairment losses in the parent company financial statements.

Impairment testing is conducted annually as set out above when the carrying amount exceeds the book value of net assets in the consolidated financial statements or if there is any other indication of impairment. If the carrying amount exceeds the recoverable amount, write-down is made to this lower amount.

Acquisitions of investments in associates are accounted for using the acquisition method.

### **Deposits**

Deposits comprise rent deposits attributable to the Group's leaseholds. Deposits are measured at amortised cost.

### **Inventories**

Inventories are measured at cost on the basis of weighted average prices. In the cases where cost is higher than net realisable value, write-down is made to this lower value. The cost of goods for resale is stated as cost with the addition of delivery costs.

The net realisable value of inventories is calculated as the selling price less costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Write-downs are calculated as the difference between the carrying amount of receivables and the net present value of forecast cash flows, including the realisable value of any collateral received.

### **Prepayments**

Prepayments are measured at cost.

### **Financial assets at fair value through profit or loss**

Bonds are measured at fair value.

### **Current tax and deferred tax**

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the



year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Deferred tax is not recognised on temporary differences arising at the date of acquisition without affecting either results or taxable income, e.g. goodwill which is non-deductible for tax purposes.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax assets are reassessed annually and only recognised to the extent that their utilisation is probable.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the statement of comprehensive income.

### **Provisions**

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

Provisions comprise refund liabilities and forecast costs arising from leasehold improvements upon relocation and are based on projected costs determined on the basis of the leasehold's current interior and condition. The liabilities are discounted back to net present value.

Refund liabilities are measured at net present value of managements best estimate of the expenditure required to settle the obligation.

### **Financial liabilities, bonds, bankoverdrafts etc.**

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the statement of comprehensive income over the term of the loan.

Derivative financial instruments are measured at fair value, corresponding to market price at balance sheet date.

Other liabilities, which usually comprise trade payables, amounts owed to group enterprises and other payables, are measured at amortised cost, which usually corresponds to nominal value. The capitalised residual lease obligation on finance leases is also recognised as financial liabilities.

### **Leases**

Leases are broken down on finance and operating leases for accounting purposes. Finance leases transfer substantially all risks and rewards incident to ownership to the Company. All other leases are classified as operating leases.

Payments relating to operating leases and other leases are recognised in the statement of comprehensive income over the term of the lease.

The recognition of finance leases is described under "Property, plant and equipment", "Impairment of property, plant and equipment and intangible assets" and "Financial liabilities".

### **Staff obligations**

Staff obligations comprise the employees' rights to paid holidays after the balance sheet date and the payment of anniversary bonuses.

The Group has only entered into pension arrangements for defined-contribution pension plans under which regular pension contributions are paid to independent pension providers as the contributions are earned. The Group has not taken out any defined-benefit pension plans.

Staff obligations are recognised as other payables on the balance sheet.

#### Deferred income

Deferred income comprises payments received regarding income in subsequent years, including gift tokens, bonus points relating to loyalty programs (customer clubs), etc. Gift tokens payable are recognised at estimated value.

#### Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated in accordance with the indirect method as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the share capital and costs relating to the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash at bank and in hand and business credits.

#### Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

#### Definition of financial ratios:

**EBITDA** Earnings before restructuring costs, depreciation, amortisation, interest and tax

<b>Gross margin</b>	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
---------------------	--

<b>Operating margin (EBIT margin)</b>	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
---------------------------------------	--

<b>Return on invested capital</b>	$\frac{\text{Operating profit/loss} \times 100}{\text{Average operating assets}}$
-----------------------------------	---

<b>Solvency ratio</b>	$\frac{\text{Closing equity} \times 100}{\text{Total equity and liabilities at year end}}$
-----------------------	--

<b>Return on equity</b>	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
-------------------------	---

When financial statement items are recognised and measured, some judgements and estimates will, in certain cases, be required to define assumptions of future events. These estimates and assumptions are based on past experience and other relevant factors deemed reasonable by Management in the given circumstances, but by nature are uncertain or unpredictable. Accordingly, actual outcome may be different from these estimates.

Estimates and judgements as well as their underlying assumptions are regularly reassessed. Changes to the accounting estimates are recognised in the financial reporting period when the changes are made, and in future financial reporting periods if the changes affect these periods.

Estimates import to the financial reporting process are, for instance, required for the impairment of goodwill, valuation of inventories and projected income from gift tokens.

**Impairment testing of goodwill**

Any need for impairment of goodwill requires values in use to be determined for the cash-generating units on which the goodwill amounts are allocated. The statement of value in use relies on an estimate of projected future cash inflows in the individual cash-generating unit and the determination of a discount rate. These estimates are subject to a certain degree of uncertainty, and any changes may materially affect the annual report.

Reference is made to note 14 for a description of assumptions applied, discount rates, etc. used for defining the value in use of the defined cash-generating units.

**Inventories**

Any write-down for obsolescence on inventories is specifically assessed based on future marketability. Provision for obsolescence per 31 December 2017 reached DKK 2,725 thousand as against DKK 2,345 thousand per 30 September 2016. Reference is made to note 22.

**Reallocating of goodwill**

During the year, the internal reporting to group management have changed in order to reflect the recent changes in the way that the group organizes and report its operating segments. As the Group has changed the structure of its internal organisation in a manner that have caused the composition of its reportable segments to change, the corresponding information for earlier periods have been restated.

The allocation of goodwill follows the groups reporting of segments. As the reporting of segments have been changed during the year, the allocation of goodwill have changed accordingly. The allocation is based on the original purchase price allocation.

The re-allocating is subject to significant judgements and estimates.

Reference is made to note 14 Goodwill.

## NOTE 3 REVENUE

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
<b>Geographical markets</b>				
Denmark	881,732	692,430	880,260	692,430
Foreign markets	229,500	170,397	162,184	121,535
	<u>1,111,232</u>	<u>862,827</u>	<u>1,042,444</u>	<u>813,965</u>

## NOTE 4 COST OF SALES

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Costs of goods for resale	<u>501,829</u>	<u>381,076</u>	<u>489,589</u>	<u>373,222</u>
Write-down of inventories	<u>390</u>	<u>2,345</u>	<u>317</u>	<u>2,307</u>

## NOTE 5 OTHER OPERATING INCOME

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
<b>Other operating income</b>				
Gain on the disposal of property, plant and equipment	<u>75</u>	<u>0</u>	<u>75</u>	<u>0</u>
	<u>75</u>	<u>0</u>	<u>75</u>	<u>0</u>



**NOTE 6 OTHER EXTERNAL COSTS**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
<b>Fees for auditors appointed at the general meeting</b>				
Statutory audit services	475	433	340	310
Other assurance engagements	41	39	41	39
Tax advisory services	174	161	80	108
Other services	410	282	195	140
Total fee	1,100	915	656	597
Distributed as follows:				
PWC	915	733	646	549
Other firms	185	182	10	48
	1,100	915	656	597

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, to the group amounts to 306 tDKK and consist mainly of sundry tax and advisory services.

**NOTE 7 STAFF COSTS**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
Payroll	250,373	188,377	223,846	171,846
Pensions	15,547	11,847	15,253	12,147
Other social security costs	9,690	7,415	8,527	5,997
	275,610	207,639	247,626	189,990
Thereof:				
Payroll Executive Board	3,666	2,900	3,666	2,900
Pensions Executive Board	122	95	122	95
Payroll Board of Directors	687	550	687	550
	4,475	3,545	4,475	3,545
Average number of full-time employees	554	535	499	496

6 men and 0 women serve on the Board of Directors



**NOTE 8 DEPRECIATION / AMORTISATION**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Amortisation, software	3,490	2,766	3,490	2,766
Amortisation, trademarks	869	691	869	691
Amortisation, other intangible assets	149	149	149	149
Depreciation, fixtures and fittings, tools and equipment	12,688	7,986	8,062	6,916
Depreciation, leasehold improvements	11,867	9,055	9,972	7,249
	<u>29,063</u>	<u>20,647</u>	<u>22,542</u>	<u>17,771</u>

**NOTE 9 FINANCIAL INCOME**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Interest income, banks	48	51	642	49
Interest income, group enterprises	0	0	1,075	644
Adjustment of fair value of financial instruments	0	2,013	0	2,013
Foreign exchange adjustment	0	1,670	0	1,457
Other financial income	691	660	0	555
	<u>739</u>	<u>4,394</u>	<u>1,717</u>	<u>4,718</u>

**NOTE 10 FINANCIAL EXPENSES**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Interest expense, banks	1,503	1,816	1,483	1,799
Interest expense, bond loans	26,292	23,296	26,292	23,296
Adjustment of fair value, financial instruments	3,642	0	3,642	0
Foreign exchange adjustment	3,432	29	3,126	28
Other financial expenses	1,991	938	1,228	673
	<u>36,860</u>	<u>26,079</u>	<u>35,771</u>	<u>25,796</u>

**NOTE 11 TAX**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Tax for the year is distributed as follows:				
Tax on profit/loss for the year	13,886	12,497	11,518	13,225
Tax on other comprehensive income	0	0	0	0
	<u>13,886</u>	<u>12,497</u>	<u>11,518</u>	<u>13,225</u>
Tax on profit/loss for the year is specified as follows:				
Current tax	3,055	3,559	3,158	3,556
Deferred tax	10,831	8,573	8,360	9,669
Adjustment of tax in respect of previous years	0	365	0	0
	<u>13,886</u>	<u>12,497</u>	<u>11,518</u>	<u>13,225</u>
Tax on profit/loss for the year from continuing operations is specified as follows:				
Estimated 22% tax on results before tax	6,258	11,728	5,509	13,148
Adjustment of tax in foreign entities in proportion to 22%	2,745	-355	0	0
Tax effect of:				
Items irrelevant for tax purposes	4,883	827	6,009	77
Adjustment of tax in respect of prior years	0	297	0	0
	<u>13,886</u>	<u>12,497</u>	<u>11,518</u>	<u>13,225</u>
Effective tax rate	<u>48.8%</u>	<u>23.4%</u>	<u>46.0%</u>	<u>22.1%</u>

**NOTE 12 SOFTWARE**

DKK'000	CONSOLIDATED AND PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)
Opening cost	23,295	21,068
Additions for the year	6,916	2,228
Disposals for the year	0	0
Closing cost	<u>30,211</u>	<u>23,296</u>
Opening amortisation	19,547	16,781
Amortisation for the year	3,490	2,766
Reversed amortisation for the year of disposals	0	0
Closing amortisation	<u>23,037</u>	<u>19,547</u>
Carrying amount	<u>7,174</u>	<u>3,749</u>



**NOTE 13 TRADEMARKS**

DKK'000	CONSOLIDATED AND PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)
Opening cost	7,366	7,159
Additions for the year	0	207
Disposals for the year	0	0
Closing cost	7,366	7,366
Opening amortisation	4,055	3,364
Amortisation for the year	869	691
Reversed amortisation for the year of disposals	0	0
Closing amortisation	4,924	4,055
Carrying amount	2,442	3,311

**NOTE 14 GOODWILL**

DKK'000	CONSOLIDATED AND PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)
Opening cost	696,461	696,454
Additions for the year	1,000	7
Disposals for the year	0	0
Closing cost	697,461	696,461
Opening impairment losses	83,000	83,000
Impairment losses for the year	0	0
Closing impairment losses	83,000	83,000
Carrying amount	614,461	613,461

**Impairment testing**

At 31 December 2017, Management carried out a review for impairment of the carrying amount of goodwill based on the effected allocation of cost of goodwill on the cash-generating units:

DKK'000	CONSOLIDATED AND PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)
Retail Denmark	256,661	255,661
Wholesale worldwide	357,766	357,766
Other	34	34
<b>TOTAL</b>	<b>614,461</b>	<b>613,461</b>

The allocation of goodwill follows the groups reporting of segments. The reporting of segments have changed during the year, thus the allocation of goodwill have changed accordingly. The allocation is based on the original purchase price allocation. The recoverable amount is based on the value in use, which is determined using projected net cash flows on the basis of budgets and estimates for the years 2018 – 2023 approved by Management and at a discount rate of 7,0% after tax (2015/16: 7,0%), corresponding to a discount rate before tax of 9.0% (2015/16: 7,9%). The budget period applied is determined taking into account the company's activities, historic performance, long-term strategy as well as forecast market development.

The most material assumptions for the purpose of impairment testing arise from PWT Group's expected ability to boost earnings, and the growth rates applied rely on Management's forecast based on initiatives taken to boost earnings.

The group expects to enjoy continuous growth on the export markets. As the basis for impairment testing, the business has budgeted for an average revenue increase of 2,1-5,5% for each segment during the budget period (2018 – 2023) and 1,5% during the terminal period. On this basis, the net present value of future cash flows was not less than DKK 300 million up on carrying amount for each segment. However if the growth rates are not realisable as planned, no impairment is needed according to sensitivity analyses.

Management consider that probable changes in basic assumptions will not have the outcome that the carrying amount of goodwill at 31 December 2017 will exceed recoverable amount.

**NOTE 15 OTHER INTANGIBLE ASSETS**

DKK'000	CONSOLIDATED	
	2016/17 (15 months)	2015/16 (12 months)
Opening cost	1,490	1,490
Additions for the year	0	0
Disposals for the year	0	0
Closing cost	1,490	1,490
Opening amortisation	149	0
Amortisation for the year	149	149
Closing amortisation losses	298	149
Carrying amount	1,192	1,341

**NOTE 16 FIXTURES AND FITTINGS, TOOLS AND EQUIPMENT**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Opening cost	72,890	58,504	63,517	54,939
Value adjustment for the year	-877	401	0	0
Additions for the year	19,554	14,173	15,206	8,577
Disposals for the year	0	188	0	0
Closing cost	91,567	72,890	78,722	63,516
Opening depreciation	47,401	39,442	44,969	38,053
Value adjustment for the year	-274	105	0	0
Depreciation for the year	12,688	7,986	9,972	6,916
Reversed depreciation for year on disposals	0	133	0	0
Closing depreciation	59,815	47,400	54,941	44,969
Carrying amount	31,753	25,490	23,781	18,547
Thereof, assets held under finance leases	545	112	545	112

**NOTE 17 LEASEHOLD IMPROVEMENTS**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Opening cost	78,785	61,855	62,854	52,679
Currency translation	-1,554	711	0	0
Additions for the year	16,080	18,162	11,100	10,175
Disposals for the year	0	1,943	0	0
Closing cost	93,311	78,785	73,954	62,854
Opening depreciation	46,807	39,386	41,420	34,164
Currency translation	-642	309	0	0
Depreciation for the year	11,866	9,055	8,062	7,257
Reversed depreciation for the year of disposals	0	1,943	0	0
Closing depreciation	58,031	46,807	49,482	41,421
Carrying amount	35,280	31,978	24,472	21,433

**NOTE 18 INVESTMENTS IN GROUP ENTERPRISES**

DKK'000	PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)
Opening cost	1,956	1,956
Additions	20,952	0
Impairment for the year	-14,000	0
Cost at 31 December	8,908	1,956
Carrying amount	22,908	1,956

	COMPANY CAPITAL	VOTING RIGHTS AND STAKE
PWT Norway AS, Oslo, Norge	TNOK 400	100%
PWT Germany GmbH, Maasbüll, Tyskland	TEUR 25	100%
VW Junior ApS	TDKK 80	100%

Following companies are owned by the group: WagNo AS, Norway, owned 100% by PWT Norway AS



DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17 (15 months)	2015/16 (12 months)	2016/17 (15 months)	2015/16 (12 months)
Opening cost	10,135	3,690	10,135	3,690
Additions	0	6,445	0	6,445
Closing cost	10,135	10,135	10,135	10,135
Opening value adjustments	-3,049	0	0	0
Net profit/loss for the year	-8,302	-3,049	-11,351	0
Classified to write-down receivables	1,216	0	1,216	0
Value adjustments 31 December	-10,135	-3,049	-10,135	0
Carrying amount	0	7,086	0	10,135

The company holds 60% of the shares in Wagner China ApS, Denmark. Because of the shareholder agreement Wagner China ApS is treated as an investment in associates.

Comprehensive income 2016/17	Turnover	Profit before tax	Profit for the year	Other comprehen- sive income	Comprehen- sive income for the year	Groups share of profit
Wagner China ApS (Aalborg, 60% ownership)	0	-17,844	-17,832	0	-17,832	-7,133

Balance sheet 2016/17	Noncurrent assets	Current assets	Noncurrent liabilities	Current liabilities	Equity	Groups share of equity
Wagner China ApS (Aalborg, 60% ownership)	9,528	83	0	11,017	-1,406	-562

**NOTE 20 DEFERRED INCOME TAX**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
Deferred tax arises from:				
Intangible assets	47,145	46,565	47,145	46,565
Property, plant and equipment	1,764	553	1,764	553
Current assets	-972	-729	-371	-295
Provisions	-1,526	-1,331	-1,526	-1,331
Other liabilities	-226	-102	-226	-102
Tax loss carryforwards	-21,949	-34,043	-21,949	-31,284
	<u>24,236</u>	<u>10,913</u>	<u>24,837</u>	<u>14,106</u>

Deferred tax liabilities related to the Norwegian entities have been valued at zero, as these will be set off against the un-capitalized deferred tax assets. All other deferred tax assets and tax liabilities are recognised on the balance sheet.

**NOTE 21 DEPOSITS**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
Carrying amount at 1 October	14,743	15,691	14,473	15,426
Additions	1,126	460	1,064	253
Disposals	683	1,408	627	1,205
Carrying amount at 31 December	<u>15,186</u>	<u>14,743</u>	<u>14,910</u>	<u>14,474</u>

**NOTE 22 INVENTORIES**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
Goods for resale	193,801	216,958	180,516	204,441
Provisions for obsolescence	2,725	2,345	2,614	2,307
Goods for resale, net	<u>191,076</u>	<u>214,613</u>	<u>177,902</u>	<u>202,134</u>
Specification of provisions for obsolescence:				
Provision at 1 October	2,345	1,922	2,307	1,769
Adjustment for the year of provision for obsolescence	380	423	307	538
Provision at 31 December	<u>2,725</u>	<u>2,345</u>	<u>2,614</u>	<u>2,307</u>

**NOTE 23 TRADE RECEIVABLES**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
Trade receivables	57,621	86,815	50,573	71,323
Provisions for bad debts	1,863	1,802	1,684	1,342
Trade receivables, net	55,758	85,013	48,889	69,981
Specification of provisions for bad debts:				
Provision at 1 October	1,802	1,495	1,342	990
Loss for the year	-1,170	-393	-773	-262
Provisions reversed for the year	-42	-56	-42	-14
Provisions for the year	1,273	756	1,158	628
Provisions at 31 December	1,863	1,802	1,685	1,342
Overdue, receivables not written down fall due as follows:				
Due within 30 days	4,830	3,051	3,650	2,260
Due within 30 and 90 days	1,333	1,978	1,949	1,717
Due more than 90 days	1,536	1,725	777	1,200
	7,699	6,754	6,376	5,177

**NOTE 24 SHARE CAPITAL**

DKK'000	SHARE CAPITAL
Share capital upon establishment 2007/08	1,985
Closing share capital	1,985

The share capital is fully paid in and broken down on shares of DKK 1 or multiples thereof.  
No shares carry special rights.

**Capital management**

The Group regularly assesses the need for adjusting its capital structure to weigh the required higher return on equity up against the increased uncertainty surrounding loan capital. Equity's share of total assets (solvency ratio) reached 51,2% at the end of 2016/2017 (2015/2016: 48,3%). Capital management is conducted for the group as a whole.

## NOTE 25 PROVISIONS

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
The Group's total provision obligation broken down on residual terms:				
Within 1 year	2,727	150	2,651	150
Between 1 and 5 years	149	41	149	0
After 5 years	6,105	6,409	5,291	5,899
	<u>8,981</u>	<u>6,600</u>	<u>8,091</u>	<u>6,049</u>
Provision obligation at 1 October	6,600	4,904	6,049	4,505
Additions during the year	2,460	351	2,121	154
Reversals during the year	-150	-124	-150	0
Effect of change in interest rates	71	1,469	71	1,390
Reestablishment obligation at 30 September	<u>8,981</u>	<u>6,600</u>	<u>8,091</u>	<u>6,049</u>

Provisions obligations contains obligation to re-establish leaseholds and refund liabilities on sold clothes.

Obligation to re-establish leaseholds relates to projected future costs attributable to relocation of leaseholds and is based on projected costs relying on the current interior and condition of the leaseholds.

The obligation is discounted back to net present value using a discount rate of 0.98% (2015/16: 1.03%), equivalent to a risk-free interest rate.

Refund liabilities on sold clothes relates to projected future returns.



**NOTE 26**   **BANK LOANS AND OVERDRAFTS**

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
Bank overdrafts	21,833	80,506	21,833	80,318
<b>Bank loans and bond loans</b>	<b>21,833</b>	<b>80,506</b>	<b>21,833</b>	<b>80,318</b>
The loans are recognised as follows on the balance sheet:				
Current liabilities	21,833	80,506	21,833	80,318
<b>Carrying amount</b>	<b>21,833</b>	<b>80,506</b>	<b>21,833</b>	<b>80,318</b>
<b>Fair value</b>	<b>21,833</b>	<b>80,506</b>	<b>21,833</b>	<b>80,318</b>
<b>Undrawn credit facilities at 31 December/30 September</b>	<b>48,659</b>	<b>35,306</b>	<b>48,659</b>	<b>35,306</b>

	Currency	Interest margin to CIBOR	Carrying amount
Floating-rate business credits	DKK	2.43%	21,833



## NOTE 27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into forward contracts of a total of DKK 113,179 thousand for USD purchases of a value during the period until July 2018 for the purpose of hedging future purchases in USD. Forward contracts are not qualifying for treatment as hedging instruments, and changes are regularly recognised in the statement of comprehensive income as financial income and financial expenses.

### Cover of interest and currency risks:

#### 2016/17:

DKK'000	Residual life	Contract value	Fair value	Fair value adjustment recognised in the statement of comprehensive income
Forward contract, USD	0-6 months	113,179	-2,171	-3,642
<b>Recognised in the statement of comprehensive income before tax at a total of</b>			<b>-2,171</b>	<b>-3,642</b>

#### 2015/16:

Forward contract, USD	0-6 months	108,253	1,471	2,013
<b>Recognised in the statement of comprehensive income before tax at a total of</b>			<b>1,471</b>	<b>2,013</b>

Derivative financial instruments are valued in accordance with generally accepted valuation methods based on relevant observable swap and currency curves. All above-mentioned financial instruments are recognised as 2-level observable inputs in the fair value hierarchy.

## NOTE 28 DEFERRED INCOME

Deferred income comprises obligations in relation to gift tokens, estimate are based on several years of historical information.

## NOTE 29 CHARGES AND COLLATERAL

### Consolidated and parent company

As collateral for bank loans, the Group has provided a floating charge of a nominal amount of DKK 100 million secured upon non-current assets and current assets with a book value at 31 December 2017 of DKK 866 million (30 September 2016: DKK 908 million).

At 31 December 2017, the Group has entered into documentary credits of a total of DKK 13,502 thousand regarding non-settled purchase of goods abroad (30 September 2016: DKK 4,748 thousand).

The Group's Danish enterprises are jointly and severally liable for the jointly taxed enterprises' tax liabilities.

In the ordinary course of its business, the Group is subject to various litigation such as product liability claims, employee disputes, rental disputes and other kinds of lawsuits, and faces different types of legal issues. Any claim brought against the Group (with or without merit), could be costly to defend. These matters are inherently difficult to quantify. Management is of the opinion that the result of these disputes will not have a significant effect on the Group's financial position.

The Group has taken out operating leases for property and operating equipment. The lease period ranges typically between 3 to 10 years. The leaseholds in Denmark may be renewed upon expiry, whereas the Norwegian and Swedish leaseholds are to be renegotiated. A number of lease contracts contain revenue-related rent.

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
<b>Rent obligations</b>				
The Group's total rent obligations broken down on residual terms:				
Within 1 year	75,552	66,173	62,490	54,347
Between 1 to 5 years	96,853	84,966	61,603	46,301
After 5 years	27,864	4,602	27,390	0
<b>Total</b>	<b>200,269</b>	<b>155,741</b>	<b>151,483</b>	<b>100,648</b>
<b>Other operating lease obligations</b>				
The Group's total operating lease obligations broken down on residual terms:				
Within 1 year	3,335	3,310	2,784	2,731
Between 1 year to 5 years	5,202	8,703	4,513	7,895
<b>Total</b>	<b>8,537</b>	<b>12,013</b>	<b>7,297</b>	<b>10,626</b>
Operating leases expensed	105,568	81,230	93,960	72,312
Revenue based lease	3,697	3,689	2,456	3,084

**NOTE 31** RELATED PARTY DISCLOSURES AND OWNERSHIP

**Control**

Polaris Private Equity II K/S, Copenhagen  
P-WT 2007 A/S, Copenhagen  
PWT Holding A/S

**Basis**

Ultimate parent company  
Parent company of PWT Holding A/S  
Parent company of PWT Group A/S

**Significant influence**

The CEO of PWT Group A/S, Ole Koch Hansen, exercises control over OKH Holding A/S, which is deemed to exert significant influence

**Shareholder**

The group is controlled by PWT Holding A/S, Aalborg, which owns 100% of the company's shares. The group's ultimate controlling party is Polaris Private Equity II K/S, Copenhagen.

The Company is included in the consolidated financial statements of PWT Holding A/S, Aalborg and P-WT 2007 A/S, Copenhagen.

**Transactions with related parties**

Transactions with related parties took place on an arm's length basis.

Amounts owed by group enterprises are disclosed on the balance sheet of the parent company financial statements, and interest thereon is disclosed in note 9 and 10, Financial income and Financial expenses. Executives and Directors remuneration are disclosed in note 7, staff costs.

In addition, during the financial year, the Group engaged in the following transactions with enterprises exerting significant influence:

DKK'000	CONSOLIDATED	
	2016/17	2015/16
Rent, etc	5,852	4,680
Rent obligations regarding related parties represent	48,750	11,113



Henrik Theilbjørn, Jan Bøgh, Jan Johan Kühl and Allan Bach Pedersen serve on the Board of Directors of Polaris Private Equity. Torben Fog serves on the Board of Directors of TE Geninvest ApS.

**Henrik Theilbjørn**

Chairman and member of the board of directors since 2011

**CEO of:**

EMMADS Invest A/S

**Member of the Board of Directors of:**

Boozt AB  
HTM Group ApS  
Bygghemma Group AB  
Signal Ejendomme ApS  
Baum und Pferdgarten A/S  
Elka A/S  
SAHVA A/S  
Newline A/S  
Carl Ras A/S  
Traede ApS

**Jan Bøgh**

Member of the board of directors since 2010

**CEO of:**

Jysk A/S

**Member of the Board of Directors of:**

Bolia A/S  
Sengespecialisten A/S  
IDdesign A/S  
and a number of companies owned by Jysk Holding A/S

**Torben Fog**

Member of the board of directors since 2008

**CEO of:**

TF Invest ApS

**Member of the Board of Directors of:**

Hubertushuset A/S  
Sprit & Co. ApS  
TE Geninvest ApS  
Mosaikhjørnet A/S

**Claus Back Nielsen**

Member of the executive board since 2010 (CFO)

**Member of the Board of Directors of:**

Krogh Andersen A/S  
Happydays A/S

**Jan Johan Kühl**

Member of the board of directors since 2007

**Managing partner:**

Polaris Management

**Member of the Board of Directors of:**

Business Synergy Group ApS  
Interprimo A/S  
Part Unique ApS  
Brøndum A/S  
Brøndum Holding A/S  
and a number of companies owned by Polaris Private Equity

**Allan Bach Pedersen**

Member of the board of directors since 2007

**Partner:**

Polaris Management

**Member of the Board of Directors of:**

Østpeder Holding ApS  
and a number of companies owned by Polaris Private Equity

**Ole Koch Hansen**

Member of the executive board since 2008

Member of the board of directors since 2011

**CEO of:**

OKH Holding ApS

## NOTE 33 EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

## NOTE 34 NEW FINANCIAL REPORTING REGULATIONS

The following amended financial reporting standards and interpretations which may be of relevance to the PWT Group A/S Group have been adopted by the IASB and adopted by the EU. The standards have future effective dates and will therefore be implemented in the Annual Reports as they become effective. The implementation of the standards is not expected to have material impact on the consolidated financial statements.

- IFRS 9 changes the classification and measurement of financial assets and liabilities (replacement of IAS 39). The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Entities taking the fair value option are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. In PWT Group A/S' opinion, the standard will not have any major impact on the Group. The standard become mandatory for adoption as from the 2018 financial year.
- IFRS 15 "Revenue from Contracts with Customers" provides detailed framework definitions of revenue recognition. The implementation of IFRS 15 is not expected to have material impact on the consolidated financial statements. The standard become mandatory for adoption as from the 2018 financial year.

In addition to the above, the IASB has issued IFRS 16 "Leases". The standard has not yet been adopted by the EU and will be effective for financial years beginning on or after 1 January 2019. IFRS 16 "Leases" changes the rules on accounting treatment of operating leases by lessees. Going forward, operating leases are therefore to be recognised as an asset and a corresponding lease liability in the balance sheet. PWT Group A/S expects to implement the standard when it become effective. PWT Group A/S is in the process of assessing the effect of the standard. The implementation of IFRS 16 "Leases" cannot be de-termined at this time. For operating lease obligation and expenses cf. note 31.

## NOTE 35 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – PARENT COMPANY AND GROUP

### Risk management in general

As a result of its operating, investing and financing activities, PWT Group is exposed to financial risks, including market risks (currency risks and interest risks), credit risks and liquidity risks. Only the most important risks are accounted for in the note.

The Group manages its financial risks centrally as well as coordinates liquidity management and funding. Corporate policy is not to engage in any speculation in financial risks. The overall framework for management of currency risks is laid down in the policy on currency risks adopted by the Board of Directors.

The Group has taken out hedging of its currency and interest risks. The Group however does not use hedge accounting, thus the effect are recognized in comprehensive income.

**Currency risks**

Sales of the Group are primarily settled in Danish kroner, Norwegian kroner and Euro. The Group has sales companies in Germany and Norway and shops in Norway and thereby incurs costs in the same currency. Currency risks from income-generating activities are thereby limited, as the vast part thereof is invoiced in the Scandinavian currencies or Euro. The Group has chosen not to hedge net income.

Purchases by the wholesale business are primarily settled in USD, and, accordingly, the Group is heavily exposed to currency movements in USD. Hedging is taken out for all purchases in USD in accordance with the group policy on currency risks, and therefore the risk at the balance sheet date is not deemed material to the Group.

**Consolidated currency positions at 31 December 2017 set out in Danish kroner:**

DKK'000	USD	NOK	SEK	EUR
Receivables	2,440	4,081	3,113	7,827
Cash	0	5,359	2,038	0
Trade payables	191	4,789	308	9,212
Bank loans	247	0	0	3,035
Forward contracts	111,739	0	0	0
	<u>113,741</u>	<u>4,651</u>	<u>4,843</u>	<u>-4,420</u>
Impact on results before tax based on a -10% change in exchange rate	<u>-11,374</u>	<u>-465</u>	<u>-484</u>	<u>442</u>
Impact on equity and results after tax based on a -10% change in exchange rate	<u>-8,872</u>	<u>-363</u>	<u>-378</u>	<u>345</u>

**Consolidated currency positions at 30 September 2016 set out in Danish kroner:**

DKK'000	USD	NOK	SEK	EUR
Receivables	1,495	4,473	6,565	18,576
Cash	0	1,639	1,479	145
Trade payables	0	6,302	6	1,718
Bank loans	1,920	0	0	0
Forward contracts	110,157	0	0	0
	<u>109,732</u>	<u>-190</u>	<u>8,038</u>	<u>17,003</u>
Impact on results before tax based on a -10% change in exchange rate	<u>-10,973</u>	<u>19</u>	<u>-804</u>	<u>-170</u>
Impact on equity and results after tax based on a -10% change in exchange rate	<u>-8,559</u>	<u>15</u>	<u>-627</u>	<u>-133</u>

The currency risk on USD mainly relate to the Group's forward exchange transactions. A decrease of 10% as mentioned above, would have an opposite effect on signed purchase orders.

**Interest risks**

As a result of its investing and financing activities, the Group is exposed to fluctuations in the level of interest rates in Denmark.

For the purpose of the Group's floating-rate cash and liabilities, an increase of 1% in interest rate level on the actual interest rates at the balance sheet date would hypothetically have a negative impact on consolidated results and equity at year end of DKK 2.2 million (DKK 3.1 million) and the Parent Company's results and equity of DKK 2.0 million (DKK 2.8 million). A similar reduction in interest rate level would have a corresponding positive effect.

The stated sensitivities have been based on recognised financial assets and liabilities at the end of the financial year. Repayment, raising of loans, etc. during the financial year have not been taken into account. The changes applied are considered fairly likely in the present market situation and based on projected movement in interest levels.

### Credit risks

As a result of its operations, the Group is exposed to credit risks primarily arising from receivables from customers. The maximum credit risk is equivalent to the carrying amount of these items.

The Group regularly assesses the need for write-down for bad debts and follows up on receivables, and if required write-down is made in accordance with Group's policy for write-down. The Group is not exposed to any material risks posed by an individual customer.

Cash in banks are not deemed to pose any special credit risks.

### Liquidity risks

The Group strives to have a sufficient liquidity reserve comprising cash, fair value trough profit or loss assets and undrawn credit facilities to be able to take proper action in case of unforeseen fluctuations in liquidity. Capital resources are regularly assessed and managed by the Finance Department. Based on the Group's capital resources and projected future cash flows, Management is of the opinion that sufficient capital resources are available.

The Group mainly finances its activities over the open bank business credits and undrawn drawing rights. Due to the seasonal fluctuations, etc., in its activities, the Group's liquidity requirements vary during the financial year. The seasonal variations are taken into account in the form of the availability of a sufficient number of overdraft facilities, etc.

Loan from group enterprises relate from consolidated bond debt in PWT Holding A/S, arising from the purchase of activities in 2008 fall due in 2019. On a regular basis, the Management assesses the market for new financing options when the bond expires in October 2022, these studies has been very positive and with great potential.

Net interest-bearing debt of the Group and the Parent Company is specified as follows:

DKK'000	CONSOLIDATED		PARENT COMPANY	
	2016/17	2015/16	2016/17	2015/16
<b>Specification of net interest-bearing debt</b>				
Cash at bank and in hand	-19,866	-10,708	-14,235	-8,180
Lease debt	540	171	540	171
Amounts borrowed from group enterprises	245,798	292,686	245,798	292,874
Bank loans, current liabilities	21,833	80,507	21,833	80,318
<b>Net interest-bearing debt</b>	<b>248,305</b>	<b>362,656</b>	<b>253,936</b>	<b>365,183</b>



The Group's financial liabilities fall due for payment as specified below with the amounts reflecting the non-discounted nominal amount falling due for payment in accordance with agreements concluded, including future interest payments calculated on the basis of the present market situation and concluded interest swaps. Bond debt in the parent company with expiry on 18 October 2022 represent the vast part of the Group's liabilities.

The repayment schedule is based on non-discounted contracting cash flows including estimated interest payments. The interest payments are estimated based on the current market situation.

DKK'000	01.10.2016	Cash flow, net	Other regulations	31.12.2017
<b>Specification of interest-bearing debt</b>				
Amounts borrowed from group enterprises	292,686	-46,888	0	245,798
Bank loans and overdrafts, short term	80,507	-58,674	0	21,833
Lease debt, long and short term	171	259	110	540
<b>Debt from financing activities</b>	<b>373,364</b>	<b>-105,303</b>	<b>110</b>	<b>268,171</b>

#### 2016/17, Consolidated

DKK'000	0-1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	CARRYING AMOUNT
Deposits	0	0	15,186	15,186	15,186
Trade receivables	55,758	0	0	55,758	55,758
Other receivables	4,725	0	0	4,725	4,725
<b>Loans and receivables</b>	<b>60,483</b>	<b>0</b>	<b>15,186</b>	<b>75,669</b>	<b>75,669</b>
Lease debt	120	420	0	540	540
Overdraft facilities	21,833	0	0	21,833	21,833
Amounts borrowed from group enterprises	245,798	0	0	245,798	245,798
Trade payables	93,437	0	0	93,437	93,437
Derivate financial instruments	2,171	0	0	2,171	2,171
Other payables	67,423	0	0	67,423	67,423
<b>Financial liabilities are measured at amortised cost</b>	<b>430,782</b>	<b>420</b>	<b>0</b>	<b>431,202</b>	<b>431,202</b>

**2015/16, Consolidated**

	<b>0-1 YEAR</b>	<b>1-5 YEARS</b>	<b>&gt; 5 YEARS</b>	<b>TOTAL</b>	<b>CARRYING AMOUNT</b>
Deposits	293	0	14,450	14,743	14,743
Trade receivables	85,013	0	0	85,013	85,013
Derivative financial instruments	1,471	0	0	1,471	1,471
Other receivables	2,228	0	0	2,228	2,228
<b>Loans and receivables</b>	<b>89,005</b>	<b>0</b>	<b>14,450</b>	<b>103,455</b>	<b>103,455</b>
Lease debt	175	0	0	175	171
Overdraft facilities	80,506	0	0	80,506	80,506
Amounts borrowed from group enterprises	292,685	0	0	292,685	292,685
Trade payables	78,353	0	0	78,353	78,353
Other payables	38,113	0	0	38,113	38,113
<b>Financial liabilities are measured at amortised cost</b>	<b>489,832</b>	<b>0</b>	<b>0</b>	<b>489,832</b>	<b>489,828</b>

**2016/17, Parent Company**

	<b>0-1 YEAR</b>	<b>1-5 YEARS</b>	<b>&gt; 5 YEARS</b>	<b>TOTAL</b>	<b>CARRYING AMOUNT</b>
Deposits	0	0	14,910	14,910	14,910
Trade receivables	48,889	0	0	48,889	48,889
Other receivables	4,578	0	0	4,578	4,578
<b>Loans and receivables</b>	<b>53,467</b>	<b>0</b>	<b>14,910</b>	<b>68,377</b>	<b>68,377</b>
Lease debt	120	420	0	540	540
Overdraft facilities	21,833	0	0	21,833	21,833
Amounts borrowed from group enterprises	245,798	0	0	245,798	245,798
Trade payables	91,632	0	0	91,632	91,632
Derivative financial instruments	2,171	0	0	2,171	2,171
Other payables	61,114	0	0	61,114	61,114
<b>Financial liabilities are measured at amortised cost</b>	<b>422,668</b>	<b>420</b>	<b>0</b>	<b>423,088</b>	<b>423,088</b>

**2015/16, Parent Company**

	<b>0-1 YEAR</b>	<b>1-5 YEARS</b>	<b>&gt; 5 YEARS</b>	<b>TOTAL</b>	<b>CARRYING AMOUNT</b>
Deposits	293	0	14,181	14,474	14,474
Trade receivables	69,981	0	0	69,981	69,981
Derivative financial instruments	1,471	0	0	1,471	1,471
Other receivables	2,182	0	0	2,182	2,182
<b>Loans and receivables</b>	<b>73,927</b>	<b>0</b>	<b>14,181</b>	<b>88,108</b>	<b>88,108</b>
Lease debt	175	0	0	175	171
Overdraft facilities	80,318	0	0	80,318	80,318
Amounts borrowed from group enterprises	292,874	0	0	292,874	292,874
Trade payables	71,507	0	0	71,507	71,507
Other payables	33,563	0	0	33,563	33,563
<b>Financial liabilities are measured at amortised cost</b>	<b>478,437</b>	<b>0</b>	<b>0</b>	<b>478,437</b>	<b>478,433</b>

On the basis of the Parent Company's and the Group's forecast future operations and the Group's current liquidity, no material liquidity risks have been identified. Please also refer to the description of liquidity risks above.









# COMPANY DETAILS

<b>COMPANY</b>	<p>PWT Group A/S Gøteborgvej 15 9200 Aalborg SV Denmark</p> <p><b>CVR No.:</b> 31 08 16 10 <b>Established:</b> 30 November 2007 <b>Registered office:</b> Aalborg <b>Financial year:</b> 1 October 2016 - 31 December 2017 (10th financial year)</p>
<b>WWW</b>	<p>pwt-group.com pwtbrands.com lindbergh.dk shineoriginal.com bison.dk jackssportswear.com junkdeluxe.dk wagner.dk tøjeksperten.dk</p>
<b>BOARD OF DIRECTORS</b>	<p>Henrik Thorup Theilbjørnn (Chairman) Jan Bøgh Torben Fog Jan Johan Kühl Allan Bach Pedersen Ole Koch Hansen</p>
<b>EXECUTIVE BOARD</b>	<p>Ole Koch Hansen, CEO Claus Back Nielsen, CFO</p>
<b>AUDITORS</b>	<p>PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A 9000 Aalborg Denmark</p>





**PWT GROUP**

GØTEBORGVEJ 15-17

9200 AALBORG SV

DENMARK

(+45) 7245 4545

PWT-GROUP.COM

PWTBRANDS.COM

PWT BRANDS

TØJ | eksperter

WAGNER

LINDBERGH

BISON

JACK'S  
SPORTSWEAR INTL.

SHINE ORIGINAL

JUNK de LUXE