Church Denmark ApS

c/o Church's Copenhagen Illum, Østergade 52, 1100

CVR no. 35 66 54 20

Annual report 2016/17

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:

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Stephen Etheridge

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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Church Denmark ApS for the financial year 1 February 2016 - 31 January 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 January 2017 and of the results of the Company's operations for the financial year 1 February 2016 - 31 January 2017.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

I recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2017
Executive Board:

Stephen Etheridge
CEO

Independent auditor's report on the compilation of financial statements

To the general management of Church Denmark ApS

We have compiled the financial statements of Church Denmark ApS for the financial year 1 February 2016 - 31 January 2017 based on the Company's bookkeeping and other information provided.

The financial statements comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies.

We performed this compilation engagement in accordance with ISRS 4410, Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the financial statements in accordance with the Danish Financial Statements Act. We have complied with relevant ethical requirements in the Danish act on approved auditors and audit firms and FSR - Danish Auditors' code of ethics, including principles of integrity, objectivity, professional competence and due care.

The financial statements and the accuracy and completeness of the information used to compile the financial statements are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether the financial statements are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 31 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Ole Hedemann
state authorised public accountant

Anders Flymer-Dindler
state authorised public accountant

Management's review

Company details

Name	Church Denmark ApS
Address, Postal code, City	c/o Church's Copenhagen Illum, Østergade 52, 1100
CVR no.	35 66 54 20
Established	10 February 2014
Registered office	København K
Financial year	1 February 2016 - 31 January 2017
Executive Board	Stephen Etheridge, CEO

Management commentary

Business review

The Company's activities comprise sales of Church products in Copenhagen, Denmark.

Financial review

The income statement for 2016/2017 shos a loss of DKK 946 thousand against a loss of DKK 706 thousand last year, and the balance sheet at 31 January 2017 shows a negative equity of DKK 2,576 thousand.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements for the period 1 February 2016 - 31 January 2017

Income statement

DKK'000	2016/17	2015/16
Gross margin	573	609
Staff costs	-1,099	-1,235
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-420	-130
Profit/loss before net financials	-946	-756
Financial expenses	0	-1
Profit/loss before tax	-946	-757
Tax for the year	0	48
Profit/loss for the year	-946	-709

Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-946	-709
	-946	-709

Financial statements for the period 1 February 2016 - 31 January 2017

Balance sheet

Note	DKK'000	2016/17	2015/16
	ASSETS		
	Fixed assets		
6	**Intangible assets**		
	Acquired intangible assets	13	19
		13	19
7	**Property, plant and equipment**		
	Fixtures and fittings, other plant and equipment	36	428
		36	428
	Total fixed assets	49	447
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	2,165	2,380
	Prepayments for goods	153	57
		2,318	2,437
	Receivables		
	Trade receivables	879	277
	Deferred Tax	48	48
	Prepayments	7	9
		934	334
	Cash	732	671
	Total non-fixed assets	3,984	3,442
	TOTAL ASSETS	4,033	3,889

Financial statements for the period 1 February 2016 - 31 January 2017

Balance sheet

Note	DKK'000	2016/17	2015/16
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	50	50
	Retained earnings	-2,626	-1,680
	Total equity	-2,576	-1,630
	Liabilities		
	Current liabilities		
	Trade payables	27	14
	Payables to group enterprises	6,065	4,924
	Other payables	517	581
		6,609	5,519
	Total liabilities other than provisions	6,609	5,519
	TOTAL EQUITY AND LIABILITIES	4,033	3,889

1 Accounting policies
2 Going concern uncertainties

Financial statements for the period 1 February 2016 - 31 January 2017

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 February 2015	50	-971	-921
Transfer through appropriation of loss	0	-709	-709
Equity at 1 February 2016	50	-1,680	-1,630
Transfer through appropriation of loss	0	-946	-946
Equity at 31 January 2017	50	-2,626	-2,576

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 Accounting policies

The annual report of Church Denmark ApS for 2016/17 has been prepared In accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certaln provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 February 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Income statement

Revenue

Income from the sale of finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, change in inventories of finished goods and and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	3-5 years

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 **Accounting policies (continued)**

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. Fixtures and fittings are depreciated over the terms of the lease. Other assets are depreciated over 5 years.

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include software licences.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 **Accounting policies (continued)**

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

2 **Going concern uncertainties**

The Company has received a letter of support from the parent company, so the Company is able to settle its liabilities as they fall due. The letter of support expires 31 January 2018. Based on this, the financial statements have been prepared on a going concern assumption.

3 **Staff costs**

Wages/salaries	1,070	1,200
Other social security costs	29	35
	1,099	1,235

4 **Amortisation/depreciation of intangible assets and property, plant and equipment**

Amortisation of intangible assets	6	6
Depreciation of property, plant and equipment	414	124
	420	130

5 **Tax for the year**

Deferred tax adjustments in the year	0	-48
	0	-48

6 **Intangible assets**

DKK'000	Acquired intangible assets
Cost at 1 February 2016	29
Cost at 31 January 2017	29
Impairment losses and amortisation at 1 February 2016	10
Amortisation for the year	6
Impairment losses and amortisation at 31 January 2017	16
Carrying amount at 31 January 2017	13

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 February 2016	625
Additions	22
Cost at 31 January 2017	647
Impairment losses and depreciation at 1 February 2016	197
Depreciation	414
Impairment losses and depreciation at 31 January 2017	611
Carrying amount at 31 January 2017	36