

# Brand Unit ApS

Wilders Plads 9 C, 1403 Copenhagen C

CVRno. 35 84 26 59



## Annual report 2016

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

Chairman:



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## Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Brand Unit ApS for the financial year 1 January - 31 December 2016.


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

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

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

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

Lynge, 31 May 2017  
Executive Board:

  
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Jan Sorensen  
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Henrik Lyngbye Pedersen  
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Gunnhild á Pógví Olsen

## Independent auditor's report

To the shareholder of Brand Unit ApS

### Opinion

We have audited the financial statements of Brand Unit ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### 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 Company 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 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 conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2017  
Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Peter Gath  
State Authorised Public Accountant



## Management's review

### Company details

Name Brand Unit ApS  
Address, Postal code, City Wilders Plads 9 C, 1403 Copenhagen C

CVR no. 35 84 26 59  
Established 30 April 2014  
Registered office Copenhagen  
Financial year 1 January - 31 December

Executive Board Jan Sorensen  
Henrik Lyngbye Pedersen  
Gunnhild á Rógvi Olsen

Auditors Ernst & Young Godkendt Revisionspartnerselskab  
Osvold Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg,  
Denmark



## Management's review

### Management commentary

#### Business review

The principal activity of the Company is wholesale of clothing.

#### Financial review

The loss for the year amounts to DKK 5,684 thousand which is considered unsatisfying.

The company has completed its discussions with Bregnerod Investeringsselskab ApS and has obtained a commitment for the necessary financing of the operations up to and including 31 December 2017. In 2017, the financing and equity base will be sufficient for the company to meet its liabilities for a period of at least 12 months after the preparations of the annual report.

#### Events after the balance sheet date

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

#### Outlook

Management expects that the Company will also realise a loss in 2017, but that the continued growth in activity will enable the achievement of positive earnings over the next few years.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Revenue	3,101	1,946
	Cost of sales	-1,663	-1,268
	Other external expenses	-2,838	-1,973
	Gross margin	-1,400	-1,295
3	Staff costs	-4,007	-2,382
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-121	-37
	Profit/loss before net financials	-5,528	-3,714
	Financial income	2	1
4	Financial expenses	-158	-108
	Profit/loss for the year	-5,684	-3,821
	Recommended appropriation of profit/loss	-5,684	-3,821
	Retained earnings/accumulated loss	-5,684	-3,821





Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	375	475
		<u>375</u>	<u>475</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	24	10
	Leasehold improvements	151	18
		<u>175</u>	<u>28</u>
	Investments		
	Deposits, investments	168	47
		<u>168</u>	<u>47</u>
	Total fixed assets	<u>718</u>	<u>550</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	1,234	508
		<u>1,234</u>	<u>508</u>
	Receivables		
	Trade receivables	390	343
	Receivables from group entities	69	21
	Other receivables	453	235
		<u>912</u>	<u>599</u>
	Cash	346	354
	Total non-fixed assets	<u>2,492</u>	<u>1,461</u>
	TOTAL ASSETS	<u>3,210</u>	<u>2,011</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	100	100
	Retained earnings	2,435	992
	Total equity	2,535	1,092
	Liabilities		
	Current liabilities		
	Bank debt	30	68
	Trade payables	27	115
	Other payables	618	736
		675	919
	Total liabilities other than provisions	675	919
	TOTAL EQUITY AND LIABILITIES	3,210	2,011

- 1 Accounting policies
- 2 Capital Resources
- 8 Contractual obligations and contingencies, etc.
- 9 Collateral
- 10 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	100	-225	-125
Capital increase	0	5,038	5,038
Transfer through appropriation of loss	0	-3,821	-3,821
Equity at 1 January 2016	100	992	1,092
Capital increase	0	7,127	7,127
Transfer through appropriation of loss	0	-5,684	-5,684
Equity at 31 December 2016	100	2,435	2,535

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Brand Unit ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The Company has with effect from 1st January 2016 implemented law no. 738 of 1st June 2015 with changes to Danish Financial Statement Act. The implementation of this changing law has no monetary effect for the financial statement or the balance sheet in the annual report or comparatives. The annual report is thus submitted under the same accounting principles as last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

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.

##### 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 cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

## Financial statements for the period 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

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	5 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

## Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and 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 investment in software and acquired intangible rights.

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

Scrapvalues for intangible assets are revised annually.

## 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.

Scrapvalues for intangible assets are revised annually.

## 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.

## Financial statements for the period 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

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).

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.

## 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 January - 31 December

### 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Capital Resources

The company has completed its discussions with Bregnerod Investeringsselskab ApS and has obtained a commitment for the necessary financing of operations up to and including 31 December 2017. On this basis the financial statements has been prepared under the going concern assumption

DKK'000	2016	2015
3 Staff costs		
Wages/salaries	3,684	2,143
Pensions	130	88
Other social security costs	45	32
Other staff costs	148	119
	4,007	2,382
 Average number of full-time employees	 7	 4
4 Financial expenses		
Interest expenses, group entities	130	94
Remission of debt and similar	28	14
	158	108
5 Intangible assets		Acquired intangible assets
DKK'000		
Cost at 1 January 2016		500
Cost at 31 December 2016		500
Impairment losses and amortisation at 1 January 2016		25
Amortisation/depreciation in the year		100
Impairment losses and amortisation at 31 December 2016		125
Carrying amount at 31 December 2016		375
Amortised over		5 years



Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	22	27	49
Additions in the year	26	143	169
Cost at 31 December 2016	48	170	218
Impairment losses and depreciation at 1 January 2016	12	9	21
Amortisation/depreciation in the year	12	10	22
Impairment losses and depreciation at 31 December 2016	24	19	43
Carrying amount at 31 December 2016	24	151	175
Amortised over	5 years	5 years	

7 Share capital

The Company's share capital has remained DKK 100 thousand over the past 3 years.

Analysis of changes in the share capital over the past 3 years:

DKK'000	2016	2015	2014
Opening balance	100	100	100
	100	100	100

8 Contractual obligations and contingencies, etc.

Other contingent liabilities

The company has entered into operating leases amounting to DKK 66 thousand at 31 December 2016

The Company is jointly taxed with its parent, Bregnerod Investeringsselskab ApS, which acts as management company, and is jointly and severally with other jointly taxed group entities for payment of income taxes for the income year 2014 onwards as well as withholding taxes on interest, royalties and dividends.

9 Collateral

Brand Unit has deposited DKK 200 thousand as a collateral against company credit card overdraft



## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 10 Related parties

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Bregnerod Investeringselskab ApS	Strandgade 85, 4. 4., 1401 København K