

# Femilet A/S

Tulstrupvej 13  
7430 Ikast

CVR no. 37 99 95 12

## Annual report 2016

The annual report was presented and approved at the  
Company's annual general meeting

on 19/5 2017

  
chairman of the annual general meeting

## **Contents**

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	7
Group chart	7
Financial highlights for the Group and Parent Company	8
Operating review	9
Consolidated financial statements and parent company financial statements 1 January – 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Cash flow statement	16
Notes	17

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Femilet A/S for the financial year 1 January – 31 December 2016.

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

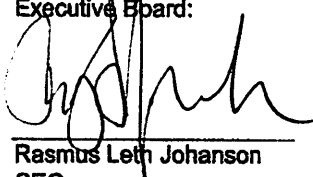
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

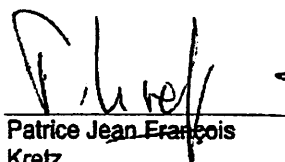
Ikast, 10 April 2017

Executive Board:

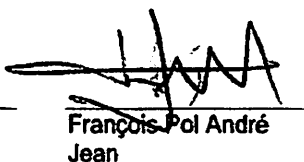


Rasmus Leth Johanson  
CEO

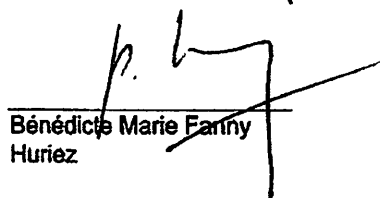
Board of Directors:



Patrice Jean François  
Kretz  
Chairman



François Pol André  
Jean



Bénédicte Marie Fanny  
Huriez



## **Independent auditor's report**

**To the shareholders of Femilet A/S**

### **Opinion**

We have audited the consolidated financial statements and the parent company financial statements of Femilet A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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 assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows 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 consolidated financial statements and the parent company 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 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 responsibility for the consolidated financial statements and the parent company financial statements**

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



## **Independent auditor's report**

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements**

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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.





## Independent auditor's report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.



## Independent auditor's report

Based on the work we have performed, we conclude that the 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 of the Management's review.

Aarhus, 10 April 2017

**KPMG**

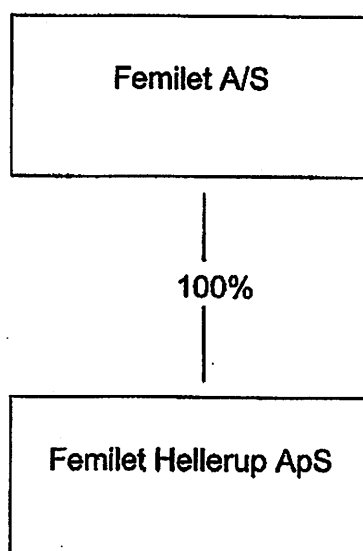
Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

A blue ink signature, appearing to read 'M. Mortensen', written over a horizontal line.

Michael Mortensen  
State Authorised  
Public Accountant

## Management's review

### Group chart





## Management's review

### Financial highlights for the Group and Parent Company

DKK'000	2016	2015	2014	2013	2012
Gross profit/loss	32,492	27,244	29,478	27,189	28,051
Operating profit/loss	-7,995	-10,520	-8,935	-11,759	-10,024
Profit/loss from financial income and expenses	-596	-754	-660	-1,015	-1,146
Profit/loss for the year	-8,591	-13,914	-9,595	-13,086	-11,222
Total assets	57,929	57,435	54,109	63,542	61,317
Investments in property, plant and equipment	-1,024	-2,133	-328	-663	393
Equity	24,488	11,077	24,991	14,586	12,672
Cash flows from operating activities	-2,220	-10,605	-7,349	-13,094	-11,390
Cash flows from investing activities	-1,060	-3,383	33	-751	-1,173
Cash flows from financing activities	11,210	12,958	4,333	13,000	13,000
Total cash flows	7,930	-1,030	-2,983	-845	437
Current ratio	163%	119%	213%	137%	133%
Return on equity	-48%	-77%	-48%	-88%	-104%
Solvency ratio	42%	19%	46%	23%	21%
Average number of full-time employees	94	91	90	94	96

The figures for 2016 cover the Group. For 2015 and prior years, figures only cover the Parent Company.

The financial highlights for 2012 have been restated in accordance with the uniting-of-interests method following the merger with Chantelle ApS.

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". The financial ratios have been calculated as follows:

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Short-term debt}}$$

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio

$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

## **Management's review**

### **Operating review**

#### **The Group's principal activities**

The Group is engaged in the design, development, marketing and sale of lingerie and related products.

The Group's products are distributed through two sales channels. One channel comprises department stores and specialised shops in Denmark and on selected export markets. The other channel comprises concept stores, which Femilet either owns or runs on a franchise basis.

#### **Development in activities and financial position**

For 2016, the Company reported a loss of DKK 8,591 thousand (2015: DKK 13,914 thousand). The loss is, nevertheless, considered unsatisfactory. The improvement in earnings is a result of the ongoing turn-around process and shows that the Company experiences a positive trend.

In 2010, the French lingerie Group, Chantelle, acquired the Company, and a long-term plan was subsequently prepared for the Company. The implementation of these plans is in process and will continue in the years ahead.

2016 was yet another year with a market under pressure. Nevertheless, Management has chosen to continuously strengthen its organisation and to invest in the market. The shareholder of the Company continues to support this process and provides financial support to the Company to secure a long-term financial basis for its operations. A capital injection of DKK 22 million was made on 10 May 2016.

In 2016 the company, Femilet Hellerup ApS, was acquired and is being integrated into Femilet A/S.

#### **Outlook**

It is the strategy of the Company to further strengthen its business activities going forward and in this way foster profitable growth. The Company will invest in its digital platform in 2017 and consequently expects lower results in 2017 linked to one-off costs.

#### **Operating risks**

Femilet develops fashion-oriented products and is thereby dependent on current fashion trends. The related sourcing risk is only of a minor scale as a considerable part of sales takes place prior to purchase planning. The vast part of the Company's purchases is made in EUR and USD. It is company policy to hedge significant purchase orders in USD.

## **Management's review**

### **Operating review**

#### **Intellectual capital**

Femilet's staff of qualified employees makes up an important asset for the continued development of the Company. The Company's key competences lie within the areas design, model construction and logistics as well as a well-documented and tried-and-tested retailers' concept.

#### **Event after the balance sheet date**

No events have occurred after the balance sheet date that may influence the assessment of the annual report for 2016.

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Income statement

DKK'000	Note	Group	Parent Company	
		2016	2016	2015
<b>Gross profit</b>		32,492	32,393	27,244
<b>Staff costs</b>	2	-38,832	-38,677	-36,363
<b>Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses</b>		-1,655	-1,655	-1,401
<b>Operating profit/loss</b>		-7,995	-7,939	-10,520
<b>Other financial income</b>	3	8	8	3
<b>Other financial expenses</b>	4	-604	-591	-757
<b>Profit/loss before tax</b>		-8,591	-8,522	-11,274
<b>Tax on profit/loss for the year</b>		0	0	-2,640
<b>Profit/loss for the year</b>	5	-8,591	-8,522	-13,914

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	Group	Parent Company	
		2016	2016	2015
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible assets	6			
Trademarks		5	5	15
Earnest money		1,253	1,253	1,850
		1,258	1,258	1,865
<b>Property, plant and equipment</b>	7			
Fixtures and fittings, tools and equipment		1,452	1,452	1,786
Leasehold improvements		1,348	1,348	1,038
		2,800	2,800	2,824
<b>Investments</b>				
Equity investments in group entities	8	0	1	0
Deposits		3,300	2,958	2,922
		3,300	2,959	2,922
<b>Total fixed assets</b>		7,358	7,017	7,611
<b>Current assets</b>				
<b>Inventories</b>				
Finished goods and goods for resale		29,438	28,825	38,998
		29,438	28,825	38,998
<b>Receivables</b>				
Trade receivables		7,590	7,590	6,861
Receivables from group entities		2,827	3,855	852
Other receivables		450	404	97
Prepayments	9	524	515	639
		11,391	12,364	8,449
<b>Cash at bank and in hand</b>		9,742	9,626	2,377
<b>Total current assets</b>		50,571	50,815	49,824
<b>TOTAL ASSETS</b>		57,929	57,832	57,435



## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Balance sheet

DKK'000	Note	Group	Parent Company	
		2016	2016	2015
EQUITY AND LIABILITIES				
Equity				
Share capital	10	12,480	12,480	12,333
Retained earnings		12,006	12,075	-1,256
Total equity		24,486	24,555	11,077
Liabilities				
Non-current liabilities				
Credit institutions	11	2,430	2,430	4,398
		2,430	2,430	4,398
Current liabilities				
Credit institutions	11	2,000	2,000	2,251
Trade payables		6,722	6,722	6,525
Payables to group entities		11,942	11,942	20,513
Other payables		10,349	10,183	12,671
		31,013	30,847	41,960
Total liabilities		33,443	33,277	46,358
TOTAL EQUITY AND LIABILITIES		57,929	57,832	57,435

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Statement of changes in equity

DKK'000	Group			
	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2016	12,333	0	-1,256	11,077
Capital increase	147	21,853	0	22,000
Share premium reserve dissolved	0	-21,853	21,853	0
Transferred over the profit appropriation/distribution of loss	0	0	-8,591	-8,591
Equity at 31 December 2016	12,480	0	12,006	24,486

Femilet A/S  
Annual report 2016  
CVR no. 37 99 95 12

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Statement of changes in equity

DKK'000	Parent Company			
	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2016	12,333	0	-1,256	11,077
Capital increase	147	21,853	0	22,000
Share premium reserve dissolved	0	-21,853	21,853	0
Transferred over the profit appropriation/distribution of loss	0	0	-8,522	-8,522
Equity at 31 December 2016	12,480	0	12,075	24,555

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Cash flow statement

		Group	Parent Company
DKK'000	Note	2016	2015
Profit/loss for the year		-8,591	-13,914
Depreciation, amortisation and impairment losses		1,655	1,401
Other adjustments of non-cash operating items	12	596	3,394
Cash generated from operations before changes in working capital		-6,340	-9,119
Changes in working capital	13	4,716	-732
Cash generated from operations		-1,624	-9,851
Interest income		8	3
Interest expense		-604	-757
Cash flows from operating activities		-2,220	-10,605
Acquisition of intangible assets		0	-1,150
Acquisition of property, plant and equipment		-1,024	-2,233
Deposits		-36	0
Cash flows from investing activities		-1,060	-3,383
External financing:			
Repayment of long-term debt		-2,219	-7,317
Repayment of payables to group entity		-8,571	20,275
Shareholders:			
Capital increase		22,000	0
Cash flows from financing activities		11,210	12,958
Cash flows for the year		7,930	-1,030
Cash and cash equivalents at the beginning of the year		1,812	3,407
Cash and cash equivalents at year end		9,742	2,377

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Femilet A/S for 2016 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Group has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the accounting treatment of business combinations in accordance with the acquisition method will be changed as follows. In accordance with the transitional provisions, comparative figures in the income statement and balance sheet are not restated:
  - The pre-acquisition balance sheet is adjusted up until 12 months after the acquisition date with effect on the determined goodwill compared to previously when it was adjusted within the current financial year and the entire coming financial year.
  - Contingent considerations are recognised in the income statement compared to previously when it was recognised in cost and thus in goodwill.
  - Upon step acquisitions, revaluation of existing equity investments at fair value is recognised through profit or loss. Previously, each acquisition was treated separately so that the total goodwill was determined based on the cost and fair value of net assets for each individual acquisition.
  - Contingent liabilities in the acquired entity are recognised in the pre-acquisition balance sheet if the liabilities are material, have been recognised as part of the purchase price of the entity and the fair value can be determined reliably. Previously, contingent liabilities in the acquired entity were not recognised in the pre-acquisition balance sheet.
- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.
- The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Previously, the uniting of interests was considered to have taken place at the beginning of the financial year with restatement of comparative figures.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.



## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

##### **Consolidated financial statements**

The consolidated financial statements comprise the Parent Company, Femilet A/S, and subsidiaries in which Femilet A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

##### **Business combinations**

When acquiring new entities, the purchase method is applied under which identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquirer at the acquisition date that are not a part of the acquisition are included in the pre-acquisition balance sheet and thus the determination of goodwill. Restructuring that is adopted after the acquisition is recognised in the income statement. The tax effect of revaluations is recognised as deferred tax.

Positive differences (goodwill) between cost and the fair value of identifiable assets and liabilities acquired, including restructuring provisions, are recognised as intangible assets and amortised systematically in the income statement based on an individual assessment of the useful life. Negative goodwill is recognised as income in the income statement at the acquisition date when the usual conditions for recognition of income are met.

Goodwill and negative goodwill from acquired entities may be adjusted until 12 months after the acquisition date.

Newly acquired or newly established entities are recognised in the consolidated financial statements at the date of acquisition or establishment. Divested or wound-up entities are recognised in the consolidated income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect acquisitions, divestments or windings-up.

The uniting-of-interests method is applied to business combinations such as the acquisition and disposal of equity investments, mergers, demergers, contribution of assets, share exchanges, etc., between entities controlled by the Parent Company. The uniting of interests is considered to have been completed at the date of the acquisition without restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity is recognised in equity.

## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

Gains or losses on the divestment of subsidiaries and associates are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment or winding-up.

#### **Foreign currency translation**

On initial recognition, transactions denominated in foreign currencies 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 income statement as financial income or financial expenses.

Receivables, 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 or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

### **Income statement**

#### **Gross profit**

Pursuant to Section 32 of the Financial Statements Act, the Company has decided only to disclose gross profit.

Gross profit includes revenue, cost of sales and other external costs.

#### **Revenue**

Income from the sale of goods, comprising the sale of lingerie, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and 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 granted are deducted from revenue.

#### **Cost of sales**

Cost of sales comprises direct and indirect costs incurred to generate revenue, including costs for sale and distribution of goods sold.

#### **Other external costs**

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies**

##### **Staff costs**

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities. Refunds received from public authorities are deducted from staff costs.

##### **Income from other equity investments and securities**

Income from other equity investments and securities comprises realised capital gains and losses from other equity investments and securities recognised as investments or current assets in the balance sheet.

##### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### **Tax on profit/loss for the year**

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies (continued)**

##### **Balance sheet**

###### **Intangible assets**

Intangible assets are measured at cost less accumulated amortisation.

The basis of amortisation is cost less any residual values, and amortisation is provided on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Trademarks and earnest money: 10 years

The amortisation period is determined based on the expected economic life of the strategic investment of earnest money and trademarks.

Intangible assets are written down to their recoverable amount if this is lower than the carrying amount. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

###### **Property, plant and equipment**

Fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as depreciation.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies (continued)**

##### **Investments**

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Other receivables and deposits are recognised at amortised cost.

##### **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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and 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.

Write-down is made for bad debt losses according to an individual assessment, if there is an objective indication that an individual receivable has been impaired.

##### **Prepayments and deferred income**

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

##### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in 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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.



## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **1 Accounting policies (continued)**

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. Any deferred net assets are measured at net realisable value.

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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

#### **Liabilities other than provisions**

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the 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 cost and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

### **Cash flow statement**

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

#### **Cash flows from operating activities**

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

#### **Cash flows from investing activities**

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

#### **Cash flows from financing activities**

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

	Group	Parent Company	
	2016	2016	2015
DKK'000			
<b>2 Staff costs</b>			
Wages and salaries	35,272	35,117	33,009
Pensions	2,634	2,634	2,507
Other social security costs	926	926	847
	<b>38,832</b>	<b>38,677</b>	<b>36,363</b>
Average number of full-time employees	95	94	91

Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98B(3)(ii) of the Danish Financial Statements Act.

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

	DKK'000	Group	Parent Company	
		2016	2016	2015
<b>3 Financial income</b>				
Other interest income		8	8	3
<b>4 Financial expenses</b>				
Interest expense to group entities		214	214	197
Other interest expense		390	377	560
		604	591	757
<b>5 Proposed profit appropriation/ distribution of loss</b>				
Retained earnings		-8,591	-8,522	-13,914

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

#### 6 Intangible assets

	Group		
	Trade- marks	Earnest money	Total
DKK'000			
Cost at 1 January 2016	93	14,685	14,778
Cost at 31 December 2016	93	14,685	14,778
Amortisation and impairment losses at 1 January 2016	78	12,835	12,913
Amortisation for the year	10	597	607
Amortisation and impairment losses at 31 December 2016	88	13,432	13,520
Carrying amount at 31 December 2016	5	1,253	1,258

	Parent Company		
	Trade- marks	Earnest money	Total
DKK'000			
Cost at 1 January 2016	93	14,685	14,778
Cost at 31 December 2016	93	14,685	14,778
Amortisation and impairment losses at 1 January 2016	78	12,835	12,913
Amortisation for the year	10	597	607
Amortisation and impairment losses at 31 December 2016	88	13,432	13,520
Carrying amount at 31 December 2016	5	1,253	1,258

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

#### 7 Property, plant and equipment

	Group		
	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
DKK'000			
Cost at 1 January 2016	17,831	12,729	30,560
Additions	302	722	1024
Cost at 31 December 2016	18,133	13,451	31,584
Depreciation and impairment losses at 1 January 2016	16,045	11,691	27,736
Depreciation for the year	636	412	1048
Depreciation and impairment losses at 31 December 2016	16,681	12,103	28,784
Carrying amount at 31 December 2016	1,452	1,348	2,800

	Parent Company		
	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
DKK'000			
Cost at 1 January 2016	17,831	12,729	30,560
Additions	302	722	1024
Cost at 31 December 2016	18,133	13,451	31,584
Depreciation and impairment losses at 1 January 2016	16,045	11,691	27,736
Depreciation for the year	636	412	1048
Depreciation and impairment losses at 31 December 2016	16,681	12,103	28,784
Carrying amount at 31 December 2016	1,452	1,348	2,800



## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

DKK'000		Parent Company	
		2016	2015
<b>8</b>	<b>Investments</b>		
	<b>Equity investments in subsidiaries</b>		
	Cost at 1 January	0	0
	Additions	1	0
	Cost at 31 December	1	0
	Carrying amount at 31 December	1	0
		Registe- red office	Equity interest
	Name/legal form		
	Subsidiaries:		
	Femilet Hellerup ApS	Hellerup, Denmark	100%
<b>9</b>	<b>Prepayments</b>		
	Prepayments consist of prepaid expenses concerning insurance, IT licenses and prepaid marketing costs.		
<b>10</b>	<b>Share capital</b>		
	The share capital consists of 12,480,000 shares of a nominal value of DKK 12,480,000.		
	During the year, new equity investments of a nominal amount of DKK 147 thousand have been subscribed for.		
	No shares carry any special rights.		

## Consolidated financial statements and parent company financial statements 1 January – 31 December

### Notes

	DKK'000	2016	2015
<b>11 Non-current liabilities</b>			
Non-current liabilities can be specified as follows:			
Bank loans:			
0-1 years		2,000	2,251
1-5 years		2,430	4,398
<b>Total non-current liabilities</b>		<b>4,430</b>	<b>6,649</b>
<b>12 Other adjustments</b>			
Financial income		-8	-3
Financial expenses		604	757
Tax on profit/loss for the year		0	2,640
		<b>596</b>	<b>3,394</b>
<b>13 Changes in working capital</b>			
Change in inventories		10,210	-6,946
Change in receivables		-3,954	1,932
Change in trade and other payables		-1,540	4,282
		<b>4,716</b>	<b>-732</b>

## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **14 Contractual obligations, contingencies, etc.**

##### **Contingent liabilities**

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for joint VAT registration. The jointly taxed entities' total net liability to SKAT amounted to DKK 0 thousand at 31 December 2016. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Group's Danish entities are jointly and severally liable for the joint registration concerning VAT.

##### **Operating lease obligations**

The Company has entered into agreements on the lease of premises with a remaining term of 2-28 months representing a total rent obligation of DKK 9.6 million.

Lease obligations (operating leases) are due within four years at a total of DKK 2.0 million.

#### **15 Mortgages and collateral**

A company charge of DKK 21 million has been provided as collateral for amounts owned to credit institutions secured upon fixtures and fittings, tools and equipment, inventories and trade receivables representing a carrying amount of DKK 48.2 million at 31 December 2016, and a chattel mortgage registered to the owner of DKK 2 million secured upon leasehold improvements and related equipment at a carrying amount of DKK 1 million at 31 December 2016 has been provided.

Through credit institutions, the Company has provided guarantees totalling DKK 204 thousand.

## **Consolidated financial statements and parent company financial statements 1 January – 31 December**

### **Notes**

#### **16 Related parties**

Femilet A/S' related parties comprise the following:

##### **Control**

Chantelle SA, 8/10 Rue de Provigny, BP 60137, 94234 Cachan, France

Chantelle SA holds the majority of the share capital in the Company.

Femilet A/S is part of the consolidated financial statements of Chantelle SA, which is the smallest and the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Chantelle can be obtained by contacting the Company.

##### **Related party transactions**

The Company and group has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.