Esprit de Corp. Danmark A/S

Digevej 114, DK-2300 København S

Annual Report for 1 July 2020 - 30 June 2021

CVR No 77 14 47 14

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21/02 2022

Dorte Hultengren
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Esprit de Corp. Danmark A/S for the financial year 1 July 2020 - 30 June 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 June 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020/21.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 21 February 2022

Executive Board

Lina Erika Selin

Board of Directors

Man Yi Yip Chairman	Dorte Hultengren	Lina Erika Selin
Bradley Stephen Wright		

Independent Auditor's Report

To the Shareholder of Esprit de Corp. Danmark A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 June 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Esprit de Corp. Danmark A/S for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 21 February 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant
mne30221

Maj-Britt Nørskov Nannestad
State Authorised Public Accountant
mne32198

Company Information

The Company	Esprit de Corp. Danmark A/S Digevej 114 DK-2300 København S Telephone: + 45 3264 6200 CVR No: 77 14 47 14 Financial period: 1 July - 30 June Municipality of reg. office: København
Board of Directors	Man Yi Yip, Chairman Dorte Hultengren Lina Erika Selin Bradley Stephen Wright
Executive Board	Lina Erika Selin
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group				
	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Operating profit/loss	-10.046	-15.592	0	0	0
Net financials	-822	-53.144	0	0	0
Net profit/loss for the year	-10.221	-74.339	0	0	0
Balance sheet					
Balance sheet total	45.820	80.015	0	0	0
Equity	-14.529	-4.273	0	0	0
Cash flows					
Cash flows from:					
- operating activities	-17.377	-8.539	0	0	0
- investing activities	0	-1.028	0	0	0
including investment in property, plant and equipment	0	-1.092	0	0	0
- financing activities	-11.804	35.853	0	0	0
Change in cash and cash equivalents for the year	-29.181	26.286	0	0	0
Number of employees	46	65	0	0	0
Ratios					
Return on assets	-10,8%	-19,5%	0,0%	0,0%	0,0%
Solvency ratio	-31,7%	-5,3%	0,0%	0,0%	0,0%
Return on equity	108,7%	-228,6%	0,0%	0,0%	0,0%

Financial Highlights for the comparative years 2016/17 - 2018/19 is not disclosed in the financial highlights report, as the company with reference to section 112 of the Danish Financial Statements Act did not prepare a consolidated financial statements, as the group was included in the consolidated financial statements of Esprit Holdings Ltd., Hong Kong.

Financial Highlights

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

	Parent Company				
	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	16.146	10.825	35.580	37.333	43.815
Profit/loss before financial income and expenses	-547	-7.169	3.541	3.350	3.715
Net financials	-540	-59.705	1.787	730	2.128
Net profit/loss for the year	-1.087	-70.283	4.877	3.965	6.432
Balance sheet					
Balance sheet total	24.776	46.114	96.764	105.273	165.624
Equity	-5.174	-4.085	65.452	60.871	59.443
Number of employees	33	34	60	73	77
Ratios					
Return on assets	-2,2%	-15,5%	3,7%	3,2%	2,2%
Solvency ratio	-20,9%	-8,9%	67,6%	57,8%	35,9%
Return on equity	23,5%	-229,1%	7,7%	6,6%	21,6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies

Management's Review

Key activities

The Groups's activity consists of purchasing and selling Esprit's own production of clothes and accessories, both wholesale and retail.

Moreover, the Group is represented by a branch in Finland.

Development in the year

The income statement of the Group for 2020/21 shows a loss of TDKK 10,221, and at 30 June 2021 the balance sheet of the Group shows negative equity of TDKK 14,529.

The income statement of the Parent Company for 2020/21 shows a loss of TDKK 1,087, and at 30 June 2021 the balance sheet of the Parent Company shows negative equity of TDKK 5,174.

In 2020/21 the result is still impacted by Covid-19 directly on revenue. Sales for the year decreased as compared to last year. The sales decrease is due to decreasing wholesale and retail sales in all countries. This is mainly related to Covid-19 since especially the consumer behavior in Finland have impacted the revenue in retail stores in Helsinki area. Equally wholesale customers in Denmark were under lock down for a longer period during the fiscal year. For Sweden the decrease in revenue has also been heavily impacted by closing of retail flagship store in Stockholm.

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

The results of the Parent company and Group are in line with the expectations as expressed in the Annual Report for 2019/20.

Capital resources

Due to the significant loss in 2019/20, the equity is negative at 30 June 2021. Management has taken actions to improve profitability and expect that probability in future year can cover completely or partially the negative equity. Capital DKK 3.718.550 was injected in august 2021. For more information please see note 1

Targets and expectations for the year ahead

The transfer pricing agreement is no longer suspended as the protective Shield proceeding for the German Group companies has been finalized. Depending on the future development of the pandemic and potential restrictions Covid-19 can still impact the result for the coming year. Especially restrictions about face masks can lead to decreasing sales. Also the consumer behavior in Finland can still affect the retail store in Helsinki since consumers are avoiding crowded places in the city center and shopping malls. Management has taken actions to improve profitability and expect to show a profit in 2022.

Management’s Review

External environment

The Group has not prepared a written local CSR policy. The Group complies with the internationalCSR policy of the Parent Company, which is presented in the Annual Report of Esprit Holding Limited.

Statement of corporate social responsibility

Esprit's strategy is a more balanced split between the current split M / F of 10/90. This should be done through education and targeted recruitment, however, professional and personal skills are prioritized in relation to the position to be filled.

At present, the Board of directors consists of four members – one man and three women who meet the intended target of 33% representation of women in senior management levels.

At present, the management team consists only of women. Again, Esprit's strategy is a more balanced split – however professional and personal skills of each member are main priority.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 30 June 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020/21 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 July - 30 June

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK	Parent Company 2020/21 TDKK	Parent Company 2019/20 TDKK
Gross profit/loss		**17.389**	**17.504**	**16.146**	**10.825**
Staff expenses	2	-22.045	-30.315	-16.526	-16.383
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-297	-2.781	-167	-1.611
Profit/loss before financial income and expenses	4	**-4.953**	**-15.592**	**-547**	**-7.169**
Income from investments in subsidiaries		0	0	0	-38.729
Financial income	5	35	261	43	100
Financial expenses	6	-857	-53.405	-583	-21.076
Profit/loss before tax		**-5.775**	**-68.736**	**-1.087**	**-66.874**
Tax on profit/loss for the year	7	-4.446	-5.603	0	-3.409
Net profit/loss for the year		**-10.221**	**-74.339**	**-1.087**	**-70.283**
Proposed distribution of profit					
Retained earnings		-10.221	-74.339	-1.087	-70.283
		-10.221	**-74.339**	**-1.087**	**-70.283**

Balance Sheet 30 June

Assets

		Group		Parent Company	
	Note	2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
Acquired licenses		0	0	0	0
Intangible assets	8	**0**	**0**	**0**	**0**
Other fixtures and fittings, tools and equipment		0	0	0	0
Leasehold improvements		746	1.029	357	524
Property, plant and equipment	9	**746**	**1.029**	**357**	**524**
Investments in subsidiaries	10	0	0	0	0
Fixed assets		**746**	**1.029**	**357**	**524**
Inventories		**6.950**	**7.178**	**3.749**	**4.041**
Trade receivables		21.338	19.273	8.471	12.003
Receivables from group enterprises		291	0	888	0
Other receivables		1.582	1.470	816	402
Deferred tax asset	13	0	4.446	0	0
Corporation tax		132	98	0	0
Prepayments	11	4.611	7.170	2.652	5.225
Receivables		**27.954**	**32.457**	**12.827**	**17.630**
Cash at bank and in hand		**10.170**	**39.351**	**7.843**	**23.919**
Currents assets		**45.074**	**78.986**	**24.419**	**45.590**
Assets		**45.820**	**80.015**	**24.776**	**46.114**

Balance Sheet 30 June

Liabilities and equity

	Note	Group		Parent Company	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
Share capital		12.000	12.000	12.000	12.000
Retained earnings		-26.529	-16.273	-17.174	-16.085
Equity		**-14.529**	**-4.273**	**-5.174**	**-4.085**
Other provisions	14	4.007	4.438	2.359	3.141
Provisions		**4.007**	**4.438**	**2.359**	**3.141**
Payables to group enterprises		27.312	0	13.374	0
Long-term debt	15	**27.312**	**0**	**13.374**	**0**
Trade payables		5.429	10.664	3.778	7.721
Payables to group enterprises	15	6.428	45.544	2.117	25.585
Corporation tax		0	19	0	0
Other payables		17.173	23.623	8.322	13.752
Short-term debt		**29.030**	**79.850**	**14.217**	**47.058**
Debt		**56.342**	**79.850**	**27.591**	**47.058**
Liabilities and equity		**45.820**	**80.015**	**24.776**	**46.114**

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 July	12.000	-16.273	-4.273
Exchange adjustments	0	-35	-35
Net profit/loss for the year	0	-10.221	-10.221
Equity at 30 June	**12.000**	**-26.529**	**-14.529**

Parent Company

	Share capital	Retained earnings	Total
Equity at 1 July	12.000	-16.085	-4.085
Exchange adjustments	0	-2	-2
Net profit/loss for the year	0	-1.087	-1.087
Equity at 30 June	**12.000**	**-17.174**	**-5.174**

Cash Flow Statement 1 July - 30 June

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK
Net profit/loss for the year		-10.221	-74.339
Adjustments		5.516	61.640
Change in working capital		-12.010	4.104
Cash flows from operating activities before financial income and expenses		**-16.715**	**-8.595**
Financial income		101	261
Financial expenses		-763	-205
Cash flows from operating activities		**-17.377**	**-8.539**
Purchase of property, plant and equipment		0	-1.092
Sale of property, plant and equipment		0	64
Cash flows from investing activities		**0**	**-1.028**
Repayment of payables to group enterprises		-11.804	0
Raising of loans from group enterprises		0	35.853
Cash flows from financing activities		**-11.804**	**35.853**
Change in cash and cash equivalents		**-29.181**	**26.286**
Cash and cash equivalents at 1 July		39.351	13.065
Cash and cash equivalents at 30 June		**10.170**	**39.351**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		10.170	39.351
Cash and cash equivalents at 30 June		**10.170**	**39.351**

Notes to the Financial Statements

1 Going concern

The Group has in 2020/2021 realized a loss and the equity is negative at 30 June 2021, following the significant loss in 2019/2020 that affected the equity drastically.

The result is negatively affected by Covid-19 which has a negative effect on sales from shopping restrictions and increased cost to debtor losses.

Management has taken actions to reduce costs and to improve profitability and a small profit is expected for the shortened fiscal year 2021, covering the period 1st July 2021 – 31st December 2021. The company expects to restore the equity via the ongoing profits and capital injections from the German entity. In august 2021 the Parent company received a capital injection of EUR 500,000 (DKK 3,718,550).

Further, the transfer pricing agreement will be unsuspended and management expects no further significant losses will occur.

The group’s ability to continue its ongoing operations are still affected by the events that occurred in 2019/2020, where the German entity entered into protective shield proceedings, which resulted in material losses on intercompany receivables and suspension of the transfer pricing agreements. Further the group was affected by the negative implications Covid-19 had on the retail business with lock-downs and shopping restrictions.

To ensure the ongoing operations, The Group will continue to work on its Strategic Plan to strengthen the Group’s brand identity and improve product offering and pricing to restore the Group’s profitability. Notwithstanding the above, significant uncertainties exist which may result in adverse implications on the Group’s operations.

The budgets and forecasts prepared by management show that the group has sufficient liquidity to continue as a going concern at least 1,5 years after the balance sheet date

Whether the Group will be able to continue as a going concern after the period assessed by management, as described above, would depend upon the following: (i) the Group’s ability to successfully adjust its strategies to mitigate the implications of these uncertainties and further impacts from the Pandemic, including the emergence of further lockdown measures in the major markets that the Group operates in, in order to generate sufficient cash from its operations and to further preserve cash levels; (ii) the successful implementation of the Group’s costs optimization and reduction measures, including negotiating with landlords on loss-making stores closures, rent reductions on remaining stores, reducing headcount and other discretionary spending; (iii) the successful implementation of Group’s Strategic Plan to strengthen the Group’s brand identity and improving product offering and pricing to restore the Group’s profitability. Should the Group be unable to achieve the above mentioned plans and measures and operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Notes to the Financial Statements

		Group		Parent Company	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
2	**Staff expenses**				
	Wages and salaries	18.218	24.685	14.217	13.472
	Pensions	1.941	2.941	1.723	2.385
	Other social security expenses	1.886	2.689	586	526
		22.045	**30.315**	**16.526**	**16.383**
	Average number of employees	**46**	**65**	**33**	**34**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	0	350	0	0
	Depreciation of property, plant and equipment	297	1.819	167	1.547
	Impairment of intangible assets	0	204	0	0
	Impairment of property, plant and equipment	0	344	0	0
	Gain and loss on disposal	0	64	0	64
		297	**2.781**	**167**	**1.611**

Notes to the Financial Statements

		Group		Parent Company	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
4	**Special items**				
	COVID-19 Compensation	5.093	0	3.885	0
		5.093	**0**	**3.885**	**0**
5	**Financial income**				
	Interest received from group enterprises	0	228	0	91
	Other financial income	35	33	2	9
	Exchange adjustments	0	0	41	0
		35	**261**	**43**	**100**
6	**Financial expenses**				
	Impairment losses on financial assets	301	53.200	144	21.006
	Other financial expenses	463	75	439	60
	Exchange loss	93	130	0	10
		857	**53.405**	**583**	**21.076**
7	**Tax on profit/loss for the year**				
	Current tax for the year	0	0	0	0
	Deferred tax for the year	4.446	5.603	0	3.409
		4.446	**5.603**	**0**	**3.409**

Notes to the Financial Statements

8 Intangible assets

Group

	Acquired licenses
	TDKK
Cost at 1 July	1.104
Cost at 30 June	1.104
Impairment losses and amortisation at 1 July	1.104
Impairment losses and amortisation at 30 June	1.104
Carrying amount at 30 June	**0**

9 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 July	4.575	22.880
Cost at 30 June	4.575	22.880
Impairment losses and depreciation at 1 July	4.575	21.766
Exchange adjustment	0	71
Depreciation for the year	0	297
Impairment losses and depreciation at 30 June	4.575	22.134
Carrying amount at 30 June	**0**	**746**

Notes to the Financial Statements

9 Property, plant and equipment (continued)

Parent Company

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1 July	3.903	19.054
Kostpris at 30 June	3.903	19.054
Impairment losses and depreciation at 1 July	3.903	18.530
Depreciation for the year	0	167
Impairment losses and depreciation at 30 June	3.903	18.697
Carrying amount at 30 June	**0**	**357**

10 Investments in subsidiaries

	Parent Company	
	2020/21	2019/20
	TDKK	TDKK
Cost at 1 July	39.115	39.115
Cost at 30 June	39.115	39.115
Value adjustments at 1 July	-39.115	-572
Exchange adjustment	0	186
Net profit/loss for the year	0	-48.288
Other adjustments	0	9.559
Value adjustments at 30 June	-39.115	-39.115
Carrying amount at 30 June	**0**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Esprit Sweden AB	Stockholm, Sverige	500.000 (SEK)	100%
Esprit AS, Norge	Oslo, Norge	21.800.000 (NOK)	100%

All foreign subsidiaries are recognised and measured as separate entities.

Notes to the Financial Statements

11 Prepayments

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

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

12 Distribution of profit

Retained earnings	-10.221	-74.339	-1.087	-70.283
	-10.221	**-74.339**	**-1.087**	**-70.283**

13 Provision for deferred tax

Provision for deferred tax at 1 July	-4.446	-5.603	0	-3.409
Amounts recognised in the income statement for the year	4.446	5.603	0	3.409
Amounts recognised in equity for the year	0	-4.446	0	0
Provision for deferred tax at 30 June	**0**	**-4.446**	**0**	**0**
Tax loss carry-forward	0	-4.446	0	0
Transferred to deferred tax asset	0	4.446	0	0
	0	**0**	**0**	**0**

Deferred tax asset

Calculated tax asset	0	4.446	0	0
Carrying amount	**0**	**4.446**	**0**	**0**

Notes to the Financial Statements

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

14 Other provisions

Customer discounts	1.784	2.261	1.180	1.972
Provision for rebuilding	2.223	2.177	1.179	1.169
	4.007	**4.438**	**2.359**	**3.141**
The provisions are expected to mature as follows:				
Within 1 year	1.784	2.261	1.180	1.972
Between 1 and 5 years	2.223	2.177	1.179	1.169
	4.007	**4.438**	**2.359**	**3.141**

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

Between 1 and 5 years	27.312	0	13.374	0
Long-term part	27.312	0	13.374	0
Other short-term debt to group enterprises	6.428	45.544	2.117	25.585
	33.740	**45.544**	**15.491**	**25.585**

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:				
Within 1 year	19.181	20.650	13.364	15.227
Between 1 and 5 years	48.920	45.364	41.626	32.822
	68.101	**66.014**	**54.990**	**48.049**

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
Esprit Holdings Ltd., Hong Kong	Ultimate parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Esprit de Corp. Danmark A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020/21 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Esprit de Corp. Danmark A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

18 Accounting Policies (continued)

The Group is in an process of changing the acount year from 1 July – 30 June to 1 January – 31 December. As part of this process the Swedish company have proglonged their current fincial year to 18 months from 1 July 2020 – 31 December 2021. For the Group financial statmens and consilidation purpos for 1 July 2020 – 30 June 2021 the Group have preparted an internal financial statment for the Swedish Company.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of goods sold

Cost of sales comprise costs of finished goods and goods for resale to achieve revenue for the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants is recognized as Other operating income, including COVID-19 compensation.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

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

Notes to the Financial Statements

18 Accounting Policies (continued)

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

18 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$