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Masai Clothing Company ApS

Hammerensgade 1 st.tv
1267 Copenhagen K
Central Business Registration No 10279488

Annual report 2018/19

The Annual General Meeting adopted the annual report on 03.12.2019

Chairman of the General Meeting

Name: Michael Ro Mejer

Contents

Entity details

Entity
Masai Clothing Company ApS
Hammerensgade 1 st.tv
1267 Copenhagen K

Central Business Registration No: 10279488
Registered in: Copenhagen
Financial year: 01.07.2018 - 30.06.2019

Board of Directors
Margaret McDonald, Chairman
Louise Bechmann

Executive Board
Margaret McDonald
Louise Bechmann

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 Copenhagen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Masai Clothing Company ApS for the financial year 01.07.2018 - 30.06.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2019 and of the results of its operations for the financial year 01.07.2018 - 30.06.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 03.12.2019

Executive Board

Margaret McDonald   Louise Bechmann

Board of Directors

Margaret McDonald   Louise Bechmann
Chairman

Independent auditor's report

To the shareholder of Masai Clothing Company ApS

Opinion

We have audited the financial statements of Masai Clothing Company ApS for the financial year 01.07.2018 - 30.06.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity’s financial position at 30.06.2019 and of the results of its operations for the financial year 01.07.2018 - 30.06.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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 Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 03.12.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification number (MNE) mne32127

Sune Baadsager Holm
State Authorised Public Accountant
Identification number (MNE) mne35443

Management commentary

	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights					
Key figures					
Revenue	371.512	419.148	377.045	297.950	250.215
Gross profit/loss	109.715	133.296	137.536	123.658	100.577
Operating profit/loss	63.252	90.634	98.245	87.715	65.910
Net financials	9.148	8.495	1.961	536	211
Profit/loss for the year	56.327	77.402	78.838	66.494	49.559
Total assets	332.241	271.598	212.491	119.072	90.199
Investments in property, plant and equipment	2.796	5.221	4.151	1.569	1.405
Equity	252.056	196.238	140.588	75.726	60.569
Ratios					
Gross margin (%)	29,5	31,8	36,5	41,5	40,2
Net Margin (%)	21,0	18,5	20,9	22,3	19,8
Return on equity (%)	25,1	46,0	72,9	97,6	93,4
Equity ratio (%)	75,9	72,3	66,2	63,6	67,2

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" *issued by the Danish Society of Financial Analysts.*

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net Margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

As in previous years, the Company's primary activities consisted in the design of women's lifestyle wear sold through wholesale and retail channels. The Company's products are mainly marketed in Northern and Western Europe and the United States. The Company is headquartered in Copenhagen and is represented by own and external showrooms in some of the largest cities in Northern and Western Europe. The Company has 14 retail stores in Denmark and a webshop.

Development in activities and finances

The Company's performance and financial progress have not quite met the expectations expressed by Management. The period has shown a decrease in revenue; primarily in the wholesale business where the UK is the biggest market and a market under pressure. The period has shown an increase in our retail and e-commerce channels. Revenue from our webshop has increased significantly in the past year. The webshop was launched in 2016 and is operating in Denmark, Sweden, Norway, the UK, Germany, Ireland and Finland.

The income statement shows a profit after tax of DKK 56 million.

Outlook

The directors aim at maintaining management policies.

They expect a decrease in next year's results as a decline in the wholesale business is expected. This market is still very challenged and the growth in the Company's retail and e-commerce businesses does not make up for the decline in wholesale.

The Company is changing from being mainly a wholesale business to a multichannel business, and the directors expect growth in the years to come and improvement of the results.

Particular risks

The principal risks and uncertainties facing the Company are grouped broadly as competitive, legislative and financial instrument risks.

Competitive risks

The Company is generally less affected by competition than other companies in the fashion industry because it operates in a niche consumer segment with limited competition just as the Company's end-consumers are quite brand loyal. However, the Company is affected by the overall market situation on its major markets (Scandinavia, the UK and Germany) and is aware that independent retailers, in general, are under increased competitive pressure from larger retailers and online sales - especially in smaller cities.

Legislative risks

The Company is not subject to any essential legislative risks requiring a separate mention.

Financial instrument risks

The objectives of ongoing risk management aim to limit undue counterparty exposure, ensure sufficient working capital and monitor the management of risk at a business unit level.

Management commentary

Use of derivatives
The Company uses forward exchange contracts to reduce the exposure to fluctuations in foreign exchange rates by fixing the rate of any material payments in a foreign currency. The Company also uses interest rate swaps to adjust interest rate exposures to guarantee fixed interest payments where payments are variable and hence exposed to interest rate movements.

Intellectual capital resources
An essential part of the Company's business basics is the design and conceptual development placing heavy demands on knowledge resources concerning employees engaged in this part of the Company.

To maintain this knowledge, the Company must be able to recruit and keep employees with the relevant professional background. The Company aims at all times to secure the optimum mix of employees and the necessary adaptability.

On several other essential business processes such as logistics and IT, the Company is seeking to secure the necessary adaptability by combining outsourcing and a mix of employees with high professional expert knowledge.

Environmental performance
Since the Company is a business without any kind of production, Management is of the opinion that the Company is not subject to any essential environmental conditions requiring a separate mention.

Research and development activities
The Company has no actual research activities but has (similar to recent years) spent considerable resources on developing and designing products and concepts to maintain its market position.

Statutory report on corporate social responsibility
Management strives towards running the business in a responsible, ethical and sustainable manner. Corporate social responsibility is prioritised based on the actual business activities with a focus to create value and reduce risk in our business today and in the future. Our focus includes an aim to optimise efficiency in resource consumption and build relationships with our end-customers that last, which are crucial to our value creation. Our business model is described above under "Primary activities". Growth should be created on a sustainable platform for which reason we continue to focus on social responsibility. The Board has approved policies on corporate social responsibility in the following areas: human rights, social and labour rights, environment and anti-corruption.

Human rights and social and labour rights
The Masai Group complies with international laws and human rights. It is our ambition to treat our employees with respect and dignity and we want to offer our employees a responsible workplace to ensure their job satisfaction. The Masai Group assesses that the main risk relates to compliance with human rights and social and labour rights with our third-party suppliers as such suppliers are located in developing countries. Our policies are centred around the following areas:

- We accept and support the freedom of association and the right to collective bargaining. We provide equal opportunity to all persons no matter their view on trade unions or their trade union activities.

Management commentary

- We accept and support collective bargaining, including the process or activity leading up to the conclusion of a collective agreement.
- We will not use, encourage to - or benefit from - forced or compulsory labour. Forced labour is a fundamental violation of human rights.
- We respect and obey minimum age provisions of national labour laws and regulations in the countries in which we operate. We will not use, encourage to - or benefit from - child labour.
- We provide equal opportunities to potential new employees no matter their race, age, disability or gender. Qualifications, skills and experience are the basis for recruitment of new employees.
- We support and respect the internationally proclaimed human rights.
- We acknowledge our responsibility to uphold human rights both in our workplace and more broadly within our sphere of influence.
- We do not violate any human rights.
- We will not be complicit in any form to violation of human rights.

To implement our policies, the Masai Group requires that all suppliers of goods (clothing) are working according to the BSCI Code of Conduct or Sedex Code. The code of conduct secures the human rights and social environment of employees working with the Group's suppliers. The suppliers are audited every other year at a minimum by independent audit firms who are monitored by BSCI. Further, the Masai Group is a member of Amfori whose mission is to enable each of their members to enhance human prosperity, use natural resources responsibly and drive open trade globally. The Amfori organisation is responsible for the BSCI Code of Conduct. The Masai Group pays all suppliers an annual visit. For those suppliers who have been subject to a visit, the Masai Group will follow up on any remarks noted during the audit performed and require the supplier to improve on any identified matter.

During the financial year 2018/19, the audits did not reveal any material issues.

Environment
At the Masai Group, we believe in a prosperous future for all. We believe in caring for the Earth and the limited resources we have at our disposal. We believe in making the most of what we have for now and for future generations. Consequently, the environment is also an important part of our social responsibility and incorporated into our policies. It is our continuous ambition to minimise the use of resources and their impact on the environment. The main risk related to our environmental impact refers to the production of our goods and the related packaging of such goods.

Before entering into new investments or partnerships with new suppliers, we always consider the environmental impact of these agreements and require our suppliers to improve their resource consumption continuously to minimise the environmental impact.

During the year, we worked with FSC not only to get an FSC certification on Masai's paper goods but also to get the brand's wood-based textiles certified to meet the brand's overall sustainability and CSR strategy because large parts of Masai's collections are made from wood-based viscose fibres. The Group was certified in October 2019.

Management commentary

During the financial year, it was decided that all packing material both in stores, webshop and for the wholesale business shall either be FSC certified or made of recycled plastic. The changes in the packing will be made continuously and fully implemented during the financial year 2019/20.

Anti-corruption

Our relationship to our customers, suppliers and other partners is based on trust which is incorporated as vital parts of our contracts and agreements setting out the basis for responsible business. Daisy Management and subsidiaries are mainly operating in countries with low corruption and bribery for which reason no actual risks have been identified. Nonetheless, the Company has implemented policies to mitigate potential risks that may arise. These policies set out:

- No bribery will be tolerated from either employees, suppliers or customers.
- In some countries, facilitation payments may be permissible according to local law and tradition. However, such payments are not allowed according to this policy.
- It is not allowed to accept gifts and entertainment of considerable size or extravagant entertainment from suppliers as this may be or may be seen as an attempt to influence the Masai Group employees' business decisions.

Implementation of anti-corruption policies is incorporated on an ongoing basis into new agreements and contracts. Suppliers, employees and other partners are also required to comply with the UK Bribery Act.

During the financial year 2018/19, the Company did not encounter any corruption issues.

Statutory report on the underrepresented gender

The Group's overall goal for both the Board of Directors and other management levels is to create a good and versatile workplace that promotes equal career opportunities for both women and men. The Group focuses on encouraging qualified candidates of both genders to apply for any position.

On the Board of Directors, the gender composition is 0% men and 100% women. The ambition is to have both genders represented in the Board of Directors. It is our ambition to increase the underrepresented gender over the next five years, taking into account that the Board of Directors consists of the entire Executive Board and, consequently, the development in the Board of Directors will follow the development in the executive board positions. This development is also the reason why the target was not reached in 2018/19.

For managers employed in the Group, the gender composition is 64% women and 36% men which is close to equal as the total numbers of managers is not very high. The Group will continue to encourage and attract both genders to its management level, and we will look into the possibilities of how to make this even more evident to all. To attract and hire the underrepresented gender, we will seek to ensure that both genders are represented in the hiring process for manager positions. It is our ambition to increase the underrepresented gender over the next five years.

Management commentary

Events after the balance sheet date

After the financial year-end, there has been a change in management as Sune Bjerregaard has retired and the position of CEO is temporarily taken over by Margaret McDonald, Chairman of the Board. No other events have occurred after the end of the financial year which affect the Company's financial position.

Income statement for 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Revenue	1	371.512	419.148
Other operating income		9.203	5.239
Cost of sales		(141.650)	(157.721)
Other external expenses	2	(129.350)	(133.370)
Gross profit/loss		**109.715**	**133.296**
Staff costs	3	(41.038)	(38.320)
Depreciation, amortisation and impairment losses	4	(5.425)	(4.342)
Operating profit/loss		**63.252**	**90.634**
Other financial income	5	11.055	11.311
Other financial expenses	6	(1.907)	(2.816)
Profit/loss before tax		**72.400**	**99.129**
Tax on profit/loss for the year	7	(16.073)	(21.727)
Profit/loss for the year	8	**56.327**	**77.402**

Balance sheet at 30.06.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Completed development projects		5.956	5.776
Goodwill		1.820	1.889
Development projects in progress		8.216	0
Intangible assets	9	**15.992**	**7.665**
Other fixtures and fittings, tools and equipment		3.274	4.015
Leasehold improvements		4.762	4.596
Property, plant and equipment	10	**8.036**	**8.611**
Investments in group enterprises		6	0
Fixed asset investments	11	**6**	**0**
Fixed assets		**24.034**	**16.276**
Manufactured goods and goods for resale		37.889	42.757
Inventories		**37.889**	**42.757**
Trade receivables		17.424	14.673
Receivables from group enterprises		183.964	137.278
Deferred tax	13	0	997
Other receivables		4.142	5.875
Prepayments	12	4.723	2.452
Receivables		**210.253**	**161.275**
Cash		**60.065**	**51.290**
Current assets		**308.207**	**255.322**
Assets		**332.241**	**271.598**

Balance sheet at 30.06.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital		1.001	1.001
Reserve for development expenditure		9.078	2.531
Retained earnings		241.977	192.706
Equity		**252.056**	**196.238**
Deferred tax	13	795	0
Other provisions	14	2.658	1.263
Provisions		**3.453**	**1.263**
Joint taxation contribution payable		14.121	21.698
Non-current liabilities other than provisions		**14.121**	**21.698**
Trade payables		18.399	15.839
Payables to group enterprises		12.984	3.816
Joint taxation contribution payable		21.698	24.953
Other payables		9.530	7.791
Current liabilities other than provisions		**62.611**	**52.399**
Liabilities other than provisions		**76.732**	**74.097**
Equity and liabilities		**332.241**	**271.598**
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Mortgages and securities	17		
Related parties with controlling interest	18		
Transactions with related parties	19		
Group relations	20		

Statement of changes in equity for 2018/19

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.001	2.530	192.706	196.237
Exchange rate adjustments	0	0	(652)	(652)
Fair value adjustments of hedging instruments	0	0	144	144
Transfer to reserves	0	6.548	(6.548)	0
Profit/loss for the year	0	0	56.327	56.327
Equity end of year	**1.001**	**9.078**	**241.977**	**252.056**

Notes

	2018/19 DKK'000	2017/18 DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	108.404	112.177
Other EU-countries	188.174	231.431
United States Of America	74.934	75.540
	371.512	**419.148**
Revenue by activity		
Wholesale	275.853	334.896
Retail	58.468	58.740
E-commerce	37.191	25.512
	371.512	**419.148**

2. Fees to the auditor appointed by the Annual General Meeting

Fees to the auditor appointed by the Annual General Meeting is disclosed in the overlying parent. The Company has thereof, referring to the Danish Financial Act § 96, 3, not disclosed the auditor fees.

	2018/19 DKK'000	2017/18 DKK'000
3. Staff costs		
Wages and salaries	39.171	35.861
Pension costs	2.539	2.223
Other social security costs	352	336
Staff costs classified as assets	(1.024)	(100)
	41.038	**38.320**
Average number of employees	**89**	**83**

	Remuneration of management 2018/19 DKK'000	Pension liabilities 2018/19 DKK'000	Remuneration of management 2017/18 DKK'000	Pension liabilities 2017/18 DKK'000
Executive Board	1.954	143	2.480	143
	1.954	**143**	**2.480**	**143**

Notes

Management is employed in Daisy 2015 Management ApS. Remuneration is accounted as a proportional distribution for managing Masai Clothing Company ApS.

	2018/19 DKK'000	2017/18 DKK'000
4. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.054	1.731
Depreciation of property, plant and equipment	3.297	2.611
Profit/loss from sale of intangible assets and property, plant and equipment	74	0
	5.425	**4.342**

	2018/19 DKK'000	2017/18 DKK'000
5. Other financial income		
Financial income arising from group enterprises	9.050	7.450
Other financial income	2.005	3.861
	11.055	**11.311**

	2018/19 DKK'000	2017/18 DKK'000
6. Other financial expenses		
Other financial expenses	1.907	2.816
	1.907	**2.816**

	2018/19 DKK'000	2017/18 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	14.121	21.698
Change in deferred tax for the year	1.952	252
Adjustment concerning previous years	0	(223)
	16.073	**21.727**

	2018/19 DKK'000	2017/18 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	56.327	77.402
	56.327	**77.402**

Notes

	Completed development projects DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
9. Intangible assets			
Cost beginning of year	8.329	7.675	0
Additions	1.990	175	8.216
Cost end of year	**10.319**	**7.850**	**8.216**
Amortisation and impairment losses beginning of year	(2.553)	(5.786)	0
Amortisation for the year	(1.810)	(244)	0
Amortisation and impairment losses end of year	**(4.363)**	**(6.030)**	**0**
Carrying amount end of year	**5.956**	**1.820**	**8.216**

Development projects in progress

Recognised development projects comprise expenses held for the establishment of an E-commerce platform, and an upgrade of the ERP system.

The E-commerce project was established as the Company wished to reach a broader group of customers.

The E-commerce platform went online in August 2016. Investments has continued during the financial year to develop the functionality and to expand the market and thereby grow the business.

The market potential is considered sufficiently favourable and therefore, the incurred expenses are recognised.

The upgrade of the ERP system was initiated to the development of the Group to a multichannel business. The upgrade has been implemented in steps from 2nd quarter 2019 and is expected to be completed during 2019.

Notes

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
10. Property, plant and equipment		
Cost beginning of year	8.975	12.108
Additions	1.051	1.745
Disposals	(172)	(904)
Cost end of year	**9.854**	**12.949**
Depreciation and impairment losses beginning of the year	(4.960)	(7.512)
Depreciation for the year	(1.792)	(1.505)
Reversal regarding disposals	172	830
Depreciation and impairment losses end of the year	**(6.580)**	**(8.187)**
Carrying amount end of year	**3.274**	**4.762**

	Investments in group enterprises DKK'000
11. Fixed asset investments	
Additions	6
Cost end of year	**6**
Carrying amount end of year	**6**

12. Prepayments
Prepayments primarily consist of prepaid expenses.

Notes

	2018/19 DKK'000	2017/18 DKK'000
13. Deferred tax		
Intangible assets	3.185	1.311
Property, plant and equipment	(237)	(176)
Inventories	(1.522)	(1.901)
Receivables	(494)	(311)
Provisions	(4)	139
Liabilities other than provisions	(133)	(76)
Other taxable temporary differences	0	17
	795	**(997)**

Changes during the year	
Beginning of year	(997)
Recognised in the income statement	1.936
Recognised directly in equity	(144)
End of year	**795**

14. Other provisions

Other provisions mainly relate to provisions for expected returns.

	2018/19 DKK'000	2017/18 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**8.219**	**15.553**

16. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Daisy 2015 Management ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

17. Mortgages and securities

The Company has provided guarantees towards financial institutions in respect of loans. On 30 June 2019, total bank guarantees amounted to DKK 10.147 thousands.

Notes

18. Related parties with controlling interest

Daisy 2015 Management ApS is a related party and has a controlling interest in the Company.

19. Transactions with related parties

No transactions with related parties were made in 2018/19 that were not on arm's length basis

20. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Daisy 2015 Management ApS, Denmark

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Daisy 2015 Topco Limited, United Kingdom

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year.

Consolidated financial statements
Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Business combinations
Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Accounting policies

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities.

Cost of sales
Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses
Other external expenses include expenses relating to the Company's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for Company staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the

Accounting policies

basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is jointly taxed with Daisy 2015 Management ApS. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Goodwill
Goodwill comprises the Company's purchase of stores and leases. Goodwill is initially measured at cost less accumulated amortisation. Amortisation is made on a straight-line basis over the expected useful life of up to ten years in relation to the lease contract.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise purchased software.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The amortisation period is five years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Accounting policies

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
Cash flow statement is prepared in the overlying parent. The company has thereof, referring to the Danish Financial Statements Act § 86, not prepared cash flow statement.