TOP-TOY A/S

Delta Park 37 – DK-2665 Vallensbæk Strand
CVR no. 10 83 92 38

Annual report

1 July 2016 – 30 June 2017

30th financial year

Approved at the annual general meeting on 28/11 2017

Henning Andersen Bröchner
Chairman

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of TOP-TOY A/S for the financial year 1 July 2016 – 30 June 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2017 and of the results of the Company's operations for the financial year 1 July 2016 –30 June 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Vallensbæk Strand, 24 November 2017

Executive Board:

Søren Torp Laursen CEO	Henning Andersen Bröchner CFO

Board of Directors:

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Chairman

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Peter Gjørup

John Albert Gustafsson

Hans Fredrik Stenbuch

Erik Carl Ragnarsson Lindgren

INDEPENDENT AUDITOR'S REPORT

To the shareholder of TOP-TOY A/S
Opinion

We have audited the financial statements of TOP-TOY A/S for the financial year 1 July 2016 – 30 June 2017, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2017 and of the results of the Company's operations for the financial year 1 July 2016 – 30 June 2017 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements
Management is responsible for the preparation 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the 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 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 (CONTINUED)

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

Copenhagen, 24 November 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant

Ole Becker
State Authorised
Public Accountant

COMPANY DETAILS

Company
TOP-TOY A/S
Delta Park 37
DK-2665 Vallensbæk Strand

Phone: +45 46 16 36 56
E-mail: info@top-toy.com
Internet: www.top-toy.com

Company number: 10 83 92 38
Established: 18 May 1987
Domicile: Vallensbæk Kommune
Financial year: 1 July – 30 June

Board of Directors
Michael Hauge Sørensen, Chairman
Henrik Gjørup
Peter Gjørup
John Albert Gustafsson
Hans Fredrik Stenbuch
Erik Carl Ragnarsson Lindgren

Executive Board
Søren Torp Laursen, CEO
Henning Andersen Bröchner, CFO

Auditor
Ernst & Young P/S
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
Postboks 250
DK-2000 Frederiksberg

COMPANY DETAILS (continued)

Foreign branches
TOP-TOY A/S Danmark, filial Sverige, Sweden
TOP-TOY A/S, filial i Finland, Finland

Subsidiaries
TOP-TOY (Hong Kong) Ltd (100%), Hong Kong
TOP-TOY Norge AS (100%), Sarpsborg, Norway
BR-Spielwaren GmbH (100%), Hamburg, Germany
TOP-TOY Iceland ehf, (100%), Reykjavik, Iceland
Jannes Lek AB in liquidation (100%), Haparanda, Sweden
NORSTAR A/S (100%), Vallensbæk Strand, Denmark
NORSTAR AS in liquidation (100%), Sarpsborg, Norway
NORSTAR AB in liquidation (100%), Ängelholm, Sweden
STARNOR AB (100%), Ängelholm, Sweden
NORSTAR Oy in liquidation (100%), Espoo, Finland

KEY FIGURES AND FINANCIAL RATIOS FOR PARENT COMPANY

DKK million	2016/17	2015/16	2014/15	2013/14	2012/13
Revenue	3,001.7	3,214.8	2,972.9	3,001.8	3,052.8
Operating result	-58.0	-7.1	85.3	21.2	81.3
Income from investment in subsidiaries	29.7	14.8	43.9	43.5	-32.8
Financial income and expenses, net	-1.9	-2.2	-3.7	7.3	-20.8
Result for the year	-17.7	6.6	103.1	63.6	15.2
Investment in tangible assets	33.5	66.5	74.8	21.7	18.2
Total assets	1,586.3	1,485.0	1,481.0	1,433.2	1,539.9
Equity	332.5	450.9	1,125.9	1,155.0	1,113.1
Full time employees	1,518	1,660	1,550	1,590	1,653
Key financial ratios:					
Operating margin	-1.9%	-0.2%	2.9%	0.7%	2.7%
Solvency	21.0%	30.3%	76.0%	80.6%	72.3%

MANAGEMENT'S COMMENTARY

Principal activities
TOP-TOY is the leading retail company in toys and other children's products. TOP-TOY A/S sells toys in Denmark, through branches in Sweden and Finland, and through subsidiaries in Norway, Iceland and Germany. The retail business operates through the well-known BR and TOYS"R"US retail chains.

Activities and financial developments

Overall financial developments
The key financial developments in 2016/2017 were:

- Total revenue declined by 9% to DKK 3.0 billion, due to the close down of the wholesale activities at year-end 2015 and a challenged year in the retail chains.
- Result after tax declined to DKK -17.7 million, compared with DKK 6.6 million in 2015/16.

The decrease was primarily driven by challenges following the launch of our new ERP system at the end of March 2017 and the fact that the implementation of the new system occupied many key resources both before and after go live. Poor weather in the Nordic region during the summer 2017 also had a negative impact on sales of outdoor products. Finally, the all-important Christmas season was slightly disappointing due to severe price competition and the fact that TOP-TOY did not benefit fully from increased online demand.

The implementation of a new ERP system brought a number of challenges which affected our operational performance in 2016/2017. Customers, who used our web shops after go live experienced significantly limited search capabilities, lack of promotional pricing and poor checkout flow. Many customers start their search online even when they intend to make their purchase in a physical store. So, this problem also had an impact on our physical stores. In addition, poor performance in our supply chain as a result of the new system meant that customers who visited our online and physical stores found a less attractive assortment – often without the products they intended to buy. Due to ERP system challenges store employees also focused more on internal issues like stock counting than serving the customers.

The operational issues with the ERP system will be solved in 2017/2018. However, there will still be an impact on Q1 in the new financial year. The focus is on ensuring all areas of operation are fully up to speed before the 2017 Christmas season.

The main business impact was a significant decline in revenue during Q4 of our financial year (April – June 2017). Furthermore the gross margin was negatively affected as weak sales lead to price reductions to reduce inventories of seasonal goods. Other external expenses and employee expenses also increased during Q4 of our financial year due to the need for stock recounts and manual order handling.

The Board of Directors and the Executive Board view the overall operational and financial performance in 2016/2017 as unsatisfactory.

We have launched several initiatives to improve short and mid-term performance. Key initiatives are centred around achieving positive Same-Store-Sales growth, this includes attractive prices and promotions as well as a good store service level to enhance the customer experience and making a visit to our stores appealing.

MANAGEMENT'S COMMENTARY (continued)

Another focus area is to reduce costs and make the company more agile in order to react faster to changes in consumer and market trends. Unfortunately this meant that we in August 2017 had to say goodbye to a number of employees across our office locations.

One of the key areas to improve our performance is to excel in online sales. From autumn 2017, we have strengthened our price offering by increased use of "price matching" and "everyday low prices", supported by the introduction of a "price crawler" which constantly checks competitor prices. We have also invested significantly in an up-to-date online platform to improve the customer experience and agility of our online offer. This new platform will go live in Q4 of 2017.

Investments

Investments in non-current assets include essentially the continued development of a new ERP system as well as new stores.

Financing

Currently funding is partly through own earnings as well as through credit facilities with the bank. TOP-TOY has a loan facility agreement of DKK 250 million with the shareholders who hold 5% or more of the share capital of the ultimative parent TOP-TOY Holding II A/S. The TOP-TOY Group is in dialogue with the owners and Lenders about future finance structure.

Interest and currency risks

TOP-TOY is exposed to common interest and exchange rate movements in the most significant currencies used for our commercial transactions and interest risk.

The primary exchange rates used for our commercial transactions, and thereby our primary currency risks, are related to sales in SEK and NOK and purchases of goods in USD or USD-related currencies. The risks related to sales in SEK and NOK are partly offset by local costs that match some of the income. Excess cash flow is hedged according to TOP-TOY's currency policy, while the conversion into DKK always takes place at current rates. Purchases of goods made in USD or related currencies are hedged prior to each purchasing season. TOP-TOY only hedges known foreign currency positions.

Board of Directors and Corporate Social Responsibility

Board of Directors are the same as for TOP-TOY Holding II A/S, and TOP-TOY's Corporate Social Responsibility is described in the Group annual report of TOP-TOY Holding II A/S.

Subsequent events

No events have occurred after the balance sheet date which may materially affect the Company's financial position.

Expectations for future financial development

In 2017/18 revenue and operating result are expected to grow despite continued uncertainty due to the new ERP system.

ACCOUNTING POLICIES

The annual report of TOP-TOY A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large reporting class C entities.

Effective 1 July 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

1. Yearly reassessment of residual values of property, plant and equipment
2. Yearly reassessment of development costs

Ad 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

Ad 2: An amount corresponding to development costs recognised are in future tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

None of the above changes affects the income statement or the balance sheet for 2016/17 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Pursuant to section 86(4) of the Danish Financial Statements Act, the Company has chosen not to prepare a cash flow statement and has decided not to prepare consolidated financial statements pursuant to section 112(1) of the Act. The financial statements of TOP-TOY A/S and group enterprises are included in the consolidated financial statement of TOP-TOY Holding II A/S, Vallensbæk Strand, registration no. 37 25 47 03.

Pursuant to section 96(3) of the Danish Financial Statements Act, the Company has decided not to disclose audit fees as the Company is included in the consolidated financial statements of TOP-TOY Holding II A/S, which include consolidated disclosures.

A few reclassifications are made at the balance sheet on comparative figures with no impact on income statement or equity.

Translation of foreign currency

Transactions in foreign currencies are translated at the rates of exchange on the date of transaction. Differences in the rates of exchange arising between the rate at the date of transaction and the rates at the date of payment are recognised in the income statement as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the date of the balance sheet are translated at the rates of exchange of the balance sheet date. The difference between the rates at the balance sheet date and the rates at the time when the receivable or the payable arises is recognised in the income statement under financial income and financial expenses.

ACCOUNTING POLICIES (continued)

On recognition of foreign branches and subsidiaries which are separate entities income statements are translated at average exchange rates for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign entities to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

On recognition of foreign subsidiaries and branches which are integral entities, monetary items are translated at closing rates. Non-monetary items are translates at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments

Derivative financial instruments are recognised initially in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables or other debt.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income Statement

Revenue

Income from the sale of goods is recognized when it is probable that economic benefits will flow to the company and the income from the sale can be reliably measured, despite when the payment is received. Income from sale of goods is measured at fair value of the received consideration or receivable, taking into account contractually defines terms of payments, excluding taxes and duty.

Costs of goods sold

Costs of goods sold are recognised when revenue is earned.

Other external expenses

Other external expenses include costs and expenses for distribution, sale, advertising, premises, administration etc.

Employee expenses

Employee expenses comprise wages and salaries including pensions and other costs for social security etc. In employee expenses received refunds from public authorities are offset.

Income from investment in subsidiaries

The proportionate share of the profit/loss after tax of the individual subsidiaries is recognized in the income statement after full elimination of intra-group profits/losses.

ACCOUNTING POLICIES (continued)

Financial income and expenses
Financial income and expenses comprise interest income and expenses, capital gains and losses concerning securities, liabilities and transactions in foreign currencies. Includes furthermore surcharges and allowances under the on-account tax-scheme.

Income tax
Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the Income Statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is taxed jointly with TOP-TOY Holding II A/S. The current Danish tax is allocated on the jointly taxed companies in proportion to their taxable profits (full allocation with refund regarding any tax losses).

Balance Sheet

Intangible assets
Goodwill on acquisition, leasehold rights, licenses and development projects in progress are measured at cost less accumulated amortisation.

Leasehold rights are amortised over the duration of the lease contract and licenses and rights and finalised development projects are amortised over the estimated useful life.

Goodwill is amortised over the estimated useful lives of the assets which are estimated based on Management's experience within the business area. The amortization period is longest for businesses with a strong market position and a long earning profile. Amortisation is provided on a straight-line basis and based on the estimated useful lives of the assets:

Goodwill	5 - 20 years
Leasehold rights	5 - 10 years
Licenses, rights and software	3 - 10 years

Development projects in progress
Development projects in progress are clearly defined and identifiable, where technical feasibility, sufficient resources and where the company intends to complete and use the individual project, are recognised as intangible assets provided that the cost can be measured reliably. When development projects are finalised they are transferred to the relevant group of assets and then depreciated over a straight-line basis.

Property, plant and equipment
Leasehold improvements and plant and machinery are measured at cost less accumulated depreciation. Cost comprises acquisition cost and expenses directly attributable to the acquisition until the time when the asset is ready to be used.

Depreciation is provided on a straight-line basis and based on the estimated useful lives of the assets:

Leasehold improvements	5 years
Plant and machinery	5 - 10 years

Profit or loss resulting from the sale of property, plant and machinery is measured as the difference between the sales price reduced by the selling costs and the carrying amount at the time of the sale. The profit or loss is recognised in the Income Statement under depreciation.

ACCOUNTING POLICIES (continued)

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

Investments in subsidiaries are recognised and measured at their proportionate share of net asset value under the equity method, the value being determined on the basis of the accounting policies of the Company less unrealised intra-group profits and losses.

To the extent the carrying amount exceeds the acquisition value, the net revaluation of investments in subsidiaries is transferred to the net revaluation reserve under equity under the equity method.

Deposits of rent
Deposits of rent are recognized at fair value and subsequently measured at amortised cost.

Impairment of non-current assets
The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries other investments is subject to an annual test for indications of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories
Inventories comprising goods for resale are measured at cost based on weighted average prices. Cost comprises the purchase price plus delivery costs.

Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value 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 sales price.

Receivables
Receivables are measured at amortised cost, which usually corresponds to nominal value.

Write-down is made for bad debt losses according to an individual assessment

Prepayments
Prepayments recognised under assets comprise costs and expenses paid that concern the following financial year.

Equity
Reserve for net revaluation according to the equity method
Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognized at a negative amount.

Reserve for development costs
The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Hedging reserve
The hedge reserve comprises the accumulated net change in fair value of hedging transactions which meet the criteria of hedging future cash flows and for which the hedged transaction is yet to be realised.

ACCOUNTING POLICIES (continued)

Dividend
Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Income tax and deferred tax
Current tax liabilities and current tax receivables are recognised in the Balance Sheet as tax computed on the year's taxable income adjusted for tax on the previous year's taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the Balance Sheet as "Joint tax receivable" or "Joint tax payable".

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. Deferred tax liabilities as well as deferred tax assets are recognised. Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under other current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions
Provisions are recognised when the company has a current legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions include warranty and sales returns, restoration of leasehold improvements etc.

Liabilities
Liabilities are measured at net realisable value.

Deferred income
Payments received concerning income concerning the following financial years are recognised under deferred income recognised under liabilities.

Leases
For financial reporting purposes, lease liabilities are classified as finance lease liabilities and operating lease liabilities. A finance lease is classified as a lease which in all material respects transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases. Currently, all leases entered into by the Company are classified as operating leases. Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Segment information
Segment information on activities and geographical markets has been left out for competitive reasons pursuant section 96 (1) of the Financial Statements Act. Management is of the opinion that the Company complies with the requirements of the Financial Statements Act.

ACCOUNTING POLICIES (continued)

Key figures and financial ratios

Key figures and financial ratios have been prepared in accordance with "Recommendations & Financial Ratios 2015" published by the Danish Finance Society.

The figures in the key figure survey have been found as follows:

Operating margin:

Operating result x 100
Revenue

Solvency:

Equity year end x 100
Total assets year end

INCOME STATEMENT 1 JULY - 30 JUNE

Note	DKK million	2016/17	2015/16
1	Revenue	3,001.7	3,214.8
	Cost of goods sold	-1,686.5	-1,826.9
	Other external expenses	-816.8	-846.3
	Gross profit	**498.4**	**541.6**
2	Employee expenses	-509.9	-505.9
3	Depreciation, amortisation and impairment losses	-46.5	-42.9
	Operating result	**-58.0**	**-7.1**
9	Income from investment in subsidiaries	29.7	14.8
4	Financial income	17.2	6.3
5	Financial expenses	-19.2	-8.5
	Result before tax	**-30.3**	**5.4**
6	Tax on result for the year	12.6	1.2
	RESULT FOR THE YEAR	**-17.7**	**6.6**

BALANCE SHEET AT 30 JUNE

ASSETS

Note	DKK million	2016/17	2015/16
	Goodwill	0.0	0.1
	Leasehold rights	7.0	8.7
	Licenses, rights and software	183.1	6.7
	Development projects in progress	0.0	98.4
7	**Intangible assets**	**190.1**	**114.0**
	Leasehold improvements	34.1	31.4
	Plant and machinery	86.3	108.8
8	**Property, plant and equipment**	**120.4**	**140.2**
9	Investments in subsidiaries	232.1	351.7
10	Deposits of rent	5.7	5.9
	Financial assets	**237.8**	**357.5**
	TOTAL NON-CURRENT ASSETS	**548.3**	**611.7**
	Inventories	**744.1**	**705.2**
	Trade receivables	1.8	5.0
11	Deferred tax asset	64.8	38.3
	Receivables from group enterprises	121.7	8.8
	Income tax receivables	12.9	15.7
	Other receivables	13.3	31.1
13	Prepaid expenses	46.7	40.8
	Receivables	**261.2**	**139.6**
	Cash	**32.7**	**28.5**
	TOTAL CURRENT ASSETS	**1,038.0**	**873.2**
	TOTAL ASSETS	**1,586.3**	**1,485.0**

BALANCE SHEET AT 30 JUNE

EQUITY AND LIABILITIES

Note	DKK million	2016/17	2015/16
14	Share capital	100.0	100.0
	Reserve for net revaluation according to the equity method	40.8	97.0
	Development reserves	131.4	0.0
	Retained earnings	0.3	248.0
	Hedging reserve, net of tax	-4.0	6.0
	Proposed dividend	64.0	0.0
	TOTAL EQUITY	**332.5**	**450.9**
15	Restoration obligation	11.8	11.7
16	Return provision	2.9	3.4
17	Other provisions	3.4	0.0
	Provisions	**18.1**	**15.1**
	Bank overdraft	560.8	397.7
	Trade payables	193.9	151.6
	Payables to group enterprises	283.7	225.6
	Joint taxation payables	28.8	41.6
	Income tax payable	2.1	2.0
18	Other payables	148.7	185.4
13	Deferred income	17.7	15.1
	Short-term debt	**1,235.7**	**1,019.0**
	Totel debt	**1,235.7**	**1,019.0**
	EQUITY AND LIABILITIES	**1,586.3**	**1,485.0**

19 Collaterals, contingencies etc.
20 Related parties
21 Proposed appropriation of profit for the year
22 Events after the balance sheet date

STATEMENT OF CHANGES IN EQUITY

Note	DKK million	Share capital	Reserve for net revaluation according to the equity method	Reserve for develop-ment costs	Retained earnings	Hedging reserve, net of tax	Proposed dividend	Total equity
	Equity at 1 July 2015	**100.0**	**82.2**	**0.0**	**928.1**	**15.5**	**0.0**	**1,125.9**
	Profit/loss for the year	0.0	14.8	0.0	-680.2	0.0	672.0	6.6
	Hedging, net of tax	0.0	0.0	0.0	0.0	-9.6	0.0	-9.6
	Dividend distributed	0.0	0.0	0.0	0.0	0.0	-672.0	-672.0
	Equity at 1 July 2016	**100.0**	**97.0**	**0.0**	**248.0**	**6.0**	**0.0**	**450.9**
21	Profit/loss for the year	0.0	29.7	0.0	-186.4	0.0	139.0	-17.7
	Reserve for development cost	0.0	0.0	131.4	-131.4	0.0	0.0	0.0
	Exchange rate adjustments	0.0	-11.3	0.0	-4.4	0.0	0.0	-15.7
	Disposal subsidiary	0.0	66.8	0.0	-66.8	0.0	0.0	0.0
	Dividend from subsidiaries	0.0	-141.3	0.0	141.3	0.0	0.0	0.0
	Hedging, net of tax	0.0	0.0	0.0	0.0	-10.0	0.0	-10.0
	Dividend distributed	0.0	0.0	0.0	0.0	0.0	-75.0	-75.0
	Equity at 30 June 2017	**100.0**	**40.8**	**131.4**	**0.3**	**-4.0**	**64.0**	**332.5**

NOTES TO THE FINANCIAL STATEMENT

1. Segment information

Segment information on activities and geographical markets has been left out for competitive reasons pursuant section 96 (1) of the Financial Statements Act. Management is of the opinion that the Company complies with the requirements of the Financial Statements Act.

DKK million	2016/17	2015/16
2. Employee expenses		
Total employee expenses:		
Wages and salaries	439.0	435.0
Pensions	34.0	29.3
Other costs for social security	47.8	46.2
	520.8	**510.5**
Capitalised salaries and wages related to development projects	-10.9	-4.6
Total	**509.9**	**505.9**
Remuneration to the Board of Directors and Executive Board:		
Board of Directors	0.7	0.0
Executive Board	9.8	14.5
	10.5	**14.5**
Average number of full-time employees	**1,518**	**1,660**

Pension of DKK 0.8 million (2015/16: DKK 0.5 million) is included in remuneration to Executive Board.

3. Depreciation, amortisation and impairment losses

	2016/17	2015/16
Goodwill	0.1	0.1
Leasehold rights	2.9	2.5
Licenses, rights and software	6.0	0.1
Leasehold improvements	7.0	6.4
Plant and machinery	28.4	28.6
Losses / gains from disposal of non-current assets	2.2	5.3
	46.5	**42.9**

NOTES TO THE FINANCIAL STATEMENT

DKK million	2016/17	2015/16
4. Financial income		
Bank interest	0.0	0.2
Interest from subsidiaries	2.3	0.0
Exchange rate adjustment, net	15.0	6.1
	17.2	**6.3**
5. Financial expenses		
Interest expenses	19.2	8.5
	19.2	**8.5**
6. Tax on result		
Tax on result for the year	9.4	45.7
Adjustment of deferred tax	-22.0	-45.5
Adjustment of tax concerning previous years	0.0	-1.4
	-12.6	**-1.2**

7. Intangible assets

	Goodwill	Leasehold rights
Cost at 1 July 2016	65.2	76.1
Transfer	-1.6	0.0
Additions	0.0	1.5
Disposals	-0.2	0.0
Exchange rate adjustment	-2.2	-4.5
Cost at 30 June 2017	**61.3**	**73.1**
Amortisation and impairment losses at 1 July 2016	65.1	67.4
Transfer	-1.6	0.0
Amortisation	0.1	2.9
Amortisation on disposals	-0.2	0.0
Exchange rate adjustment	-2.2	-4.2
Amortisation and impairment losses at 30 June 2017	**61.3**	**66.1**
Carrying amount at 30 June 2017	**0.0**	**7.0**

NOTES TO THE FINANCIAL STATEMENT

7. Intangible assets (continued)

	Licenses, rights and software	Development projects in progress
Cost at 1 July 2016	6.8	98.4
Transfer	181.5	-181.5
Additions	2.6	83.1
Disposals	-1.8	0.0
Cost at 30 June 2017	**189.1**	**0.0**
Amortisation and impairment losses at 1 July 2016	0.1	0.0
Amortisation	6.0	0.0
Amortisation and impairment losses at 30 June 2017	**6.1**	**0.0**
Carrying amount at 30 June 2017	**183.1**	**0.0**

8. Property, plant and equipment

	Leasehold improvements	Plant and Machinery
Cost at 1 July 2016	140.2	453.1
Transfer	2.0	4.7
Additions	11.1	22.4
Disposals	-4.8	-21.3
Exchange rate adjustment	-5.3	-12.2
Cost at 30 June 2017	**143.3**	**446.6**
Depreciation and impairment losses at 1 July 2016	108.8	344.3
Transfer	2.0	4.8
Exchange rate adjustment	-4.5	-10.4
Depreciation	7.0	28.4
Depreciation on disposals	-4.2	-6.7
Depreciation and impairment losses at 30 June 2017	**109.2**	**360.3**
Carrying amount at 30 June 2017	**34.1**	**86.3**

NOTES TO THE FINANCIAL STATEMENT

DKK million	2016/17	2015/16
9. Investments in subsidiaries		
Cost at 1 July	254.7	246.9
Additions	18.6	7.8
Disposals	-82.0	0.0
Cost at 30 June	**191.3**	**254.7**
Revaluation at 1 July	97.0	82.2
Disposals	66.8	0.0
Dividend received	-141.3	0.0
Exchange rate adjustments	-11.3	0.0
Profit for the year	29.7	14.8
Revaluation at 30 June	**40.8**	**97.0**
Carrying amount at 30 June	**232.1**	**351.7**

Group subsidiaries:

	Country	**Votes and ownership**
TOP-TOY (Hong Kong) Ltd., Hong Kong	Hong Kong	100%
TOP-TOY Norge AS, Sarpsborg	Norway	100%
BR-Spielwaren GmbH, Hamburg	Germany	100%
TOP-TOY Iceland ehf, Reykjavik	Iceland	100%
Jannes Lek AB in liquidation, Haparanda	Sweden	100%
NORSTAR A/S, Vallensbæk Strand	Denmark	100%
NORSTAR AB in liquidation, Ängelholm	Sweden	100%
STARNOR AB, Ängelholm	Sweden	100%
NORSTAR AS in liquidation, Sarpsborg	Norway	100%
NORSTAR OY in liquidation, Espoo	Finland	100%

10. Deposits of rent		
Deposits of rent at 1 July	5.9	6.0
Additions	0.1	0.1
Disposals	-0.3	-0.2
Deposits of rent at 30 June	**5.7**	**5.9**

NOTES TO THE FINANCIAL STATEMENT

DKK million	2016/17	2015/16
11. Deferred tax		
Deferred tax at 1 July	-38.3	8.8
Adjustment of deferred tax, during the year	-22.0	-45.5
Adjustment of deferred tax, earlier years	0.0	1.3
Adjustment, deferred tax, transactions on equity	-2.8	-2.8
Transfer	-1.7	0.0
	-64.8	**-38.3**
Deferred tax		
Intangible assets	-0.3	1.5
Property, plant and equipment	-14.5	-8.7
Tax loss carry forward	-58.3	-38.8
Other receivables	0.1	0.1
Provisions and short term debt	-6.7	-9.2
Re-tax balance	16.0	15.2
Transactions on equity	-1.1	1.7
	-64.8	**-38.3**

12. Financial risk and financial instruments

A waiver for loan covenants related to the loan in the parent company TOP-TOY Holding III A/S was required and agreed with the Lenders at 30 June 2017. The two shareholders of the ultimative parent TOP-TOY Holding II A/S, TOP-TOY Holding I S.à.r.l. and ODIN DK Holding A/S have in September 2017 given a loan facility of DKK 250 million to TOP-TOY A/S. The TOP-TOY Group is in dialogue with the owners and Lenders about future loan covenants and fincance structure. Management expects during the financial year 2017/18 to come to a satisfactory arrangement.

The company is exposed to foreign currency risks arising from its operating and financing activities, as the company has sales, purchases and financing in foreign currencies. In accordance with the company's risk management policy, the company hedges foreign currency risks arising from: recognised and unrecognised transactions using forward exchange contracts.

Currency risks on items of the statement of financial position are monitored and hedged by using primarily financial instruments. The risk exposure is considered limited.

The company is exposed to the currencies: NOK, SEK, USD, HKD, ISK and EUR. The company's most material exchange rate risk is the exposure to USD purchases, and SEK inflows from stores in Sweden. The income statement is affected by changes in exchange rates.

The market value of the financial instruments at 30 June 2017 is DKK 5.1 million and the latest expiry date is 15 May 2018.

NOTES TO THE FINANCIAL STATEMENT

13. Prepaid expenses and deferred income

Prepaid expenses consist primarily of prepaid rent. Deferred income consists primarily of grant to rent expenses and gift vouchers.

14. Share capital

The share capital consist of 100,000 shares of each nominal DKK 1,000. No shares carry special rights. There has not been changes to the share capital for the last 5 years.

DKK million	2016/17	2015/16
15. Restoration obligation		
Restoration obligation at 1 July	11.7	10.2
Provision during the year	0.6	1.6
Used during the year	-0.4	-0.1
Exchange rate adustment	-0.1	-0.1
Restoration obligation at 30 June	**11.8**	**11.7**
16. Return provision		
Return provision at 1 July	3.4	3.0
Provision during the year	48.2	51.6
Used during the year	-48.7	-51.2
Return provision at 30 June	**2.9**	**3.4**
17. Other provisions		
Provision at 1 July	0.0	0.0
Provision during the year	3.4	0.0
Other provision at 30 June	**3.4**	**0.0**
18. Other payables		
Holiday obligation	63.5	61.5
Other payroll related debt	33.8	24.2
VAT	26.5	65.3
Loyalty club	21.9	32.4
Other	3.0	2.0
	148.7	**185.4**

NOTES TO THE FINANCIAL STATEMENT

19. Collaterals, contingencies etc.

The Company has guaranteed lease agreements in subsidiaries amounting to DKK 38 million (2015/16: DKK 48 million). The Company has entered into rent agreements with an average annual lease payment of DKK 308 million (2015/16: DKK 283 million). The remaining term of the rents is up to 14 years and the total rent obligation amounts to DKK 1,333 million (2015/16: DKK 1,350 million).
The Company has entered into operational leasing agreements with an average annual lease payment of DKK 2 million (2015/16: DKK 3 million). The remaining term of the rents is up to 3 years and the total leasing obligation amounts to DKK 5 million (2015/16: DKK 4 million). The Group is party in a number of pending tax audits and lawsuits. In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 30 June 2017, the outcome of these tax audits and lawsuits is not expected to have further effect on the group's financial position.

The Company is jointly taxed with TOP-TOY Holding II A/S as administration company and its Danish subsidiaries in TOP-TOY Holding II Group. The Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit with other Danish companies. At 30 June 2017, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 0 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase.

The Company has bank guarantees for DKK 12 million related to leasehold rights.

The Company has execured a share pledge over its shares and significant subsidiaries as security for the groups debt to credit institutions.

20. Related parties

TOP-TOY A/S' related parties include the following:

Controlling interest:

TOP-TOY Holding III A/S (majority shareholder), Delta Park 37, 2665 Vallensbæk Strand

TOP-TOY Holding II A/S (principal shareholder), Delta Park 37, 2665 Vallensbæk Strand

The Consolidated Financial statements for TOP-TOY Holding II A/S where TOP-TOY A/S is included is available on request at the company.

Transactions with related parties:	2016/17	2015/16
Revenue	427.9	460.5
Management fee	73.4	42.3
Rent cost	19.5	68.0
Interest income	2.3	0.0
Dividend paid	75.0	0.0
Recievables from group enterprises	121.7	8.8
Payables to group enterprises	283.7	225.6
Joint taxation payable	28.8	41.7

Please refer to note 2 related for remuneration to Board of Directors and Executive Board and note 9 related to dividend from subsidiaries.

NOTES TO THE FINANCIAL STATEMENT

21. Proposed appropriation of profit for the year

Dividend for the financial year incl. extraordinary dividend	139.0	672.0
Net revaluation reserve according to the equity method	29.7	14.8
Transferred to retained earnings	-186.4	-680.2
APPROPRIATION TOTAL	**-17.7**	**6.6**

22. Events after the balance sheet date

No events have occured after the balance sheet date which may materially affect the Company's financial position