

TOP-TOY A/S

in reconstruction

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

Annual report

1 July 2017 – 30 June 2018

31th financial year

Approved at the annual general meeting on 2018

Christian Kofoed Hertz Jakobsen
Chairman

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STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

Today, the Board of Directors and the Executive Board have discussed the annual report of TOP-TOY A/S in reconstruction, including going concern and approved the annual report of the Company for the financial year 1 July 2017 – 30 June 2018.

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

The condition for going concern is as stated in Management's Review not fulfilled and therefore Management has filed a request with the Danish court for reconstruction under the Bankruptcy Act at 30 November 2018.

Due to the significant uncertainty regarding going concern, the Company may be unable to realise its assets and settle its obligations in the ordinary course of business. We have not been able to quantify the impact on the financial statements at 30 June 2018. We are consequently not able to express an opinion on whether the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 – 30 June 2018 considering the above circumstances.

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, 30 November 2018

Executive Board:

Pär Sigvardsson
CEO

Christian Kofoed Hertz Jakobsen
CFO

Board of Directors:

Michael Hauge Sørensen
Chairman

Thomas Henrik Gjørup

Lars Gjørup

John Albert Gustafsson

Hans Fredrik Stenbuch

Erik Carl Ragnarsson Lindgren

INDEPENDENT AUDITOR'S REPORT

To the shareholder of TOP-TOY A/S in reconstruction

Disclaimer of opinion

We have been appointed to audit the financial statements of TOP-TOY A/S in reconstruction for the financial year 1 July 2017 – 30 June 2018, 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.

We do not express any audit opinion on the financial statements. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion.

Basis for disclaimer of opinion

As stated in the "Statement by Management on the annual report", Management is not able to express an opinion on whether the financial statements for 2017/18 give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 – 30 June 2018, due to the significant uncertainty regarding going concern.

As explained in note 1 of the financial statements, Management has negotiated with the Company's lenders to ensure sufficient financing as to continue its operations for 2018/19. It has not been possible to obtain commitments for additional financing and therefore Management has filed a request with the Danish court for reconstruction under the Bankruptcy Act at 30 November 2018.

The Company has not obtained funding commitment from the lenders or shareholders to ensure sufficient financing to continue its operations for 2018/19, and accordingly, we have not obtained sufficient and appropriate evidence regarding the use of the going concern basis for accounting.

Due to the significant uncertainty regarding going concern, the Company may be unable to realize its assets and settle its obligations in the ordinary course of business. We have not been able to quantify the impact on the financial statements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark and to issue an audit opinion. However, because of the matters described in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements.

Independence

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**Statement on the Management's review**

As stated in the "Basis for disclaimer of opinion" section above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the financial statements. Accordingly, we make no statement on the Management's review.

Copenhagen, 30 November 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
MNE-no: 21332

Ole Becker
State Authorised
Public Accountant
MNE-no: 33732

COMPANY DETAILS

Company

TOP-TOY A/S in reconstruction

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

Thomas Henrik Gjørup

Lars Gjørup

John Albert Gustafsson

Hans Fredrik Stenbuch

Erik Carl Ragnarsson Lindgren

Executive Board

Pär Sigvardsson, CEO

Christian Kofoed Hertz Jakobsen, CFO

Auditor

ERNST & YOUNG

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

NORSTAR A/S (100%), Vallensbæk Strand, Denmark

STARNOR AB (100%), Ängelholm, Sweden

KEY FIGURES AND FINANCIAL RATIOS FOR THE COMPANY

DKK million	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Revenue	2,710.7	3,001.7	3,214.8	2,972.9	3,001.8	3,052.8
Operating result	-479.4	-58,0	-7.1	85.3	21.2	81.3
Income from investment in subsidiaries	15.7	29.7	14.8	43.9	43.5	-32.8
Financial income and expenses, net	11.2	-2.0	-2.2	-3.7	7.3	-20.8
Result for the year	-496.6	-17.7	6.6	103.1	63.6	15.2
Investment in tangible assets	43.2	33.5	66.5	74.8	21.7	18.2
Total assets	1,188.9	1,586.3	1,483.7	1,481.0	1,433.2	1,539.9
Equity	-65.2	332.5	450.9	1,125.9	1,155.0	1,113.1
Full time employees	1,546	1,518	1,660	1,550	1,590	1,653
Key financial ratios:						
Operating margin	-17.7%	-1.9%	-0.2%	2.9%	0.7%	2.7%
Solvency	-5.5%	21.0%	30.3%	76.0%	80.6%	72.3%

MANAGEMENT'S COMMENTARY

Principal activities

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

Financial review

The results for the year 2017/18 based on the Company as a going concern shows a loss of DKK 496.6 million compared to a loss of DKK 17.7 million in 2016/17, which is significant under expectations as stated in the financial statements for 2016/17 due to a lower revenue and earnings and challenges with the Company's ERP implementation.

The loss for the year has resulted in negative equity of DKK 65.2 million at 30 June 2018.

Management has negotiated with the Company's lenders to ensure sufficient financing as to continue its operations for 2018/19. It has not been possible to obtain commitments for additional financing for the current structure, so Management has as part of finalizing the annual report for 2017/18 also filed a request with the Danish court for reconstruction under the Bankruptcy Act.

The reconstruction plan is being prepared and will be presented in a court hearing meeting within 4 weeks from filing date, according to applicable reconstruction procedures. At the court hearing meeting the creditors will vote on such reconstruction plan.

Investments

Investments in non-current assets include new stores.

Financing

Currently funding is partly through own earnings as well as through credit facilities with the bank. TOP-TOY A/S in reconstruction has got a loan of DKK 175 million from the main shareholders of the ultimate parent TOP-TOY Holding II A/S, which were converted to equity during the year. The 25th March 2018 a new senior facility agreement was signed. The revolving facility was increased with DKK 390 million. At 30 June 2018 a draw of DKK 175 million of this facility has been used. The Management of TOP-TOY Group is in dialogue with the owners and Lenders about future finance structure, as mentioned under Financial review.

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.

MANAGEMENT'S COMMENTARY (continued)**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

Management of TOP-TOY A/S in reconstruction has filed a request with the Danish court for reconstruction under the Bankruptcy Act at 30 November 2018. Please refer to note 1 related to the current financial situation.

Expectations for future financial development

The above mentioned reconstruction is expected to be completed in 2019. Due to the uncertainties of the reconstruction plan it is expected that the Company still will realize a significant loss in 2018/19.

ACCOUNTING POLICIES

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

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.

On recognition of foreign branches and subsidiaries that 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.

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.

ACCOUNTING POLICIES (continued)

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 defined 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.

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 rights, software and development projects in progress are measured at cost less accumulated amortisation and impairment.

Leasehold rights are amortised over the duration of the lease contract. Licenses, rights, software 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.

ACCOUNTING POLICIES (continued)

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 - 10 years
Plant and machinery	5 - 10 years

The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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.

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.

ACCOUNTING POLICIES (continued)

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.

Cash

Cash comprise short term cash in hand, bank deposits and credit card receivables.

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.

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.

ACCOUNTING POLICIES (continued)

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.

Key figures and financial ratios

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

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

Operating margin:

$\frac{\text{Operating result} \times 100}{\text{Revenue}}$

Solvency:

$\frac{\text{Equity year end} \times 100}{\text{Total assets year end}}$

INCOME STATEMENT 1 JULY - 30 JUNE

<u>Note</u> DKK million	<u>2017/18</u>	<u>2016/17</u>
2 Revenue	2,710.7	3,001.7
Cost of goods sold	-1,721.8	-1,686.5
Other external expenses	-838.8	-816.8
	<hr/>	<hr/>
Gross profit	150.1	498.4
3 Employee expenses	-535.3	-509.9
4 Depreciation, amortisation and impairment losses	-94.2	-46.5
	<hr/>	<hr/>
Operating result	-479.4	-58.0
10 Income from investment in subsidiaries	15.7	29.7
5 Financial income	55.2	17.2
6 Financial expenses	-44.0	-19.2
	<hr/>	<hr/>
Result before tax	-452.5	-30.3
7 Tax on result for the year	-44.1	12.6
	<hr/>	<hr/>
RESULT OF THE YEAR	<u><u>-496.6</u></u>	<u><u>-17.7</u></u>

BALANCE SHEET AT 30 JUNE

ASSETS

<u>Note</u> DKK million	2017/18	2016/17
Goodwill	0.0	0.0
Leasehold rights	17.5	7.1
Licenses, rights and software	139.7	183.0
Development projects in progress	12.8	0.0
8 Intangible assets	170.0	190.1
Leasehold improvements	37.4	34.1
Plant and machinery	75.8	86.3
9 Property, plant and equipment	113.2	120.4
10 Investments in subsidiaries	83.8	232.1
11 Deposits of rent	5.8	5.7
Financial assets	89.6	237.8
TOTAL NON-CURRENT ASSETS	372.8	548.3
Inventories	529.8	744.1
Trade receivables	1.3	1.8
12 Deferred tax asset	25.4	64.8
Receivables from group enterprises	144.3	121.7
Income tax receivables	14.6	12.9
Other receivables	23.2	13.3
14 Prepaid expenses	38.1	46.7
Receivables	246.9	261.2
Cash	39.3	32.7
TOTAL CURRENT ASSETS	816.1	1,038.0
TOTAL ASSETS	1,188.9	1,586.3

BALANCE SHEET AT 30 JUNE**EQUITY AND LIABILITIES**

<u>Note</u>	DKK million	2017/18	2016/17
15	Share capital	59.8	100.0
	Reserve for net revaluation according to the equity method	0.0	40.8
	Development reserves	89.1	131.4
	Retained earnings	-219.6	0.3
	Hedging reserve, net of tax	5.5	-4.0
	Proposed dividend	0.0	64.0
	TOTAL EQUITY	-65.2	332.5
16	Restoration obligation	11.5	11.8
17	Return and warranty provision	3.9	2.9
18	Other provisions	0.0	3.4
	Provisions	15.4	18.1
	Bank overdraft	808.0	560.8
	Trade payables	194.1	193.9
	Payables to group enterprises	63.5	283.7
	Joint taxation payables	0.7	28.8
	Income tax payable	2.0	2.1
19	Other payables	145.6	148.7
14	Deferred income	24.9	17.7
	Short-term debt	1,238.8	1,235.7
	Total debt	1,238.8	1,235.7
	EQUITY AND LIABILITIES	1,188.9	1,586.3

1 Uncertainty with going concern

20 Collaterals, contingencies etc.

21 Related parties

22 Proposed appropriation of profit for the year

23 Events after the balance sheet date

STATEMENT OF CHANGES IN EQUITY

<u>Note</u>	<u>DKK million</u>	<u>Share capital</u>	<u>Reserve for net revaluation according to the equity method</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Hedging reserve, net of tax</u>	<u>Proposed dividend</u>	<u>Total</u>
	Equity at 1 July 2016	100.0	97.0	0.0	248.0	6.0	0.0	450.9
22	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	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-75.0</u>	<u>-75.0</u>
	Equity at 1 July 2017	100.0	40.8	131.4	0.3	-4.0	64.0	332.5
22	Profit/loss for the year	0.0	15.7	0.0	-512.3	0.0	0.0	-496.6
	Capital decrease	-50.0	0.0	0.0	50.0	0.0	0.0	0.0
	Capital increase/ debt converting	9.8	0.0	0.0	165.2	0.0	0.0	175.0
	Reserve for development cost	0.0	0.0	-42.3	42.3	0.0	0.0	0.0
	Exchange rate adjustments	0.0	-3.8	0.0	-17.8	0.0	0.0	-21.6
	Disposal subsidiary	0.0	-10.4	0.0	10.4	0.0	0.0	0.0
	Dividend from subsidiaries	0.0	-81.0	0.0	81.0	0.0	0.0	0.0
	Transfer	0.0	38.6	0.0	-38.6	0.0	0.0	0.0
	Hedging, net of tax	0.0	0.0	0.0	0.0	9.5	0.0	9.5
	Dividend distributed	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-64.0</u>	<u>-64.0</u>
	Equity at 30 June 2018	<u>59.8</u>	<u>0.0</u>	<u>89.1</u>	<u>-219.6</u>	<u>5.5</u>	<u>0.0</u>	<u>-65.2</u>

NOTES TO THE FINANCIAL STATEMENT

1. Uncertainty with going concern

Management has negotiated with the Company's lenders to ensure sufficient financing as to continue its operations for 2018/19. It has not been possible to obtain commitments for additional financing for the current structure and therefore the condition for going concern is not fulfilled at 30 November 2018. Management has therefore filed a request with the Danish court for reconstruction under the Bankruptcy Act at 30 November 2018.

Due to the significant uncertainty about going concern, including the outcome of the reconstruction of the Company, it is further not possible to assess the valuation of the assets and liabilities at 30 June 2018 and the possible impact on the financial statements for 1 July 2017 – 30 June 2018.

Management's opinion is consequently that they are not able to express an opinion on whether the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 – 30 June 2018 considering the above circumstances.

2. 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	2017/18	2016/17
3. Employee expenses		
Total employee expenses:		
Wages and salaries	453.2	439.0
Pensions	35.2	34.0
Other costs for social security	46.9	47.8
	535.3	520.8
Capitalised salaries and wages related to development projects	0.0	-10.9
	535.3	509.9
Remuneration to the Board of Directors and Executive Board:		
Board of Directors	0.7	0.7
Executive Board	20.8	9.8
	21.5	10.5
Average number of full-time employees	1,546	1,518

Pension of DKK 1.1 million (2016/17: DKK 0.8 million) is included in remuneration to Executive Board. During the period July-December 2017, the Company's Executive Board was remunerated by TOP-TOY Holding III A/S to manage TOP-TOY A/S in reconstruction. TOP-TOY Holding III A/S received subsequent group internal settlement to cover the costs.

As of January 2018 the Executive Board has been remunerated by TOP-TOY A/S in reconstruction. DKK 17.7 million of the remuneration to the Executive Board included in the note is therefore paid directly from TOP-TOY A/S in reconstruction.

Remuneration to the Board of Directors include termination costs and sign-on fees to changes in the Executive Board.

NOTES TO THE FINANCIAL STATEMENT

DKK million	<u>2017/18</u>	<u>2016/17</u>
4. Depreciation, amortisation and impairment losses		
Goodwill	0.0	0.1
Leasehold rights	4.6	2.9
Licenses, rights and software	19.1	6.0
Leasehold improvements	7.6	7.0
Plant and machinery	30.2	28.4
Losses / gains from disposal of non-current assets	32.7	2.2
	<u>94.2</u>	<u>46.5</u>
5. Financial income		
Interest from subsidiaries	12.2	2.2
Exchange rate adjustment, net	43.0	15.0
	<u>55.2</u>	<u>17.2</u>
6. Financial expenses		
Interest expenses etc.	42.2	19.2
Amortisation of borrowing costs	1.8	0.0
	<u>44.0</u>	<u>19.2</u>
7. Tax on result		
Tax on result for the year	7.0	9.4
Adjustment of deferred tax	42.2	-22.0
Adjustment of tax concerning previous years	-5.1	0.0
	<u>44.1</u>	<u>-12.6</u>

NOTES TO THE FINANCIAL STATEMENT

8. Intangible assets

	<u>Goodwill</u>	<u>Leasehold rights</u>
Cost at 1 July 2017	61.3	73.1
Additions	0.0	15.6
Exchange rate adjustment	-1.2	-5.4
Cost at 30 June 2018	60.1	83.3
Amortisation and impairment losses at 1 July 2017	61.3	66.0
Amortisation	0.0	4.6
Exchange rate adjustment	-1.2	-4.9
Amortisation and impairment losses at 30 June 2018	60.1	65.8
Carrying amount at 30 June 2018	0.0	17.5
	<u>Licenses, rights and software</u>	<u>Development projects in progress</u>
Cost at 1 July 2017	189.1	0.0
Additions	0.6	12.8
Disposals	-27.6	0.0
Cost at 30 June 2018	162.1	12.8
Amortisation and impairment losses at 1 July 2017	6.1	0.0
Amortisation	19.1	0.0
Amortisation on disposals	-2.8	0.0
Amortisation and impairment losses at 30 June 2018	22.4	0.0
Carrying amount at 30 June 2018	139.7	12.8

NOTES TO THE FINANCIAL STATEMENT

9. Property, plant and equipment

	<u>Leasehold improvements</u>	<u>Plant and Machinery</u>
Cost at 1 July 2017	143.2	446.6
Additions	12.8	31.1
Disposals	-12.1	-24.8
Exchange rate adjustment	-4.8	-9.4
Cost at 30 June 2018	<u>139.1</u>	<u>443.5</u>
Depreciation and impairment losses at 1 July 2017	109.2	360.3
Depreciation	7.6	30.2
Depreciation on disposals	-11.7	-15.9
Exchange rate adjustment	-3.4	-6.9
Depreciation and impairment losses at 30 June 2018	<u>101.7</u>	<u>367.7</u>
Carrying amount at 30 June 2018	<u><u>37.4</u></u>	<u><u>75.8</u></u>

NOTES TO THE FINANCIAL STATEMENT

DKK million	2017/18	2016/17
10. Investments in subsidiaries		
Cost at 1 July	191.3	254.7
Additions	1.8	18.6
Disposals	-69.6	-82.0
Cost at 30 June	123.5	191.3
Revaluation at 1 July	40.8	97.0
Disposals	-11.4	66.8
Dividend received	-81.0	-141.3
Exchange rate adjustments	-3.8	-11.3
Profit for the year	15.7	29.7
Revaluation at 30 June	-39.5	40.8
Carrying amount at 30 June	83.8	232.1
Group enterprises:		
	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%
NORSTAR A/S, Vallensbæk Strand	Denmark	100%
STARNOR AB, Ängelholm	Sweden	100%
11. Deposits of rent		
Deposits of rent at 1 July	5.7	5.9
Additions	1.2	0.1
Disposals	-1.1	-0.3
Deposits of rent at 30 June	5.8	5.7

NOTES TO THE FINANCIAL STATEMENT

DKK million	2017/18	2016/17
12. Deferred tax		
Deferred tax at 1 July	-64.8	-38.3
Adjustment of deferred tax, during the year	36.8	-22.0
Adjustment, deferred tax, transactions on equity	2.6	-2.8
Transfer	0.0	-1.7
	-25.4	-64.8
	-25.4	-64.8
Deferred tax		
Intangible assets	-10.1	-0.3
Property, plant and equipment	-16.8	-14.5
Tax loss carry forward	0.0	58.3
Other receivables	0.1	0.1
Provisions and short term debt	-6.1	-6.7
Re-tax balance	6.0	16.0
Transactions on equity	1.6	-1.1
	-25.4	-64.8
	-25.4	-64.8

The Company has in 2017/18 written-down deferred tax assets related to tax losses due to uncertainty of future use. The unrecognised tax losses amounts to approx. DKK 649 million.

13. 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 2018. The two main shareholders of the ultimate parent TOP-TOY Holding II A/S, TOP-TOY Holding I S.á.r.l and ODIN DK Holding A/S have in 2017 given a loan of DKK 175 million to TOP-TOY A/S in reconstruction, which were converted to equity in March 2018. The TOP-TOY Group is in dialogue with the owners and lenders about future loan covenants and finance structure. Please refer to note 1.

The Company is exposed to foreign currency risks arising from its operations 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 item 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 2018 is positive with DKK 7.0 million and the latest expiry date is 19 December 2018.

NOTES TO THE FINANCIAL STATEMENT

14. Prepaid expenses and deferred income

Prepaid expenses consist primarily of prepaid rent. Deferred income consists primarily of rent allowances received from landlords and gift vouchers.

15. Share capital

The share capital consist of 59,785,252 shares of each nominal DKK 1.

Share classes	No. of shares	Votes per share	Special rights
A-shares	100	1	Proceeds according to the Article of association
B-shares	24,244,004	10	Proceeds according to the Article of association
C-shares	35,541,148	1	Proceeds according to the Article of association
Total	<u>59,785,252</u>		

Changes in share capital during the last 5 years:

Date	Change	Shares	Value per share	Votes per share
1 July 2017		100,000.000	1,000	1
23 March 2018	Reduction of shares to cover loss	-50,000.000	1,000	1
23 March 2018	Increase of shares by conversion of debt	9,785.252	1,000	1
		<u>59,785.252</u>		
23 March 2018	Split of shares into classes and change of value pr. share			
	A-shares	1.000	100	1
	B-shares	242,440.040	100	10
	C-shares	355,411.480	100	1
		<u>597,852.520</u>		
29 June 2018	Change of value pr. share			
	A-shares	100	1	1
	B-shares	24,244,000	1	10
	C-shares	35,541,148	1	1
		<u>59,785,252</u>		

DKK million	2017/18	2016/17
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16. Restoration obligation

Restoration obligation at 1 July	11.8	11.7
Provision during the year	0.4	0.6
Used during the year	-0.3	-0.4
Exchange rate adjustment	-0.4	-0.1
	<u>11.5</u>	<u>11.8</u>
Restoration obligation at 30 June	11.5	11.8

NOTES TO THE FINANCIAL STATEMENT

DKK million	2017/18	2016/17
17. Return and warranty provision		
Return provision at 1 July	2.9	3.4
Provision during the year	43.5	48.2
Used during the year	-42.6	-48.7
Return and warranty provision at 30 June	3.9	2.9
18. Other provisions		
Provision at 1 July	3.4	0.0
Provision during the year	0.0	3.4
Used during the year	-3.4	0.0
Other provision at 30 June	0.0	3.4
19. Other payables		
Holiday obligation	67.6	63.5
Other payroll related debt	31.2	33.8
VAT	23.3	26.5
Loyalty club	18.0	21.9
Other	5.5	3.0
	145.6	148.7

20. Collaterals, contingencies etc.

The Company has entered into a royalty agreements which end in the beginning of 2028 with further option of 5 years. The minimum royalty payment over the period in the agreement amounts to DKK 168.7 million (2016/17: DKK 185.0 million).

The Company has guaranteed lease agreements in subsidiaries amounting to DKK 37 million (2016/17: DKK 38 million). The Company has entered into rent agreements with an lease payment of DKK 287 million (2016/17: DKK 308 million). The remaining term of the rents is up to 19 years and the total rent obligation amounts to DKK 1,301 million (2016/17: DKK 1,333 million).

The Company has entered into operational leasing agreements with an lease payment of DKK 4 million (2016/17: DKK 2 million). The remaining term of the rents is up to 7 years and the total leasing obligation amounts to DKK 79 million (2016/17: DKK 5 million). The Group is party in a number of pending tax audits.

In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 30 June 2018, the outcome of these tax audits 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 2018, 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 issued bank guarantees for 12.7 mDKK related to leasehold rights.

The Company has executed a share pledge over its shares in significant subsidiaries.

The Company has provided pledges in the form of floating charges of DKK 1,278.0 million for the Group's banks.

The floating charges include all properties, plant and equipment, group and trade receivables and inventories.

The book value of pledged assets amounts to DKK 658.5 million. Further for the subsidiary in Norway floating charges of DKK 2,000.0 million include all intangible assets, properties, plant and equipment, group and trade receivables and inventories are pledged. The book value of pledged assets in the subsidiaries amounts to DKK 196.9 million.

NOTES TO THE FINANCIAL STATEMENT

21. Related parties

TOP-TOY A/S in reconstruction' 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 in reconstruction is included is available on request at the Company.

Transactions with related parties:	2017/18	2016/17
Revenue	419.0	427.9
Management fee	26.2	73.4
Rent cost	2.3	19.5
Interest income	12.2	2.3
Dividend paid	64.0	75.0
Receivables from group enterprises	144.3	121.7
Payables to group enterprises	63.5	283.7
Joint taxation payable	0.7	28.8

Please refer to note 3 related for remuneration to Board of Directors and Executive Board and note 10 related to dividend from subsidiaries.

22. Proposed appropriation of profit for the year

Dividend for the financial year incl. extraordinary dividend	0.0	139.0
Net revaluation reserve according to the equity method	15.7	29.7
Transferred to retained earnings	-512.3	-186.4
	-496.6	-17.7

23. Events after the balance sheet date

The Management has filed a request with the Danish court for reconstruction under the Bankruptcy Act at 30 November 2018. Please refer to note 1 related to the current financial situation.