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Statsautoriseret
Revisionspartnerselskab
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# Ball ApS

Kløvermarken 29
7190 Billund
Central Business Registration
No 14246975

# Annual report 2018

The Annual General Meeting adopted the annual report on 08.03.2019

**Chairman of the General Meeting**

Name: Kuno Kildetoft Mehlsen

# Contents

# Entity details

**Entity**
Ball ApS
Kløvermarken 29
7190 Billund

Central Business Registration No (CVR): 14246975
Registered in: Billund
Financial year: 01.01.2018 - 31.12.2018

Phone: +45 76 98 11 00
Website: www.ball-group.com
E-mail: info@ball-group.com

**Board of Directors**
Jørgen Lindholm Lau, Chairman
Jens Høgsted
Anders Cleemann
Asbjørn Mosgaard Hyldgaard

**Executive Board**
Kuno Kildetoft Mehlsen

**Auditors**
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Ball ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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.

Billund, 08.03.2019

**Executive Board**

Kuno Kildetoft Mehlsen

**Board of Directors**

| | | |
|---|---|---|
| Jørgen Lindholm Lau<br>Chairman | Jens Høgsted | Anders Cleemann |
| Asbjørn Mosgaard Hyldgaard | | |

# Independent auditor's report

**To the shareholders of Ball ApS**

**Opinion**

We have audited the consolidated financial statements and the parent financial statements of Ball ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31.12.2018, and of the results of their operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor’s report. We are independent of the Group 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 consolidated financial statements and the parent financial statements**

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group’s and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated

# Independent auditor's report

financial statements and parent financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

**Statement on the management commentary**
Management is responsible for the management commentary.

# Independent auditor's report

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 consolidated financial statements and the parent 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.

Kolding, 08.03.2019

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Suzette Demediuk Steen Nielsen
State Authorised Public Accountant
Identification No (MNE) mne32207

# Management commentary

| | 2018 DKK'000 | 2017 DKK'000 | 2016 DKK'000 | 2015 DKK'000 | 2014 DKK'000 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| **Key figures** | | | | | |
| Revenue | 590.712 | 484.430 | 398.181 | 576.667 | 586.323 |
| Gross profit/loss | 220.285 | 161.005 | 152.955 | 269.977 | 282.474 |
| Operating profit/loss | 33.374 | (349) | 12.453 | (39.999) | (1.022) |
| Net financials | (2.807) | (2.057) | (2.123) | (4.629) | (1.557) |
| Profit/loss for the year | 23.764 | (2.972) | 10.955 | (41.353) | (6.616) |
| Total assets | 208.577 | 161.638 | 166.164 | 184.693 | 212.271 |
| Investments in property, plant and equipment | 21.128 | 22.271 | 15.645 | 9.788 | 8.061 |
| Equity | 94.804 | 72.812 | 76.829 | 66.167 | 68.362 |
| Average numbers of employees | 471 | 398 | 334 | 373 | 373 |
| EBITDA | 51.477 | 15.806 | 7.375 | (13.380) | 17.015 |
| EBITDA, normalised for non-recurring costs | 55.761 | 18.386 | 15.564 | (13.380) | 17.015 |
| EBITA | 47.973 | 2.507 | 11.454 | (27.258) | 2.258 |
| | | | | | |
| **Ratios** | | | | | |
| Gross margin (%) | 37,3 | 33,2 | 38,4 | 46,8 | 48,2 |
| Net margin (%) | 4,0 | (0,6) | 2,8 | (7,2) | (1,1) |
| Return on equity (%) | 28,4 | (4,0) | 15,3 | (61,5) | (8,2) |
| Equity ratio (%) | 45,5 | 45,0 | 46,2 | 35,8 | 32,2 |
| EBITDA-margin | 8,7 | 3,3 | 1,9 | (2,3) | 3,3 |
| EBITA-margin | 8,0 | 0,5 | 2,9 | (4,7) | 0,0 |

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

| Ratios | Calculation formula | Calculation formula reflects |
|---|---|---|
| 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. |
| EBITDA-margin | $\frac{\text{EBITDA}}{\text{Revenue}}$ | The Enity's operating profitablity before interest, tax, depreciation and amortization. |
| EBITA-margin | $\frac{\text{EBITA}}{\text{Revenue}}$ | The Enity's operating profitablity before interest, tax and depreciation. |

On 4 January 2016 the Group sold its activities within fashion wear for the standard size segment.

# Management commentary

**Primary activities**

***Ball ApS***

The Company’s objective is to hold stocks / shares in other companies, conduct financial activities and to exercise any related business.

***Ball Group***

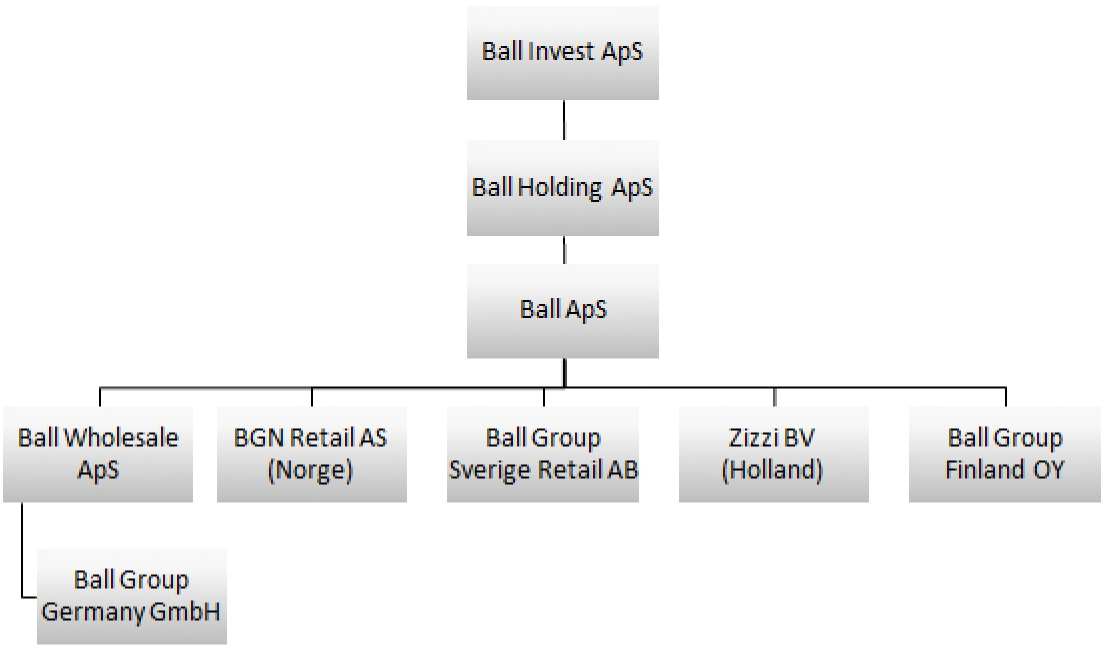
The Group's main objective is to source and market clothing for plus size women.

The Group's sales are primarily in Europe.

**Unusual conditions**

There have been no significant unusual conditions in the financial year.

**Group chart**




Ball ApS (secondary name: Ball Group) is indirectly owned by equity fund Axcel III, board and leading employees via holding companies Ball Holding ApS and Ball Invest ApS.

**Development in activities and finances**

Revenue for the financial year will finalize at DKK 591 million compared to DKK 484 million in last financial year. The growth in revenue was realized through an increase in online sales, an increase in the number of own stores and an increase in revenue coming from international wholesale customers. The Group realizes an operating profit (EBITDA) of DKK 51.5 million against last year’s operating profit of DKK 15.8 million.

Normalized for non-recurring costs, EBITDA for the financial year is DKK 55.8 million against a normalized result of DKK 18.4 million in 2017. The result is considered to be very satisfactory.

# Management commentary

2018 was a successful year for Ball Group. The year more than anything marks the completion of the strategy plan and significant transformations process that was set into motion in 2016. Over the course of this period of 3 years, the Group has changed from rooted in traditional wholesale and franchise operations to being a company with own stores, e-commerce and professional wholesale being the predominant distribution. The company faces the future with a strong operating model, a higher operating profit and a sound financial situation.

**Parent company**
The main activity of the Parent company is managing and sales of management services internally within the Group, lease activities, administration as well as financial business. The Parent company realizes an EBITDA of DKK -0.9 million.

**Uncertainty relating to recognition and measurement**
During recognition and measurement for the financial year, no significant uncertainty has been identified.

**Going concern**
Reference is made to note 1 in the financial statements.

**Outlook**
Management expects revenue and profits for 2019 to be realized above the level of 2018.

**Particular risks**
***Business risks***
The primary business risks for the Group relate to continued ability to develop, correct marketing and the ability to obtain profit on selling in an internationally competitive market.

The Board of Directors must reassure a continuous monitoring of the development in the market in order to reduce the business risks, as well as strengthen its competitive position on crucial parameters.

***Currency risks***
The Group will be exposed to some currency risks. A considerable part of the transactions entered into by the Group is carried out in foreign currency and will be affected by currency and interest development on the used currencies. This goes for activities carried out between foreign group companies, suppliers and customers.

The Group’s currency policy is set in order to minimize the risks in transactions with foreign exchange. The policy has in the financial year proven to be correct and will be continued unchanged during the coming financial year.

***Credit risks***
Credit risks are related to debtors including the few remaining franchise partners, who receive deliveries according to the Group’s normal trade terms. The priority of the Group’s debtors is insured via credit insurance and/or bank guarantees, under continuous control and risk assessment of level credit.

The level of debtors is considered very good for the Group.

# Management commentary

### Intellectual capital resources

It is essential for the Group to maintain the ability to attract, develop and retain quality members of staff with a high level of competence. The presence of quality knowledge and knowhow in each level of staff will be obtained by thorough recruitment and a continuous development of the existing staff and their competences.

Throughout the year, a considerable number of experienced and highly qualified members of staff has been added to the Group.

### Staff

Development within the members of staff can be illustrated as below:

| | # employees | |
|---|---|---|
| | Beginning of year | End of year |
| Denmark | 228 | 261 |
| Other countries | 170 | 210 |
| **# Employees** | **398** | **471** |

### Research and development activities

In line with the laid-out group strategy, investments will be made in the ongoing development of the business platform, as well as the development of all distribution channels across the Scandinavian and Central European markets.

As so, a further growth in revenue and profit is expected for the years to come, driven by even better performance and development of the e-commerce channels, establishment of new concept stores as well as significant access by major wholesale clients.

### Statutory report on corporate social responsibility

The Group monitors relevant relations towards social responsibilities, including employee relations, environmental issues and anti-corruption.

During the financial year, the Group focused on the following areas of social responsibility:

- The CSR committee´s work, including the choice of focus areas in 2018 in relation to the CSR strategy
- Chemicals in finished products, including selection of test programs
- Control and human rights
- Animal welfare
- Environmental influences
- Control on certified suppliers
- Objectives and policies for gender composition in the supreme governing body, cf. S. 99b of the Danish-Financial Statements Act

# Management commentary

- Objectives and goals for 2019

As a member of UN Global Compact, the Group issues a progression report concerning the CSR work performed by the Group. For further information regarding the work of Ball Group relating to social responsibilities reference is made to this report. The report is published on the following link:
https://www.ball-group.com/financial-reports.

**Statutory report on the underrepresented gender**
Reference is made to the progression report concerning CSR, which is published on the following link:
https://www.ball-group.com/financial-reports.

**Statutory report on corporate governance**
Ball Group's Board and directors will at any time secure that the group management structure and internal controls are appropriate and work satisfactorily.

The basis for the organization of tasks handled by the Board and the directors includes the Companies Act, the Financial Statements Act, the Company´s articles of association and good practices for companies of the same size and same international reach as Ball Group. Under this, the Company - due to its status as a capital funded company - adheres to the guidelines for responsible ownership and corporate governance. On this basis, a number of internal procedures are being developed and maintained to ensure active, safe and profitable management of the Group.

**Proposals for active ownership and corporate governance of equity funds**
In 2011 the Danish Venture and Private Equity Association published updated guidelines for responsible ownership and corporate governance for equity funds and their controlled companies.

The recommendations concern the guidelines regarding corporate governance, social responsibilities, risk assessments, employments policy and strategy. These matters are discussed in the Management's Review. As an equity fund owned company, Ball ApS must either follow these recommendations or explain why these are not partly or fully followed.

Management in Ball ApS, will in general follow the guidelines and recommendations. For further information on the mentioned recommendations reference is made to www.dvca.dk

**Shareholders' conditions**
The capital structure of the Group will always be monitored by the Board and kept with the expectations from the Board and the interests of the Group. The main goal is always to have capital structure that supports and underlines continuous profitable growth.

The Group's articles of association contain no limits towards ownership or the right to vote. Ball ApS unit capital consists solely of one asset class.

Capital fund Axcel III is the largest indirect shareholder of Ball ApS, holding 87% of the Group's shares and rights to vote. A number of senior executives and directors own the remaining part.

# Management commentary

Axcel III has a controlling influence in the Group. Director Asbjørn Hyldgaard represents the capital fund on the Board. The rest of the Board is independent but designated by Axcel.

**The work of the Board of Directors**
The Board overlooks the work of the directors ensuring that approved goals, strategies and business processes are kept. Information from Management is done systematically during meetings and by ongoing reporting. The reporting contains information on market developments, group development and profitability.

A defined meeting schedule defines the Board of Ball ApS to meet a minimum of 5 times per year. A yearly strategic day establishes the visions, goal and strategies for the Group. In between the scheduled board meetings, all members receive a written orientation regarding the financial status and the general running of the Group. Extraordinary meetings are called, if circumstances so warrant. During 2018, the Board held four meetings. In addition, presidency meetings took place every second month.

The board will appoint Committees to deal with special tasks. Besides the Audit and Risk Committee, no other Committees were appointed during 2018.

**Risk assessments**
**Audit and Risk Committee**
The Audit and Risk Committee consists of two board members and the Executive Board. If needed, external audit attends the meetings. The Audit and Risk Committee reports to the Board.

The Audit and Risk Committee evaluates continuously and as a minimum annually the collected risk and single risk assessments connected to group activities. The Audit and Risk Committee will on behalf of the Board assess the central risk, follow the development and draw plan of action for reducing and managing individual risk factors, including business, financial and CSR-related risks. In depth, explanation on these factors is described separately under special risks.

Effective risk assessment and internal audit reduce strategic and business risk, securing compliance with laws and regulations, to ensure an effective basis for management decision.

The strategic choices of Ball Group lead to natural risks, which are essential to identify and be communicated out and handled effectively. Internal audit and effective risk assessments are vital for the Board and executives to carry out tasks expected by the governing bodies.

**Financial reporting process**
The Audit and Risk Committee on behalf of the Board and the directors handles the overall responsibility of the Group´s risk assessments and internal audits in relation to financial reporting process. Organizational structure, policies, procedures and audits in relation to financial reporting process undergo continuous evaluation by the Committee and the Executive Board.

Ball Group has established a group reporting process, including a monthly reporting, consisting of full income report, balance sheet and cash flow, follow-up to budget, valuation on KPI performances and achievement of agreed target for each business unit.

# Management commentary

### Management remuneration

To attract and maintain management competencies, the remuneration of executive management and senior executives is determined by taking into account work tasks, value creation and terms in comparable companies.

Incentive pay has been used for executive management and senior executives in the form of bonus schemes, as well as a contingent and warrant-based incentive program for the Board, Executive Board and senior executives.

### The Board of Directors and the Executive Board´s shareholding

At the end of the financial year, the Board of Directors and the Executive Board have an indirect shareholding in the company of 5.9%.

### Dividend policy

Payment of dividend must take place with consideration to the necessary consolidation of equity for the Group’s planned expansion.

The Board suggests no dividend be distributed in connection with the annual general meeting.

### Stakeholders

Ball Group continues to develop and expand good relations to interest groups, as those relations are considered to have essential and positive effect on the Group´s future development.

# Management commentary

### Board of Directors

| Board of Directors | | | |
|---|---|---|---|
| **Name** | **Jørgen Lindholm Lau** | **Jens Høgsted** | **Anders Cleemann** |
| Position | CEO – Lindholm Advisory ApS (Denmark)<br>CEO – TLDK Invest ApS (Denmark) | CEO – Høgsted Holding ApS | CEO – AK Cleemann Holding ApS |
| Chairman of the Board of Directors in: | Ball Invest ApS (Denmark)<br>Ball Holding ApS (Denmark)<br>Ball ApS (Denmark)<br>Dentalteamet Holding A/S<br>Tandlægen.dk - Holding A/S | | MUUTO A/S<br>MUUTO Holding ApS |
| Vice Chairman of the Board of Directors in: | | Ball Holding ApS (Denmark)<br>Ball Invest ApS (Denmark)<br>Ball ApS | |
| Board Member in: | Aula Holding IV ApS (Denmark, Principal owner of Tandlægen.dk)<br>Mover Systems ApS (Denmark)<br>TLDK Invest ApS<br>BGN Retail AS<br>Ball Group Sverige Retail AB<br>Ball Group Finland OY | Svendsen Sport A/S<br>IMERCO A/S<br>IMERCO HOLDING A/S<br>MIE4 7 Datter ApS<br>Ball Invest ApS (Denmark)<br>Ball Holding ApS (Denmark)<br>Ball ApS (Denmark) | Carrington Aps (WoodWood)<br>Ball Holding ApS (Danmark)<br>Ball Invest ApS (Danmark)<br>Ball ApS |
| Other management positions: | Owner of Lindholm Invest ApS<br>Member of the investment commitee for Promentum Capital A/S (Denmark, Venture Capital) | Owner of Høgsted Holding ApS | Owner of AK Cleemann Holding |
| | **Board of Directors** | **Executive Board** | **Others** |
| **Name** | **Asbjørn Hyldgaard** | **Kuno Kildetoft Mehlsen** | **Rikke Knudsen** |
| Position | Partner – Axcel Management A/S<br>CEO – Ventilation Holding ApS<br>CEO – MNGT4 AH ApS | CEO – Ball Group | Finance Director – Ball Group |
| Chairman of the Board of Directors in: | | Ball Group Finland OY<br>Zizzi BV<br>Ball Group Germany GmbH | BGN Retail AS<br>Ball Group Sverige Retail AB |
| Board Member in: | Ball Holding ApS (Denmark)<br>Ball Invest ApS (Denmark)<br>Ball ApS<br>Ax Ball Invest ApS<br>AXBL Invco ApS<br>Ax V Nissens III ApS<br>Ax V INV4 Holding III ApS<br>AX V GUBI Holding III ApS | BGN Retail AS<br>Ball Group Sverige Retail AB | Ball Group Finland OY |
| Vice Chairman of the Board of Directors in: | Ax V GUBI Holding I ApS<br>Ax V GUBI Holding II ApS<br>GUBI A/S<br>GUBI Group ApS | | |
| Other management positions: | Owner of MNGT4 AH ApS | Owner of HSK 2005 Holding ApS<br>Owner of K K Holding ApS | |

# Management commentary

**Events after the balance sheet date**
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Consolidated income statement for 2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Revenue | | 590.712 | 484.430 |
| Cost of sales | | (236.760) | (208.419) |
| Other external expenses | 2 | (133.667) | (115.006) |
| **Gross profit/loss** | | **220.285** | **161.005** |
| Staff costs | 3 | (168.808) | (145.199) |
| Depreciation, amortisation and impairment losses | 4 | (18.103) | (16.155) |
| **Operating profit/loss** | | **33.374** | **(349)** |
| Other financial income | | 3.930 | 2.717 |
| Other financial expenses | 5 | (6.737) | (4.774) |
| **Profit/loss before tax** | | **30.567** | **(2.406)** |
| Tax on profit/loss for the year | 6 | (6.803) | (566) |
| **Profit/loss for the year** | 7 | **23.764** | **(2.972)** |

# Consolidated balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Acquired rights | | 9.918 | 7.169 |
| Goodwill | | 13.949 | 16.107 |
| **Intangible assets** | 8 | **23.867** | **23.276** |
| Other fixtures and fittings, tools and equipment | | 41.559 | 35.212 |
| **Property, plant and equipment** | 9 | **41.559** | **35.212** |
| Deposits | | 8.735 | 8.202 |
| **Fixed asset investments** | 10 | **8.735** | **8.202** |
| **Fixed assets** | | **74.161** | **66.690** |
| Manufactured goods and goods for resale | | 54.999 | 47.695 |
| **Inventories** | | **54.999** | **47.695** |
| Trade receivables | | 17.889 | 19.434 |
| Receivables from group enterprises | | 2.926 | 7.632 |
| Deferred tax | 11 | 3.363 | 7.144 |
| Other receivables | | 2.100 | 4.562 |
| Income tax receivable | | 0 | 298 |
| Prepayments | | 8.598 | 4.425 |
| **Receivables** | | **34.876** | **43.495** |
| **Cash** | | **44.541** | **3.758** |
| **Current assets** | | **134.416** | **94.948** |
| **Assets** | | **208.577** | **161.638** |

# Consolidated balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Contributed capital | | 29.888 | 29.888 |
| Retained earnings | | 64.916 | 42.924 |
| **Equity** | | **94.804** | **72.812** |
| Bank loans | | 0 | 39.700 |
| **Non-current liabilities other than provisions** | | **0** | **39.700** |
| Bank loans | | 39.700 | 0 |
| Trade payables | | 25.799 | 15.516 |
| Income tax payable | | 2.184 | 456 |
| Other payables | | 46.090 | 33.154 |
| **Current liabilities other than provisions** | | **113.773** | **49.126** |
| **Liabilities other than provisions** | | **113.773** | **88.826** |
| **Equity and liabilities** | | **208.577** | **161.638** |
| Going concern | 1 | | |
| Financial instruments | 12 | | |
| Contingent liabilities | 13 | | |
| Assets charged and collateral | 14 | | |
| Transactions with related parties | 15 | | |
| Group relations | 16 | | |
| Subsidiaries | 17 | | |

# Consolidated statement of changes in equity for 2018

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---|---|---|---|
| Equity beginning of year | 29.888 | 42.924 | 72.812 |
| Exchange rate adjustments | 0 | (1.734) | (1.734) |
| Fair value adjustments of hedging instruments | 0 | (49) | (49) |
| Tax of entries on equity | 0 | 11 | 11 |
| Profit/loss for the year | 0 | 23.764 | 23.764 |
| **Equity end of year** | **29.888** | **64.916** | **94.804** |

# Notes to consolidated financial statements

**1. Going concern**

The Company and Group have, to be agile, requested their financial institution to extend their financial commitment until June 30, 2019 only. Based on the Group’s budget, the credit facilities for this period are considered to be sufficient. Management expects to obtain an extension of the Company's existing credit facilities for the remainder of the financial year 2019 by June 30, 2019, to ensure appropriate funding for the planned activities for the remainder of the financial year 2019. Thus, at the time of presentation of the financial statements for 2018, no binding agreement has been entered into with the financial institution until December 31, 2019. However, Management considers it highly probable that this extension can be achieved.

| | **2018 DKK'000** | **2017 DKK'000** |
|---|---|---|
| **2. Fees to the auditor appointed by the Annual General Meeting** | | |
| Statutory audit services | 473 | 463 |
| Other assurance engagements | 104 | 21 |
| Tax services | 132 | 315 |
| Other services | 13 | 101 |
| | **722** | **900** |

# Notes to consolidated financial statements

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **3. Staff costs** | | |
| Wages and salaries | 140.834 | 115.951 |
| Pension costs | 3.274 | 2.966 |
| Other social security costs | 19.773 | 18.274 |
| Other staff costs | 4.927 | 8.008 |
| | **168.808** | **145.199** |
| Average number of employees | **471** | **398** |

| | Remuneration of management 2018<br>DKK'000 | Remuneration of management 2017<br>DKK'000 |
|---|---|---|
| Total amount for management categories | 2.427 | 2.474 |
| | **2.427** | **2.474** |

Remuneration of the Board of Directors and the Executive Board is disclosed collectively with reference to S. 98(3) of the Danish Financial Statements Act.

In order to strengthen Management and certain leading employees' interest in the long-term value creation of Ball Wholesale ApS, 11,069,076 warrants giving the right to subscription of 1 share each in Ball Invest ApS has been granted. The exercise price of the majority of the warrants is set at 1 (set at price 100). During the financial year no further warrants have been granted.

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **4. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 3.504 | 2.971 |
| Depreciation of property, plant and equipment | 13.956 | 12.319 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 643 | 865 |
| | **18.103** | **16.155** |

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **5. Other financial expenses** | | |
| Financial expenses from group enterprises | 6.728 | 4.764 |
| Other interest expenses | 9 | 10 |
| | **6.737** | **4.774** |

# Notes to consolidated financial statements

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **6. Tax on profit/loss for the year** | | |
| Current tax | 2.891 | 456 |
| Change in deferred tax | 3.650 | (997) |
| Adjustment concerning previous years | 262 | 1.107 |
| | **6.803** | **566** |

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **7. Proposed distribution of profit/loss** | | |
| Retained earnings | 23.764 | (2.972) |
| | **23.764** | **(2.972)** |

| | Acquired rights<br>DKK'000 | Goodwill<br>DKK'000 |
|---|---|---|
| **8. Intangible assets** | | |
| Cost beginning of year | 19.640 | 74.388 |
| Exchange rate adjustments | 203 | 0 |
| Additions | 4.258 | 0 |
| Disposals | (457) | 0 |
| **Cost end of year** | **23.644** | **74.388** |
| | | |
| Amortisation and impairment losses beginning of year | (12.471) | (58.281) |
| Exchange rate adjustments | (253) | 0 |
| Amortisation for the year | (1.346) | (2.158) |
| Reversal regarding disposals | 344 | 0 |
| **Amortisation and impairment losses end of year** | **(13.726)** | **(60.439)** |
| | | |
| **Carrying amount end of year** | **9.918** | **13.949** |

# Notes to consolidated financial statements

| | Other fixtures and fittings, tools and equipment DKK'000 |
|---|---|
| **9. Property, plant and equipment** | |
| Cost beginning of year | 101.978 |
| Exchange rate adjustments | 260 |
| Additions | 21.128 |
| Disposals | (5.060) |
| **Cost end of year** | **118.306** |
| | |
| Depreciation and impairment losses beginning of year | (66.766) |
| Exchange rate adjustments | (345) |
| Depreciation for the year | (13.956) |
| Reversal regarding disposals | 4.320 |
| **Depreciation and impairment losses end of year** | **(76.747)** |
| | |
| **Carrying amount end of year** | **41.559** |

| | Deposits DKK'000 |
|---|---|
| **10. Fixed asset investments** | |
| Cost beginning of year | 8.209 |
| Exchange rate adjustments | 1 |
| Additions | 851 |
| Disposals | (319) |
| **Cost end of year** | **8.742** |
| | |
| Impairment losses beginning of year | (7) |
| **Impairment losses end of year** | **(7)** |
| | |
| **Carrying amount end of year** | **8.735** |

# Notes to consolidated financial statements

| | 2018 DKK'000 |
|---|---|
| **11. Deferred tax** | |
| **Changes during the year** | |
| Beginning of year | 7.144 |
| Recognised in the income statement | (3.792) |
| Recognised directly in equity | 11 |
| **End of year** | **3.363** |

Deferred tax assets comprise temporary differences on intangible assets, property, plant and equipment and deferred tax losses that are expected to be utilized within 3-5 years.

**12. Financial instruments**

Other receivables include a positive fair value of forward exchange contracts of DKK 936k. The Group hedges future exchange risks relating to sales and purchases of goods. The Group has entered forward exchange contracts for the following 8 months to secure sales and purchases of goods in the following currencies: USD 27,750k. All values are absolute values. All contracts are subscribed with the Group's ordinary bank.

| | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|
| **13. Contingent liabilities** | | |
| Recourse and non-recourse guarantee commitments | 18.484 | 17.781 |
| **Contingent liabilities in total** | **18.484** | **17.781** |

The Group participates in a Danish joint taxation arrangement where Ax Ball Invest ApS, Business Reg. No 30 08 43 06 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Group is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

**14. Assets charged and collateral**

Bank loans are secured by way of a floating charge of DKK 80,000k. The assets covered by the floating charge amount to DKK 117,336k and comprise receivables, inventory and operating equipment.

Bank loans are also secured by way of a floating charge which covers rental rights etc.

**Collateral provided for group enterprises**

The Group has provided guarantee for the group enterprises' debt with the Group's main bank. The maximum limit of the guarantee is DKK 151,919k. Bank loans of group enterprises amount to DKK 51,407k at 31 December 2018.

The above mentioned floating charge also secures group enterprises' debt with the Group's main bank.

# Notes to consolidated financial statements

**15. Transactions with related parties**

During the financial year, related party transactions have been conducted on an arm's length basis.

**16. Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

AX Ball Invest ApS, c/o Managemet InvCo A/S, Sankt Annæ Plads 10, 1250 Copenhagen K, Business Reg. No 30 08 4306.

| 17. Subsidiaries | Registered in | Corporate form | Equity interest % |
|---|---|---|---|
| Ball Wholesale ApS | Billund, Denmark | ApS | 100,0 |
| Ball Group Finland OY | Vaasa, Finland | OY | 100,0 |
| Zizzi B.V. | Groenekan, Netherland | B.V. | 100,0 |
| BGN Retail AS | Oslo, Norway | AS | 100,0 |
| Ball Group Sverige Retail AB | Borås, Sweden | AB | 100,0 |
| Ball Group Germany GmbH | Munich, Germany | GmbH | 100,0 |

# Parent income statement for 2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Revenue | | 735 | 57 |
| Other external expenses | | (547) | (113) |
| **Gross profit/loss** | | **188** | **(56)** |
| Staff costs | 2 | (1.048) | (1.095) |
| **Operating profit/loss** | | **(860)** | **(1.151)** |
| Income from investments in group enterprises | | 23.789 | (3.139) |
| Other financial income | 3 | 2.266 | 2.340 |
| Other financial expenses | 4 | (1.473) | (922) |
| **Profit/loss before tax** | | **23.722** | **(2.872)** |
| Tax on profit/loss for the year | 5 | 42 | (100) |
| **Profit/loss for the year** | 6 | **23.764** | **(2.972)** |

# Parent balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Investments in group enterprises | | 68.175 | 46.844 |
| Deposits | | 2.234 | 2.187 |
| **Fixed asset investments** | 7 | **70.409** | **49.031** |
| **Fixed assets** | | **70.409** | **49.031** |
| Receivables from group enterprises | | 53.783 | 82.865 |
| Deferred tax | 8 | 294 | 688 |
| Other receivables | | 189 | 1.092 |
| **Receivables** | | **54.266** | **84.645** |
| **Cash** | | **66** | **0** |
| **Current assets** | | **54.332** | **84.645** |
| **Assets** | | **124.741** | **133.676** |

# Parent balance sheet at 31.12.2018

| | Notes | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|---|
| Contributed capital | | 29.888 | 29.888 |
| Retained earnings | | 54.916 | 42.924 |
| Proposed dividend | | 10.000 | 0 |
| **Equity** | | **94.804** | **72.812** |
| Deferred tax | 8 | 0 | 462 |
| Provisions for investments in group enterprises | 9 | 4.939 | 6.305 |
| **Provisions** | | **4.939** | **6.767** |
| Bank loans | | 25 | 1.432 |
| Trade payables | | 87 | 0 |
| Payables to group enterprises | | 24.136 | 52.155 |
| Income tax payable | | 26 | 0 |
| Other payables | | 724 | 510 |
| **Current liabilities other than provisions** | | **24.998** | **54.097** |
| **Liabilities other than provisions** | | **24.998** | **54.097** |
| **Equity and liabilities** | | **124.741** | **133.676** |
| Going concern | 1 | | |
| Contingent liabilities | 10 | | |
| Assets charged and collateral | 11 | | |
| Related parties with controlling interest | 12 | | |
| Transactions with related parties | 13 | | |

# Parent statement of changes in equity for 2018

| | Contributed capital DKK'000 | Retained earnings DKK'000 | Proposed dividend DKK'000 | Total DKK'000 |
|---|---|---|---|---|
| Equity beginning of year | 29.888 | 42.924 | 0 | 72.812 |
| Exchange rate adjustments | 0 | (1.734) | 0 | (1.734) |
| Other entries on equity | 0 | (38) | 0 | (38) |
| Profit/loss for the year | 0 | 13.764 | 10.000 | 23.764 |
| **Equity end of year** | **29.888** | **54.916** | **10.000** | **94.804** |

# Notes to parent financial statements

### 1. Going concern

The Company and Group have, to be agile, requested their financial institution to extend their financial commitment until June 30, 2019 only. Based on the Group’s budget, the credit facilities for this period are considered to be sufficient. Management expects to obtain an extension of the Company's existing credit facilities for the remainder of the financial year 2019 by June 30, 2019, to ensure appropriate funding for the planned activities for the remainder of the financial year 2019. Thus, at the time of presentation of the annual report for 2018, no binding agreement has been entered into with the financial institution until December 31, 2019. However, Management considers it highly probable that this extension can be achieved.

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **2. Staff costs** | | |
| Wages and salaries | 1.048 | 1.095 |
| | **1.048** | **1.095** |
| Average number of employees | **0** | **0** |

| | Remuneration of management 2018<br>DKK'000 | Remuneration of management 2017<br>DKK'000 |
|---|---|---|
| Total amount for management categories | 2.427 | 2.474 |
| | **2.427** | **2.474** |

Remuneration of the Board of Directors and the Executive Board is disclosed collectively with reference to S. 98(3) of the Danish Financial Statements Act.

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **3. Other financial income** | | |
| Financial income arising from group enterprises | 2.266 | 2.340 |
| | **2.266** | **2.340** |

| | 2018<br>DKK'000 | 2017<br>DKK'000 |
|---|---|---|
| **4. Other financial expenses** | | |
| Financial expenses from group enterprises | 1.478 | 1.485 |
| Other interest expenses | (5) | (563) |
| | **1.473** | **922** |

# Notes to parent financial statements

| | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|
| **5. Tax on profit/loss for the year** | | |
| Current tax | 26 | 0 |
| Change in deferred tax | (42) | 63 |
| Adjustment concerning previous years | (26) | 37 |
| | **(42)** | **100** |

| | 2018 DKK'000 | 2017 DKK'000 |
|---|---|---|
| **6. Proposed distribution of profit/loss** | | |
| Ordinary dividend for the financial year | 10.000 | 0 |
| Retained earnings | 13.764 | (2.972) |
| | **23.764** | **(2.972)** |

| | Investments in group enterprises DKK'000 | Deposits DKK'000 |
|---|---|---|
| **7. Fixed asset investments** | | |
| Cost beginning of year | 176.172 | 2.187 |
| Additions | 0 | 47 |
| **Cost end of year** | **176.172** | **2.234** |
| | | |
| Impairment losses beginning of year | (129.328) | 0 |
| Exchange rate adjustments | (1.054) | 0 |
| Adjustments on equity | (38) | 0 |
| Amortisation of goodwill | (2.158) | 0 |
| Share of profit/loss for the year | 26.329 | 0 |
| Adjustment of intra-group profits | (381) | 0 |
| Investments with negative equity value transferred to provisions | (1.367) | 0 |
| **Impairment losses end of year** | **(107.997)** | **0** |
| | | |
| **Carrying amount end of year** | **68.175** | **2.234** |

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

# Notes to parent financial statements

| | 2018 DKK'000 |
|---|---|
| **8. Deferred tax** | |
| **Changes during the year** | |
| Beginning of year | 688 |
| Recognised in the income statement | (394) |
| **End of year** | **294** |

Deferred tax assets comprise temporary differences regarding lease arrangements as well as deferred tax losses that are expected to be utilized within 3-5 years.

**9. Provisions for investments in group enterprises**

Provisions for investments in group enterprises comprise negative equity loss in the subsidiary Zizzi BV.

**10. Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement where Ax Ball Invest ApS, Business Reg. No 30 08 43 06 serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

**11. Assets charged and collateral**

**Collateral provided for group enterprises**

The Entity has guaranteed group enterprises' debt with the Group's main bank. The maximum limit of the guarantee is DKK 151,919k. Bank loans of group enterprises amount to DKK 39,725k at 31 December 2018.

**12. Related parties with controlling interest**

The following parties have a controlling interest:

- Ball Invest ApS, Billund, shareholder
- Ball Holding ApS, Billund, shareholder
- Ax Ball Invest ApS, Copenhagen, shareholder
- Axcel III K/S 1, Copenhagen, shareholder
- Axcel III K/S 2, Copenhagen, shareholder
- AXBL Invco ApS, Copenhagen, shareholder

Capital fund Axcel III is the largest indirect shareholder of Ball ApS, holding 87% of the Group's shares and rights to vote. A number of senior executives and directors own the remaining part.

Axcel III has a controlling interest in the Group. Director Asbjørn Hyldgaard represents the capital fund on the Board. The rest of the Board is independent but designated by Axcel.

# Notes to parent financial statements

**13. Transactions with related parties**

During the financial year, related party transactions have been conducted on an arm's length basis.

# 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 to these consolidated financial statements and parent financial statements are consistent with those applied last year.

**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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, 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.

**Consolidated financial statements**
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

**Basis of consolidation**
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

# 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 rate 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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

**Income statement**
**Revenue**
Revenue from the sale of 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.

**Cost of sales**
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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

# Accounting policies

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

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

**Income from investments in group enterprises**
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

**Other financial income**
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on 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 or exchange losses on 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.

**Balance sheet**
**Goodwill**
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years and residual value is assessed at 0%.

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

**Intellectual property rights etc**
Intellectual property rights etc comprise acquired intellectual property rights (rental rights).

# Accounting policies

Intellectual property rights acquired are measured at cost less accumulated amortisation, which is set at 10 years and the residual value: 0%.

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 are measured at cost less accumulated depreciation and impairment losses.

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 | 3-10 years |

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

Estimated useful lives and residual values are reassessed annually.

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

**Investments in group enterprises**
In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Investments in group enterprises 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.

# Accounting policies

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour 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 writedowns for bad and doubtful debts.

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

Deferred tax assets, including the tax base of tax loss carry forwards, 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.

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

**Cash**
Cash comprises cash in hand and bank deposits.

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

**Cash flow statement**
Referring to section 86 of the Danish Financial Statements Act, a cash flow statement has not been prepared because the Company’s cash flow is fully included in consolidated cash flows of Ax Ball Invest ApS, Business Reg. No 30 08 43 06.