Entertainment Trading A/S

Bøgildsmindevej 3, DK-9400 Nørresundby

Annual Report for 1 July 2020 - 30 June 2021

CVR No 26 45 76 02

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/9 2021

Peter Tuure
Chairman of the General Meeting

Contents

Management's Statement

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

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

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

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

Nørresundby, 28 September 2021

Executive Board

Mark Fjeldal Dalsgaard Nielsen	Jacob Risgaard Eriksen

Board of Directors

Mike Secher Dalsgaard Nielsen Chairman	Mark Fjeldal Dalsgaard Nielsen	Rasmus Haugaard

Independent Auditor's Report

To the Shareholder of Entertainment Trading A/S

Opinion
We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Entertainment Trading A/S for the financial year 1 July 2020 - 30 June 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

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 Company Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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 Parent Company Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the Consolidated Financial Statements and Parent Company Financial Statements

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

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

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

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

Independent Auditor's Report

- Evaluate the overall presentation, structure and contents of the Consolidated Financial Statements and the Parent Company Financial Statements, including the disclosures, and whether the Consolidated Financial Statements and the Parent Company 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 Management's Review
Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

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

Aalborg, 28 September 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Meldgaard
statsautoriseret revisor
mne24826

Line Borregaard
statsautoriseret revisor
mne34353

Company Information

The Company	Entertainment Trading A/S Bøgildsmindevej 3 DK-9400 Nørresundby CVR No: 26 45 76 02 Financial period: 1 July - 30 June Municipality of reg. office: Aalborg
Board of Directors	Mike Secher Dalsgaard Nielsen, Chairman Mark Fjeldal Dalsgaard Nielsen Rasmus Haugaard
Executive Board	Mark Fjeldal Dalsgaard Nielsen Jacob Risgaard Eriksen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Skelagervej 1A DK-9000 Aalborg

Group Chart

Parent Company

Entertainment Trading A/S
Nørresundby, Denmark
Nom. DKK 1.000.000

Consolidated subsidiaries

75% BySommer ApS
Nørresundby, Denmark
Nom. DKK 50.000

75% Spelbutiken Sweden AB
Malmö, Sweden
Nom. SEK 100.000

60% Kids Coolshop Iceland ehf.
Reykjavik, Iceland
Nom. ISK 500.000

100% Coolshop Online UK Ltd.
London, United Kingdom
Nom. GBP 1.000

100% CoolShop Logistics ApS
Nørresundby, Denmark
Nom. DKK 14.047.900

100% Coolshop GmbH
Flensburg, Germany
Nom. EUR 25.000

Associates

40% Coolrunner ApS
Nørresundby, Denmark
Nom. DKK 50.000

30% InventNord og PakkecenterNord ApS
Brønderslev, Denmark
Nom. DKK 125.000

33% Novawood ApS
Virum, Denmark
Nom. DKK 74.627

31% Geekd ApS
Kolding, Denmark
Nom. DKK 103.498

30% That's Mine ApS
Herlufmagle, Denmark
Nom. DKK 112.500

25% Hotel Viking A/S
Sæby, Denmark
Nom. DKK 666.667

Financial Highlights

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

	Group				
	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1,205,758	876,973	626,669	553,340	575,108
Operating profit/loss	55,682	28,562	22,232	12,196	23,288
Profit/loss before financial income and expenses	57,352	28,700	22,239	12,693	23,569
Net financials	1,580	4,314	-1,072	-1,153	-931
Net profit/loss for the year	47,125	26,689	16,471	9,000	17,591
Balance sheet					
Balance sheet total	385,748	220,179	131,209	123,627	107,731
Equity	99,769	69,020	49,664	39,839	40,571
Cash flows					
Cash flows from:					
- investing activities	-50,168	-8,010	-1,933	368	-3,835
including investment in property, plant and equipment	-35,959	-1,700	-1,255	-4,768	-7,388
Number of employees	255	161	112	108	88
Ratios					
Gross margin	13.3%	11.5%	11.2%	10.5%	10.9%
Profit margin	4.8%	3.3%	3.5%	2.3%	4.1%
Return on assets	14.9%	13.0%	16.9%	10.3%	21.9%
Solvency ratio	25.9%	31.3%	37.9%	32.2%	37.7%
Return on equity	55.8%	45.0%	36.8%	22.4%	86.7%

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

Management's Review

Key activities

The Group's business activities are mainly within physical trade and e-commerce, with a broad range of product categories. Products are sourced and sold internationally to both corporate and private consumers.

Development in the year

The Group posted a profit before tax of DKKm 58.9 for FY 2020/2021, which was an increase of 78.5% compared with the previous financial year. Profit for 2020/2021 is considered to be satisfactory, meeting the expectations set out in the most recent annual report.

Like the previous financial year, FY 2020/2021 benefited from the COVID-19 pandemic, as consumers' buying patterns changed rapidly in general.

In the period under review, the sector in which the Group is navigating was again characterized by high growth rates both in Denmark and abroad. For FY 2020/2021, it was expected that the Group's new markets and product categories would contribute to further growth in revenue and profit. Activities rose markedly, and profit improved significantly compared with the previous financial year, thus matching expectations for the financial year.

Gross profit rose by 58.8% on the previous financial year.

Owing to the considerable growth recorded in the financial year, more employees were recruited, and business capacity was raised in general, which resulted in a steep rise in Other external expenses and Staff expenses of DKKm 50.4 in total compared with the most recent financial year.

Profit after tax was DKKm 47.1 compared with DKKm 26.7 in FY 2019-2020.

Balance sheet

The balance sheet of the Entertainment Trading Group totalled DKKm 385.7 as at 30 June 2021 compared with DKKm 220.2 in the previous financial year.

The strong upturn in activities and the initial construction of larger warehouse facilities in Nørresundby, Denmark, affected the balance sheet.

Equity amounted to DKKm 94.3 against DKKm 65.9 as at 30 June 2020.

The Group's solvency ratio was 25.9% compared with 31.3% in the preceding financial year.

Cash flow

The Group's net cash flow amounted to DKKm 18.9 for the year under review of which cash flow from operating activities made up DKKm -43.7.

Operating risks

The Entertainment Trading Group is an international trading company, which is engaged in e-commerce and B2B sales and has subsidiaries abroad. Accordingly, the Group's performance in terms of profit and capital structure is subject to a number of business risks.

The Company's daily operations require ongoing management of a number of commercial risks relating to markets, products, customers, suppliers etc. The Group's most important operational risk pertains to the maintenance of a strong position in the markets of sourcing and of the efficiency of distribution to customers.

The Group is continuously subject to the usual risks in the form of political regulation of imports, electronics, duties and charges, and e-commerce.

In Managements assessment, the Group are not exposed to particular risks apart from those generally occurring in the line of business described above.

Targets and expectations for the year ahead

In the next financial year, the management of Entertainment Trading A/S expects the positive development in activities to continue within all important business areas leading to a pre-tax profit slightly better than the DKKm 58.0 realized in this financial year.

Knowledge resources

The Group has introduced relevant, efficient systems and procedures to ensure that knowledge remains in the Group. These activities and systems ensure low vulnerability to the loss of knowledge in the Group.

Statement of corporate social responsibility

This part includes the mandatory review of the Company's corporate responsibility pursuant to section 99a of the Danish Financial Statements Act.

Business model and commitment

Being an international trading company and selling a broad range of products to private consumers, the Entertainment Trading Group meets the national and international guidelines on good conduct and practice by companies, employees and organizations that govern the way in which we perform our business activities.

These internal rules help our employees maintain ethical standards when adding value through cooperation with customers and suppliers.

Our trading activities conform with current legislation within our business areas. Entertainment Trading applies the principles of responsible business ethics and expects that all our employees observe the rules governing the Group's activities, regardless of their particular functions in the Group.

Entertainment Trading continuously strives to conform with all appropriate business standards and responsible business principles in connection with all types of cooperation. This includes observance of extensive rules on imported electronics and toys to European consumers.

In addition to its internal responsibility to its staff, the Group also has an external responsibility to the countries and societies in which we operate. As an active company, we aim to create value to the local societies in which we are present in addition to reaching our financial goals. This means that we comply with legislation in the countries and local societies in which we operate.

Environment

As Entertainment Trading is a trading company, our risks regarding climate and the environment chiefly relate to transportation of goods. The Group meets consumer interests and requirements in this respect. The Group supports and makes sustainable choices for the transportation of goods in a number of areas. Accordingly, where possible, the Group will choose to transport goods via vessels using low carbon fuel rather than vessels using conventional fuel. In 2020/2021, the Group increased the share of goods transported via vessels using low carbon fuel. We aim to continue this process in the coming years.

Staff

The Entertainment Trading Group is aware of the importance of committed, competent and loyal staff to the Group. Therefore, internal guidelines, objectives and strategies ensure a safe and healthy work environment. Thus, it is the Group's policy to have attractive work conditions offering the possibility of professional and personal development and to make serious efforts to create a positive work environment.

Management continuously aims to enhance work satisfaction through staff interviews and surveys. A low sickness absence rate is considered to be an indicator that our employees are thriving in a good work environment. In 2020/2021, sickness absence exceeded the usual rate, which was partly due to the COVID-19 pandemic.

The Company has set up a committee which for many years has made initiatives to enhance well-being and job satisfaction. The committee has its own budget and operates independently of management.

The Group expects that the ongoing focus on job satisfaction and improvement of work conditions will result in positive feedback in future job satisfaction surveys as well as a reduction in sickness absence.

Social factors

The Entertainment Trading Group also exercises its social responsibility through the recruitment of employees, payment of VAT and other taxes in pursuance of current legislation in the countries in which the Group is represented. The Group's international activities create job opportunities for the local population, both in the Company's own offices and shops and through the Group's cooperation and trading with local suppliers. Thus, it is Entertainment Trading's policy that employees in foreign entities, as specified in the group overview on page 7, pay applicable direct and indirect taxes in the countries where the entities are located.

When implementing this policy, the Group's administration made tax-related reviews of staff salaries in foreign subsidiaries.

It is the Group's policy to observe prevailing differential treatment rules concerning race, colour, gender, ethnic or national origin, age, political views etc.

The Entertainment Trading Group makes annual donations to charity. The Group's main focus is to support, develop and strengthen vulnerable, sick and exposed children. This support is chiefly offered via the charity CoolUnite; Entertainment Trading has extended financial support – sponsorships and collection of donations by the Group's customers – and has participated in fundraising events.

The Group plans to continue the cooperation with the charity CoolUnite in the coming year, and it is expected that the Group will increase its support.

Human rights

As a consequence of the Group's activities in markets beyond the Danish borders, it is the Group's policy to carefully observe the profiles of customers and suppliers prior to engaging with them in order to observe general human rights.

The Entertainment Trading Group's business model ensures that most trading partners are major reputable brands that have good control and compliance programmes within this area.

It is the Group's view that no sub-supplier agreements can be concluded if such partners have an opinion of human rights that markedly differs from that of management. Suppliers are invited to accept Entertainment Trading's Terms of Business, and they asked to state that they can adhere to our code of conduct prior to cooperation. In the financial year 2020-21, the number of accepting suppliers has been on the rise. This process will be continued in the next financial year.

Fighting corruption and bribery

It is the Entertainment Trading Group's policy that staff must not accept any kind of direct or indirect bribes or special remuneration in any form including money, goods or services, if such remuneration may be considered part of recognized local or international corruption or bribery practice.

We are aware of the risk of being unintentionally involved in money laundering. In order to avoid this risk, we endeavour to base our business relations on trustworthy and professional business partners. We select our business partners carefully based on our long established experience of the sector.

We actively communicate our expectations of staff behaviour in this regard to all the employees of the Group at all levels.

In the financial year under review, we implemented procedures to avoid any involvement in money laundering through third party payments or attempts to do so. We anticipate that these procedures coupled with ongoing communication to our customers and staff will minimize or eliminate the risk.

Statement on gender composition

The Group does not have an even gender distribution in its top management.

The Board of Directors acknowledges that a more even gender distribution may have a favourable impact on the work processes of the Board of Directors and of the enterprise as such. Therefore, it has adopted a target that 25-33% of the Board of Directors should consist of the underrepresented gender by FY 2022-2023.

The target for the underrepresented gender for FY 2020-21 was not reached as it was the first year that the Group had a Board of Directors; the elected members are two owners and the lawyer of the Company, who are all male.

With respect to the other management levels, Entertainment Trading endeavours to fill all management positions with the best qualified candidates irrespective of gender. Men are overrepresented on the Executive Board and in the middle management layer. However, the female representation in the middle management layer grew by 27% in the period under review.

In order to increase the share of female managers, the Group endeavours to ensure that both genders will be represented among future manager candidates at the final recruitment stage.

Subsequent events

No material events have occurred after the balance sheet date that have had a significant impact on the financial position of the Company.

Income Statement 1 July - 30 June

	Note	Group		Parent Company	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
Revenue	2	**1,205,758**	**876,973**	**1,032,100**	**693,278**
Other operating income		1,909	138	3,205	2,075
Cost of sales		-958,086	-706,660	-846,975	-581,539
Other external expenses		-88,847	-69,228	-57,737	-43,027
Gross profit/loss		**160,734**	**101,223**	**130,593**	**70,787**
Staff expenses	3	-100,295	-69,543	-85,120	-46,899
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2,848	-2,980	-1,740	-1,789
Other operating expenses		-239	0	0	0
Profit/loss before financial income and expenses	4	**57,352**	**28,700**	**43,733**	**22,099**
Income from investments in subsidiaries		0	0	6,772	7,785
Income from investments in associates		4,916	2,749	5,176	2,749
Financial income	5	764	4,583	1,358	1,863
Financial expenses	6	-4,100	-3,018	-4,390	-1,116
Profit before tax		**58,932**	**33,014**	**52,649**	**33,380**
Tax on profit for the year	7	-11,807	-6,325	-8,885	-5,025
Net profit/loss for the year		**47,125**	**26,689**	**43,764**	**28,355**

Balance Sheet 30 June

Assets

		Group		Parent Company	
	Note	2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
Completed development projects		2,031	1,744	1,794	1,527
Acquired other similar rights		0	9	0	9
Goodwill		5,210	5,757	0	0
Intangible assets	8	**7,241**	**7,510**	**1,794**	**1,536**
Land and buildings		18,007	0	4,000	0
Other fixtures and fittings, tools and equipment		5,423	8,244	4,129	6,769
Leasehold improvements		0	5	0	5
Property, plant and equipment in progress		27,673	0	0	0
Property, plant and equipment	9	**51,103**	**8,249**	**8,129**	**6,774**
Investments in subsidiaries	10	0	0	27,763	9,546
Investments in associates	11	12,957	3,996	12,957	3,996
Receivables from group enterprises	12	0	0	11,848	14,347
Other investments	12	4,793	3,741	4,793	3,741
Deposits	12	1,243	1,065	1,243	1,065
Fixed asset investments		**18,993**	**8,802**	**58,604**	**32,695**
Fixed assets		**77,337**	**24,561**	**68,527**	**41,005**
Finished goods and goods for resale		204,101	113,432	178,087	89,801
Prepayments for goods		2,774	1,865	1,892	1,181
Inventories		**206,875**	**115,297**	**179,979**	**90,982**

Balance Sheet 30 June

Assets

	Note	Group		Parent Company	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
Trade receivables		42,473	37,563	36,919	34,031
Receivables from group enterprises		0	0	46,992	10,263
Receivables from associates		162	7,116	162	7,116
Other receivables		8,940	5,073	5,177	4,288
Corporation tax receivable from group enterprises		0	0	568	1,309
Prepayments	13	2,435	1,923	1,425	610
Receivables		**54,010**	**51,675**	**91,243**	**57,617**
Cash at bank and in hand		**47,526**	**28,646**	**26,843**	**21,971**
Currents assets		**308,411**	**195,618**	**298,065**	**170,570**
Assets		**385,748**	**220,179**	**366,592**	**211,575**

Balance Sheet 30 June

Liabilities and equity

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK	Parent Company 2020/21 TDKK	Parent Company 2019/20 TDKK
Share capital	14	1,000	84	1,000	84
Reserve for net revaluation under the equity method		0	0	20,355	14,907
Reserve for development costs		0	0	1,399	638
Reserve for exchange rate conversion		115	0	0	0
Retained earnings		93,173	50,326	71,534	34,779
Proposed dividend for the year		0	15,500	0	15,500
Equity attributable to shareholders of the Parent Company		**94,288**	**65,910**	**94,288**	**65,908**
Minority interests		5,481	3,110	0	0
Equity		**99,769**	**69,020**	**94,288**	**65,908**
Provision for deferred tax	16	1,766	156	1,555	1,289
Provisions		**1,766**	**156**	**1,555**	**1,289**
Credit institutions		133,475	4,113	133,470	4,109
Prepayments received from customers		27	0	0	0
Trade payables		99,068	103,421	94,180	99,710
Payables to group enterprises		0	0	0	8,014
Payables to associates		3,725	3,730	3,725	3,730
Corporation tax		13,679	8,899	11,874	6,996
Other payables		32,499	29,962	27,500	21,819
Deferred income	17	1,740	878	0	0
Short-term debt		**284,213**	**151,003**	**270,749**	**144,378**
Debt		**284,213**	**151,003**	**270,749**	**144,378**
Liabilities and equity		**385,748**	**220,179**	**366,592**	**211,575**

Balance Sheet 30 June

Liabilities and equity

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	84	0	0	0	50,324	15,500	65,908	3,110	69,018
Cash capital increase	916	0	0	0	-916	0	0	0	0
Ordinary dividend paid	0	0	0	0	0	-15,500	-15,500	-976	-16,476
Exchange adjustments relating to foreign entities	0	0	0	115	0	0	115	-13	102
Net profit/loss for the year	0	0	0	0	43,765	0	43,765	3,360	47,125
Equity at 30 June	**1,000**	**0**	**0**	**115**	**93,173**	**0**	**94,288**	**5,481**	**99,769**

Statement of Changes in Equity

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 July	84	14,907	638	0	34,780	15,500	65,909	0	65,909
Cash capital increase	916	0	0	0	-916	0	0	0	0
Ordinary dividend paid	0	0	0	0	0	-15,500	-15,500	0	-15,500
Exchange adjustments relating to foreign entities	0	115	0	0	0	0	115	0	115
Dividend from group enterprises	0	-3,329	0	0	3,329	0	0	0	0
Other equity movements	0	-3,318	0	0	3,318	0	0	0	0
Development costs for the year	0	0	761	0	-761	0	0	0	0
Net profit/loss for the year	0	11,980	0	0	31,784	0	43,764	0	43,764
Equity at 30 June	**1,000**	**20,355**	**1,399**	**0**	**71,534**	**0**	**94,288**	**0**	**94,288**

Cash Flow Statement 1 July - 30 June

	Note	Group 2020/21 TDKK	Group 2019/20 TDKK
Net profit/loss for the year		47,125	26,689
Adjustments	18	12,893	4,332
Change in working capital	19	-94,836	17,996
Cash flows from operating activities before financial income and expenses		**-34,818**	**49,017**
Financial income		764	2,144
Financial expenses		-4,100	-1,800
Cash flows from ordinary activities		**-38,154**	**49,361**
Corporation tax paid		-5,505	-3,464
Cash flows from operating activities		**-43,659**	**45,897**
Purchase of intangible assets		-944	-620
Purchase of property, plant and equipment		-35,959	-1,700
Investment in subsidiaries		-14,235	-2,240
Sale of property, plant and equipment		5,996	291
Purchase of fixed assets investments etc		-5,426	-3,741
Dividends received from associates		400	0
Cash flows from investing activities		**-50,168**	**-8,010**
Overdraft facility		129,361	4,109
Repayment of other long-term debt		0	-403
Deposits		-178	0
Transactions with non-controlling interests		0	3,800
Dividend paid		-15,500	-10,000
Non-controlling interests' share of dividends		-976	-455
Cash flows from financing activities		**112,707**	**-2,949**
Change in cash and cash equivalents		**18,880**	**34,938**
Cash and cash equivalents at 1 July		28,646	-6,292
Cash and cash equivalents at 30 June		**47,526**	**28,646**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		47,526	28,646
Cash and cash equivalents at 30 June		**47,526**	**28,646**

Notes to the Financial Statements

1 Subsequent events

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

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

2 Revenue

Geographical segments

Revenue, Denmark	448,893	356,348	444,386	324,955
Revenue, Europe	702,251	499,040	533,100	346,738
Revenue, other	54,614	21,585	54,614	21,585
	1,205,758	**876,973**	**1,032,100**	**693,278**

3 Staff expenses

Wages and salaries	89,794	62,147	76,612	42,666
Pensions	7,886	6,117	5,939	2,976
Other social security expenses	2,071	904	2,033	882
Other staff expenses	544	375	536	375
	100,295	**69,543**	**85,120**	**46,899**
Including remuneration to the Executive Board of:				
Executive Board	4,062	3,018	4,062	3,018
	4,062	**3,018**	**4,062**	**3,018**
Average number of employees	**255**	**161**	**217**	**123**

4 Special items

Compensation, state aid schemes, Covid-19 - other operating income	128	0	0	0
	128	**0**	**0**	**0**

Notes to the Financial Statements

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

5 Financial income

	2020/21	2019/20	2020/21	2019/20
Interest received from group enterprises	0	0	617	94
Other financial income	764	2,011	741	1,769
Exchange adjustments	0	2,572	0	0
	764	**4,583**	**1,358**	**1,863**

6 Financial expenses

	2020/21	2019/20	2020/21	2019/20
Other financial expenses	1,964	3,018	1,635	1,116
Exchange adjustments, expenses	2,136	0	2,755	0
	4,100	**3,018**	**4,390**	**1,116**

7 Tax on profit for the year

	2020/21	2019/20	2020/21	2019/20
Current tax for the year	10,080	8,322	8,619	4,848
Deferred tax for the year	1,610	-2,061	266	105
Adjustment of tax concerning previous years	117	45	0	53
Adjustment of deferred tax concerning previous years	0	19	0	19
	11,807	**6,325**	**8,885**	**5,025**

Notes to the Financial Statements

8 Intangible assets

Group

	Completed development projects	Acquired other similar rights	Goodwill
	TDKK	TDKK	TDKK
Cost at 1 July	7,716	460	6,654
Exchange adjustment	65	0	132
Additions for the year	944	0	0
Disposals for the year	-408	0	0
Cost at 30 June	8,317	460	6,786
Impairment losses and amortisation at 1 July	5,970	451	897
Exchange adjustment	59	0	32
Amortisation for the year	665	9	647
Impairment and amortisation of sold assets for the year	-408	0	0
Impairment losses and amortisation at 30 June	6,286	460	1,576
Carrying amount at 30 June	**2,031**	**0**	**5,210**
Amortised over	3-5 years	5 years	10 years

Development projects that are clearly defined and identifiable, where the degree of technical utilization, sufficient resources and a potential future market or development opportunity in the company can be demonstrated, and where the intention to manufacture, market or use the product are recognized as intangible fixed assets, if sufficient assurance that the capital value of future earnings can cover production, sales and administration costs as well as the development costs themselves.

Notes to the Financial Statements

8 **Intangible assets** (continued)

Parent Company

	Completed development projects	Acquired other similar rights
	TDKK	TDKK
Cost at 1 July	5,256	460
Additions for the year	781	0
Cost at 30 June	6,037	460
Impairment losses and amortisation at 1 July	3,728	451
Amortisation for the year	515	9
Impairment losses and amortisation at 30 June	4,243	460
Carrying amount at 30 June	**1,794**	**0**
Amortised over	3-5 years	5 years

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	0	17,041	1,124	0
Exchange adjustment	0	127	0	0
Net effect from merger and acquisition	14,007	0	0	0
Additions for the year	4,000	4,285	0	27,673
Disposals for the year	0	-6,271	0	0
Cost at 30 June	18,007	15,182	1,124	27,673
Impairment losses and depreciation at 1 July	0	8,794	1,119	0
Exchange adjustment	0	36	0	0
Depreciation for the year	0	1,521	5	0
Reversal of impairment and depreciation of sold assets	0	-592	0	0
Impairment losses and depreciation at 30 June	0	9,759	1,124	0
Carrying amount at 30 June	**18,007**	**5,423**	**0**	**27,673**

Notes to the Financial Statements

9 Property, plant and equipment (continued)

Parent Company

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK
Cost at 1 July	0	14,704	1,124
Additions for the year	4,000	4,024	0
Disposals for the year	0	-5,631	0
Kostpris at 30 June	4,000	13,097	1,124
Impairment losses and depreciation at 1 July	0	7,932	1,119
Depreciation for the year	0	1,211	5
Reversal of impairment and depreciation of sold assets	0	-175	0
Impairment losses and depreciation at 30 June	0	8,968	1,124
Carrying amount at 30 June	**4,000**	**4,129**	**0**

Notes to the Financial Statements

10 Investments in subsidiaries

	Parent Company	
	2020/21	2019/20
	TDKK	TDKK
Cost at 1 July	1,452	100
Additions for the year	14,234	2,240
Disposals for the year	0	-902
Transfers for the year	0	14
Cost at 30 June	15,686	1,452
Value adjustments at 1 July	7,685	4,862
Disposals for the year	0	-73
Exchange adjustment	78	318
Net profit/loss for the year	7,104	2,064
Dividend to the Parent Company	-2,929	-1,366
Revaluations for the year, net	0	2,572
Amortisation of goodwill	-300	-347
Other adjustments	-34	0
Transfers for the year	0	-345
Value adjustments at 30 June	11,604	7,685
Equity investments with negative net asset value amortised over receivables	473	409
Carrying amount at 30 June	**27,763**	**9,546**
Positive differences arising on initial measurement of subsidiaries at net asset value	2,999	2,999
Remaining positive difference included in the above carrying amount at 30 June	2,474	2,774

Notes to the Financial Statements

10 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
BySommer ApS	Denmark	75%
Spelbutiken Sweden AB	Sweden	75%
Kids Coolshop Iceland ehf.	Iceland	60%
Coolshop Online UK Ltd.	United Kingdom	100%
Coolshop GmbH	Germany	100%
CoolShop Logistics ApS	Denmark	100%

Notes to the Financial Statements

		Group		Parent Company	
		2020/21	2019/20	2020/21	2019/20
		TDKK	TDKK	TDKK	TDKK
11	**Investments in associates**				
	Cost at 1 July	57	72	57	72
	Additions for the year	3,500	0	3,500	0
	Transfers for the year	650	-14	650	-14
	Cost at 30 June	4,207	58	4,207	58
	Value adjustments at 1 July	3,938	844	3,938	844
	Exchange adjustment	36	1	36	1
	Net profit/loss for the year	5,311	2,748	5,311	2,748
	Dividends received	-400	0	-400	0
	Amortisation of goodwill	-135	0	-135	0
	Transfers for the year	0	345	0	345
	Value adjustments at 30 June	8,750	3,938	8,750	3,938
	Carrying amount at 30 June	**12,957**	**3,996**	**12,957**	**3,996**
	Positive differences arising on initial measurement of subsidiaries at net asset value	2,412	0	2,412	0
	Remaining positive difference included in the above carrying amount at 30 June	2,277	0	2,277	0

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Coolrunner ApS	Denmark	40%
InventNord og PakkecenterNord ApS	Denmark	30%
Novawood ApS	Denmark	33%
Geekd ApS	Denmark	31%
That’s Mine ApS	Denmark	30%
Hotel Viking A/S	Denmark	25%

Notes to the Financial Statements

12 Other fixed asset investments

	Group		Parent Company		
	Other investments	Deposits	Receivables from group enterprises	Other investments	Deposits
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 July	3,741	1,065	14,348	3,741	1,065
Additions for the year	1,952	515	0	1,702	515
Disposals for the year	-250	-337	-2,500	0	-337
Transfers for the year	-650	0	0	-650	0
Cost at 30 June	4,793	1,243	11,848	4,793	1,243
Carrying amount at 30 June	**4,793**	**1,243**	**11,848**	**4,793**	**1,243**

13 Prepayments

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

14 Share capital

The share capital consists of 1,000,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 July	84	84	84	84	129
Capital increase	916	0	0	0	0
Capital decrease	0	0	0	0	-45
Share capital at 30 June	**1,000**	**84**	**84**	**84**	**84**

Notes to the Financial Statements

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

15 Distribution of profit

Proposed dividend for the year	0	15,500	0	15,500
Reserve for net revaluation under the equity method	0	0	11,980	9,538
Minority interests' share of net profit/loss of subsidiaries	3,360	1,105	0	0
Retained earnings	43,765	10,084	31,784	3,317
	47,125	**26,689**	**43,764**	**28,355**

16 Provision for deferred tax

Provision for deferred tax at 1 July	156	1,194	1,289	1,165
Amounts recognised in the income statement for the year	1,610	-765	266	124
Amounts recognised in equity for the year	0	-273	0	0
Provision for deferred tax at 30 June	**1,766**	**156**	**1,555**	**1,289**
Property, plant and equipment	930	899	846	816
Trade receivables and inventories	227	2	0	0
Prepayments	352	135	314	135
Completed development projects	395	357	395	338
Foreign exchange difference	-138	-328	0	0
Debt	0	-17	0	0
Tax loss carry-forward	0	-892	0	0
	1,766	**156**	**1,555**	**1,289**

17 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	Group	
	2020/21	2019/20
	TDKK	TDKK

18 Cash flow statement - adjustments

	2020/21 TDKK	2019/20 TDKK
Financial income	-764	-4,583
Financial expenses	4,100	3,018
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,525	2,362
Income from investments in associates	-4,916	-2,749
Tax on profit for the year	11,807	6,325
Other adjustments	141	-41
	12,893	**4,332**

19 Cash flow statement - change in working capital

	2020/21 TDKK	2019/20 TDKK
Change in inventories	-91,576	-29,710
Change in receivables	-2,335	-16,313
Change in trade payables, etc	-925	64,019
	-94,836	**17,996**

Notes to the Financial Statements

	Group		Parent Company	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
20 Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with bankers:				
Corporate mortgage of TDKK 17,000, secured on acquired patents, fixtures and fittings, inventory and trade receivables with a total carrying amount of	221,027	131,797	221,027	131,797
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	396	695	396	695
Between 1 and 5 years	112	236	112	236
	508	**931**	**508**	**931**
Rent				
Rental obligations, non-cancellation period	6,889	2,203	1,011	1,174

Guarantee obligations

On behalf of the Group, banks have provided guarantees for collectively TDKK 26,770 at 30 June 2021.

On behalf of the Parent Company, bank hase provided guarantees for collectively TDKK 26,689 at 30 June 2021.

Other contingent liabilities

The Parent Company has provided surety to it's subsidiary regarding the subsidiary's bankengagement. As per 30 Juni 2021 the subsidiary has a positive bankengagement of TDKK 128.

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations (continued)

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

21 Related parties

Controlling interest

Coolshop Holding ApS, Nørresundby, Denmark	Shareholder

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries and associates:

Related parties transactions:

Group	**TDKK**
Sale of goods to associates	2,258
Sale of service to associates	185
Purchase of goods from associates	561
Purchase of service from associates	25,389
Interest income from associates	8
Receivables from associates	162
Payables to associates	3,725
Parent Company	
Sale of goods to subsidiaries	55,050
Sale of service to subsidiaries	215
Sale of goods to associates	2,258
Sale of service to associates	185
Purchase of goods from subsidiaries	7,001
Purchase of service from subsidiaries	733
Purchase of goods from associates	561
Purchase of service from associates	25,095
Administrations fees etc. from subsidiaries	558
Interest income from subsidiaries	609
Interest income from associates	8
Receivables from subsidiaries	59,408
Receivables from associates	162
Write-downs, receivables from subsidiaries	473
Payables to associates	3,725

Notes to the Financial Statements

21 Related parties (continued)

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Coolshop Holding ApS, Nørresundby, Denmark
Brightfolk A/S, Aarhus, Denmark

22 Fee to auditors appointed at the general meeting

	Group		Parent Company	
	2020/21	2019/20	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	250	0	215	0
	250	**0**	**215**	**0**
Other				
Audit fee	29	214	0	137
Tax advisory services	140	130	133	97
Non-audit services	132	10	0	10
	301	**354**	**133**	**244**
	551	**354**	**348**	**244**

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of Entertainment Trading A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

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

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

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

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

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

Basis of consolidation

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

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

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

Notes to the Financial Statements

23 Accounting Policies (continued)

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions carried through before 1 July 2018

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at fair value. In this way, goodwill related to the minority interests' share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

Notes to the Financial Statements

23 Accounting Policies (continued)

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

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

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

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

Revenue

Information on geographical segments based on the Group´s risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

Income Statement

Revenue

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses, including holiday allowance, pension, other social security costs, ect. to the Company's employees.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Government grants

Government grants, such as economic stimulus packages, are recognised when it is reasonably certain that the Company complies with the conditions for receiving the grant, and it is reasonably certain that the Company will receive the grant. The grant is systematically recognised in the income statement over the period to which it relates, or immediately if the grant is not conditional upon incurrence of future costs or investments. Government grants are recognised as other operating income, or in the balance sheet if the purpose of the grant is investment in an asset.

Income from investments in associates

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit for the year

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

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Acquired other similar rights are measured at cost less accumulated amortisation and less any accumula-

23 Accounting Policies (continued)

ted impairment losses or at a lower value in use.

Acquired other similar rights are amortised over the remaining patent period or a shorter useful life. The amortisation period is 5 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years. determined on the basis of Management's experience with the individual business areas.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in associates

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

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-

Notes to the Financial Statements

23 Accounting Policies (continued)

company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

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

Fixed asset investments

Fixed asset investments, which consist of shares, which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposit and receviables which are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

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

The cost of goods for resale equals landed cost.

Receivables

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

Prepayments

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Equity

Dividend

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

23 Accounting Policies (continued)

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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