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Kate Acquisition ApS

Ejlersvej 24
6000 Kolding
Central Business Registration
No 38424548

Annual report 2018

The Annual General Meeting adopted the annual report on 16.03.2019

Chairman of the General Meeting

Name: Kim Hyldahl

Contents

Entity details

Entity
Kate Acquisition ApS
Ejlersvej 24
6000 Kolding

Central Business Registration No (CVR): 38424548
Registered in: Kolding
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Hans-Christian Ohrt, chairman
David Skjødt, vice-chairman
Kim Hyldahl

Executive Board
Kim Hyldahl, CEO

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 Kate Acquisition 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 and cash flows 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.

Kolding, 22.01.2019

Executive Board

Kim Hyldahl
CEO

Board of Directors

Hans-Christian Ohrt chairman	David Skjødt vice-chairman	Kim Hyldahl

Independent auditor's report

To the shareholders of Kate Acquisition ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Kate Acquisition 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, and the consolidated cash flow statement. 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 and the consolidated cash flows 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

Independent auditor's report

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 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.

Independent auditor's report

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

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, 22.01.2019

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
Financial highlights		
Key figures		
Gross profit	115.691	55.218
Result of ordinary operations	98.736	42.856
Operating profit/loss	68.169	17.455
Net financials	(4.078)	(4.334)
Profit/loss for the year	43.391	4.724
Profit/loss for the year excl minority interests	43.391	4.724
Total assets	317.564	275.394
Investments in property, plant and equipment	1.597	4.187
Equity	137.926	94.536
Equity excl minority interests	137.926	94.536
Average invested capital incl goodwill	226.071	100.096
Net interest-bearing debt	(50.675)	(107.852)
Cash flows from (used in) operating activities	59.677	70.242
Cash flows from (used in) investing activities	(1.802)	(140.457)
Cash flows from (used in) financing activities	(20.000)	100.000
Average numbers of employees	28	29
Ratios		
Return on invested capital incl goodwill (%)	43,3	42,1
Financial gearing (%)	(0,4)	(1,1)
Return on equity (%)	37,3	5,0
Equity ratio (%)	43,4	34,3

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**
Return on invested capital incl goodwill (%)	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
Financial gearing	Net interest-bearing debt / Equity excl minority interests	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year excl minority interests x 100 / Average equity excl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity excl minority interests x 100 / Total assets	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated

Management commentary

impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Management commentary

Primary activities

The company is the parent company for the companies Mos Mosh A/S and MM & TEN A/S. The company's activities consists in development, manufacturing, sale and distribution of fashion clothing.

Development in activities and finances

The profit after tax for the year amounted to DKK 43.391k. The management consider the result very satisfactory.

Outlook

The management expects a growth in 2019 in both turnover and gross profit. The growth is expected to come from both existing and new markets.

Particular risks

No special risks are deemed to exist.

The majority of both sales and purchases are made in euro which minimises the risk for fluctation.

The company’s credit policy is based on the customer's ability to achieve satisfactory insurance coverage. The risk of loss on receivables is therefore limited.

Intellectual capital resources

The Entity’s most critical ressources include the skills and knowledge of the employees. Thus, the Entity continually invest in the development of the employees.

Environmental performance

The company takes its social responsibilities seriously. It is reflected in all decision-making within the company. CSR is not made a project but instead a built-in part of how the company does business. As a logical consequence of this, the company will intensify the use of environmentally friendly fabrics in the coming year.

Because of the company’s desire to be close to its partners, close to 90% of the styles is made in Europe.

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	2017 DKK
Gross profit		**115.691.080**	**55.218.262**
Staff costs	1	(16.954.428)	(12.362.113)
Depreciation, amortisation and impairment losses	2	(30.567.537)	(25.401.601)
Operating profit/loss		**68.169.115**	**17.454.548**
Other financial income	3	574.457	119.706
Other financial expenses	4	(4.652.927)	(4.454.161)
Profit/loss before tax		**64.090.645**	**13.120.093**
Tax on profit/loss for the year	5	(20.699.817)	(8.396.359)
Profit/loss for the year	6	**43.390.828**	**4.723.734**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Acquired trademarks		41.964	60.612
Goodwill		153.271.923	182.937.457
Intangible assets	7	**153.313.887**	**182.998.069**
Other fixtures and fittings, tools and equipment		2.134.102	1.492.927
Property, plant and equipment	8	**2.134.102**	**1.492.927**
Other investments		1.050	1.050
Deposits		475.886	198.156
Fixed asset investments	9	**476.936**	**199.206**
Fixed assets		**155.924.925**	**184.690.202**
Manufactured goods and goods for resale		56.118.973	37.515.285
Prepayments for goods		7.736.583	2.095.508
Inventories	10	**63.855.556**	**39.610.793**
Trade receivables		21.466.363	13.460.497
Deferred tax		155.574	128.702
Other receivables		470.202	484.124
Income tax receivable		745.684	251.634
Prepayments		1.178.780	875.542
Receivables		**24.016.603**	**15.200.499**
Cash		**73.766.687**	**35.892.103**
Current assets		**161.638.846**	**90.703.395**
Assets		**317.563.771**	**275.393.597**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital		72.464	72.464
Retained earnings		137.853.872	94.463.044
Equity		**137.926.336**	**94.535.508**
Bank loans		60.000.000	80.000.000
Non-current liabilities other than provisions	11	**60.000.000**	**80.000.000**
Current portion of long-term liabilities other than provisions	11	20.000.000	20.000.000
Prepayments received from customers		100.000	236.581
Trade payables		53.676.527	34.899.760
Payables to shareholders and management		43.695.663	43.569.818
Other payables		2.165.245	2.151.930
Current liabilities other than provisions		**119.637.435**	**100.858.089**
Liabilities other than provisions		**179.637.435**	**180.858.089**
Equity and liabilities		**317.563.771**	**275.393.597**
Unrecognised rental and lease commitments	13		
Assets charged and collateral	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	72.464	94.463.044	94.535.508
Profit/loss for the year	0	43.390.828	43.390.828
Equity end of year	**72.464**	**137.853.872**	**137.926.336**

Consolidated cash flow statement for 2018

	Notes	2018 DKK	2017 DKK
Operating profit/loss		68.169.115	17.454.548
Amortisation, depreciation and impairment losses		30.567.537	25.401.601
Working capital changes	12	(13.760.599)	44.036.929
Cash flow from ordinary operating activities		**84.976.053**	**86.893.078**
Financial income received		574.457	119.706
Financial expenses paid		(4.652.927)	(4.454.161)
Income taxes refunded/(paid)		(21.220.739)	(12.316.246)
Cash flows from operating activities		**59.676.844**	**70.242.377**
Acquisition etc of intangible assets		0	(74.600)
Acquisition etc of property, plant and equipment		(1.596.530)	(667.430)
Sale of property, plant and equipment		72.000	0
Acquisition of fixed asset investments		(277.730)	0
Acquisition of enterprises		0	(139.714.777)
Cash flows from investing activities		**(1.802.260)**	**(140.456.807)**
Loans raised		0	100.000.000
Repayments of loans etc		(20.000.000)	0
Cash flows from financing activities		**(20.000.000)**	**100.000.000**
Increase/decrease in cash and cash equivalents		**37.874.584**	**29.785.570**
Cash and cash equivalents beginning of year		35.892.103	6.106.533
Cash and cash equivalents end of year		**73.766.687**	**35.892.103**

Notes to consolidated financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	14.232.010	10.838.236
Pension costs	1.647.866	698.929
Other social security costs	272.188	227.788
Other staff costs	802.364	597.160
	16.954.428	**12.362.113**
Average number of employees	**28**	**29**

	Remuneration of management 2018 DKK	Remuneration of management 2017 DKK
Board of Directors	242.346	126.673
	242.346	**126.673**

	2018 DKK	2017 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	29.684.182	24.735.266
Depreciation of property, plant and equipment	881.142	666.335
Profit/loss from sale of intangible assets and property, plant and equipment	2.213	0
	30.567.537	**25.401.601**

	2018 DKK	2017 DKK
3. Other financial income		
Other interest income	164.464	112.011
Exchange rate adjustments	409.993	7.695
	574.457	**119.706**

	2018 DKK	2017 DKK
4. Other financial expenses		
Other interest expenses	4.477.442	4.135.160
Exchange rate adjustments	175.485	77.336
Other financial expenses	0	241.665
	4.652.927	**4.454.161**

Notes to consolidated financial statements

	2018 DKK	2017 DKK
5. Tax on profit/loss for the year		
Current tax	20.726.707	8.458.229
Change in deferred tax	(26.481)	(61.448)
Adjustment concerning previous years	(409)	(422)
	20.699.817	**8.396.359**

	2018 DKK	2017 DKK
6. Proposed distribution of profit/loss		
Retained earnings	43.390.828	4.723.734
	43.390.828	**4.723.734**

	Acquired trademarks DKK	Goodwill DKK
7. Intangible assets		
Cost beginning of year	114.600	207.698.735
Cost end of year	**114.600**	**207.698.735**
Amortisation and impairment losses beginning of year	(53.988)	(24.761.278)
Amortisation for the year	(18.648)	(29.665.534)
Amortisation and impairment losses end of year	**(72.636)**	**(54.426.812)**
Carrying amount end of year	**41.964**	**153.271.923**

	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment	
Cost beginning of year	3.987.147
Additions	1.596.530
Disposals	(348.000)
Cost end of year	**5.235.677**
Depreciation and impairment losses beginning of year	(2.494.220)
Depreciation for the year	(881.142)
Reversal regarding disposals	273.787
Depreciation and impairment losses end of year	**(3.101.575)**
Carrying amount end of year	**2.134.102**

Notes to consolidated financial statements

	Other investments DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	1.050	198.156
Additions	0	277.730
Cost end of year	**1.050**	**475.886**
Carrying amount end of year	**1.050**	**475.886**

10. Inventories

	2018 kr.	2017 kr.
Manufactured goods and goods for resale	30.126.723	17.171.813
Manufactured goods in transit	25.992.250	20.343.472
Prepayments for goods	7.736.583	2.095.508
	63.855.556	**39.610.793**

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK	Outstanding after 5 years DKK
11. Liabilities other than provisions				
Bank loans	20.000.000	20.000.000	60.000.000	20.000.000
	20.000.000	**20.000.000**	**60.000.000**	**20.000.000**

	2018 DKK	2017 DKK
12. Change in working capital		
Increase/decrease in inventories	(24.244.763)	(27.285.671)
Increase/decrease in receivables	(8.295.182)	23.484.012
Increase/decrease in trade payables etc	18.779.346	47.838.588
	(13.760.599)	**44.036.929**

	2018 DKK	2017 DKK
13. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**6.988.162**	**5.936.108**

Notes to consolidated financial statements

14. Assets charged and collateral

The Entity’s bank has a company mortgage on DKK 8.000k nominal. The mortgage are secured by inventories and trade receivables. Carrying amount of mortgaged assets are DKK85.3221k.

	Registered in	Corpo-rate form	Equity inte-rest %
15. Subsidiaries			
MM & TEN A/S	Kolding	A/S	100,0
Mos Mosh A/S	Kolding	A/S	100,0

Parent income statement for 2018

	Notes	2018 DKK	2017 DKK
Gross profit		**943.061**	**966.534**
Staff costs	1	(1.388.113)	(1.386.716)
Operating profit/loss		**(445.052)**	**(420.182)**
Income from investments in group enterprises		47.146.750	9.253.752
Other financial income	2	95	7.695
Other financial expenses	3	(4.327.585)	(4.243.154)
Profit/loss before tax		**42.374.208**	**4.598.111**
Tax on profit/loss for the year	4	1.049.971	1.018.269
Profit/loss for the year	5	**43.424.179**	**5.616.380**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Investments in group enterprises		261.315.291	239.168.541
Fixed asset investments	6	**261.315.291**	**239.168.541**
Fixed assets		**261.315.291**	**239.168.541**
Deferred tax		23.760	29.700
Joint taxation contribution receivable		1.055.893	988.569
Receivables		**1.079.653**	**1.018.269**
Cash		**1.659.223**	**912.012**
Current assets		**2.738.876**	**1.930.281**
Assets		**264.054.167**	**241.098.822**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital	7	72.464	72.464
Retained earnings		139.168.107	95.743.928
Equity		**139.240.571**	**95.816.392**
Bank loans		60.000.000	80.000.000
Payables to group enterprises		0	3.046.562
Non-current liabilities other than provisions	8	**60.000.000**	**83.046.562**
Current portion of long-term liabilities other than provisions	8	20.000.000	20.000.000
Trade payables		50.000	0
Payables to group enterprises		2.319.695	124.820
Payables to shareholders and management		42.023.820	41.715.068
Other payables		420.081	395.980
Current liabilities other than provisions		**64.813.596**	**62.235.868**
Liabilities other than provisions		**124.813.596**	**145.282.430**
Equity and liabilities		**264.054.167**	**241.098.822**
Contingent liabilities	9		
Related parties with controlling interest	10		
Transactions with related parties	11		

Parent statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	72.464	95.743.928	95.816.392
Profit/loss for the year	0	43.424.179	43.424.179
Equity end of year	**72.464**	**139.168.107**	**139.240.571**

Notes to parent financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	1.243.358	1.283.946
Pension costs	136.800	99.200
Other social security costs	7.955	3.408
Other staff costs	0	162
	1.388.113	**1.386.716**
Average number of employees	**1**	**2**

	2018 DKK	2017 DKK
2. Other financial income		
Exchange rate adjustments	95	7.695
	95	**7.695**

	2018 DKK	2017 DKK
3. Other financial expenses		
Financial expenses from group enterprises	69.548	46.562
Other interest expenses	4.257.233	4.061.587
Exchange rate adjustments	804	0
Other financial expenses	0	135.005
	4.327.585	**4.243.154**

	2018 DKK	2017 DKK
4. Tax on profit/loss for the year		
Current tax	(1.055.893)	(988.569)
Change in deferred tax	5.940	(29.700)
Adjustment concerning previous years	(18)	0
	(1.049.971)	**(1.018.269)**

	2018 DKK	2017 DKK
5. Proposed distribution of profit/loss		
Retained earnings	43.424.179	5.616.380
	43.424.179	**5.616.380**

Notes to parent financial statements

	Investments in group enterprises DKK
6. Fixed asset investments	
Cost beginning of year	229.914.789
Cost end of year	**229.914.789**
Revaluations beginning of year	9.253.752
Amortisation of goodwill	(29.665.534)
Share of profit/loss for the year	76.812.284
Dividend	(25.000.000)
Revaluations end of year	**31.400.502**
Carrying amount end of year	**261.315.291**

Residual value of group goodwill DKK 153.272k.

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

	Number	Par value DKK	Nominal value DKK
7. Contributed capital			
A Shares	22.461	22461	22.461
B Shares	50.001	50001	50.001
C Shares	2	2	2
	72.464		**72.464**

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK	Outstanding after 5 years DKK
8. Liabilities other than provisions				
Bank loans	20.000.000	20.000.000	60.000.000	20.000.000
	20.000.000	**20.000.000**	**60.000.000**	**20.000.000**

9. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

Notes to parent financial statements

10. Related parties with controlling interest

TopCo Neun Holding GmbH, HRB 231432, AG München holds 69% of the shares in the Company.

11. Transactions with related parties

The annual report discloses only transactions with related parties that have not been conducted on arms length terms. No such transactions have been carried out during the financial year.

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 (medium).

The accounting policies applied to these 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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

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.

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

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

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Accounting policies

Other financial income

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

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. 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. If it is not possible to estimate the useful life reliably, it is set at 7 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 4 to 7 years.

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

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

Accounting policies

Property, plant and equipment

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

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	2-5 years

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

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 or minus unamortised goodwill and plus or minus unrealised intra-group profits or 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 straigth-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. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 7 years.

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

Other investments

Other investments comprise unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

Inventories

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

Cost consists of purchase price plus delivery costs.

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

Accounting policies

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 tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

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

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

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.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at 28.02.2017 and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.