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Kate Acquisition ApS

Ejlersvej 24
6000 Kolding
Central Business Registration
No 38424548

Annual report 2017

The Annual General Meeting adopted the annual report on 14.05.2018

Chairman of the General Meeting

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Name: Kim Hyldahl

Contents

Entity details

Entity
Kate Acquisition ApS
Ejlersvej 24
6000 Kolding

Central Business Registration No: 38424548
Registered in: Kolding
Financial year: 17.02.2017 - 31.12.2017

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 17.02.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 17.02.2017 - 31.12.2017.

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, 06.02.2018

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 17.02.2017 - 31.12.2017, 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 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 17.02.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 06.02.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Suzette Demediuk Steen Nielsen
State Authorised Public Accountant
Identification number (MNE) 32207

Management commentary

	2017 DKK'000
Financial highlights	
Key figures	
Gross profit	55.218
Result of ordinary operations	42.836
Operating profit/loss	17.455
Net financials	(4.334)
Profit/loss for the year	4.724
Total assets	275.394
Investments in property, plant and equipment	4.187
Equity	94.536
Average invested capital incl goodwill	100.072
Interest bearing debt, net	(107.852)
Cash flows from (used in) operating activities	70.242
Cash flows from (used in) investing activities	(140.457)
Cash flows from (used in) financing activities	100.000
Employees in average	29
Ratios	
Return on invested capital incl goodwill (%)	42,2
Financial gearing (%)	(1,1)
Return on equity (%)	5,0
Equity ratio (%)	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**	**Ratios**
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	Interest bearing debt, net / Equity	The entity's financial gearing.
Return on equity (%)	Profit/loss for the year x 100 / Average equity	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity 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 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 since 1 March 2017. 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 4.724k. The management consider the result satisfactory.

Kate Acqusition ApS has merged with its former parent company Kate HoldCo ApS as of 17 February 2017 with Kate Acqusition ApS as the continuing company.

Outlook
The management expects a growth in 2018 in both turnover and gross profit.

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.

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 2017

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

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK
Acquired trademarks		60.612
Goodwill		182.937.457
Intangible assets	7	**182.998.069**
Other fixtures and fittings, tools and equipment		1.492.927
Property, plant and equipment	8	**1.492.927**
Other investments		1.050
Deposits		198.156
Fixed asset investments	9	**199.206**
Fixed assets		**184.690.202**
Manufactured goods and goods for resale		37.515.285
Prepayments for goods		2.095.508
Inventories	10	**39.610.793**
Trade receivables		13.460.497
Deferred tax	11	128.702
Other receivables		484.124
Income tax receivable		251.634
Prepayments		875.542
Receivables		**15.200.499**
Cash		**35.892.103**
Current assets		**90.703.395**
Assets		**275.393.597**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK
Contributed capital		72.464
Retained earnings		94.463.044
Equity		**94.535.508**
Bank loans		80.000.000
Non-current liabilities other than provisions	12	**80.000.000**
Current portion of long-term liabilities other than provisions	12	20.000.000
Prepayments received from customers		236.581
Trade payables		34.899.760
Payables to group enterprises		124.820
Payables to associates		43.444.998
Other payables		2.151.930
Current liabilities other than provisions		**100.858.089**
Liabilities other than provisions		**180.858.089**
Equity and liabilities		**275.393.597**
Unrecognised rental and lease commitments	14	
Mortgages and securities	15	
Subsidiaries	16	

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Contributed upon formation	50.001	89.669.999	0	89.720.000
Effect of mergers and business combinations	0	457.549	(388.238)	69.311
Increase of capital	22.463	0	0	22.463
Transfer to reserves	0	(90.127.548)	90.127.548	0
Profit/loss for the year	0	0	4.723.734	4.723.734
Equity end of year	**72.464**	**0**	**94.463.044**	**94.535.508**

Consolidated cash flow statement for 2017

	Notes	2017 DKK
Operating profit/loss		17.454.548
Amortisation, depreciation and impairment losses		25.401.601
Working capital changes	13	44.036.929
Cash flow from ordinary operating activities		**86.893.078**
Financial income received		119.706
Financial income paid		(4.454.161)
Income taxes refunded/(paid)		(12.316.246)
Cash flows from operating activities		**70.242.377**
Acquisition etc of intangible assets		(74.600)
Acquisition etc of property, plant and equipment		(667.430)
Acquisition of enterprises		(139.714.777)
Cash flows from investing activities		**(140.456.807)**
Loans raised		100.000.000
Cash flows from financing activities		**100.000.000**
Increase/decrease in cash and cash equivalents		**29.785.570**
Cash and cash equivalents beginning of year		6.106.533
Cash and cash equivalents end of year		**35.892.103**

Notes to consolidated financial statements

	2017 DKK
1. Staff costs	
Wages and salaries	10.838.236
Pension costs	698.929
Other social security costs	227.788
Other staff costs	597.160
	12.362.113
Average number of employees	**29**

	Remuneration of management 2017 DKK
Board of Directors	126.673
	126.673

	2017 DKK
2. Depreciation, amortisation and impairment losses	
Amortisation of intangible assets	24.735.266
Depreciation of property, plant and equipment	666.335
	25.401.601

	2017 DKK
3. Other financial income	
Interest income	112.011
Exchange rate adjustments	7.695
	119.706

	2017 DKK
4. Other financial expenses	
Financial expenses from associates	1.715.068
Interest expenses	2.420.092
Exchange rate adjustments	77.336
Other financial expenses	241.665
	4.454.161

Notes to consolidated financial statements

	2017 DKK
5. Tax on profit/loss for the year	
Tax on current year taxable income	8.458.229
Change in deferred tax for the year	(61.448)
Adjustment concerning previous years	(422)
	8.396.359

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

	Acquired trademarks DKK	Goodwill DKK
7. Intangible assets		
Addition through business combinations etc	40.000	207.698.735
Additions	74.600	0
Cost end of year	**114.600**	**207.698.735**
Amortisation and impairment losses beginning of year	(40.000)	(40.000)
Impairment losses for the year	(13.988)	0
Amortisation for the year	0	(24.721.278)
Amortisation and impairment losses end of year	**(53.988)**	**(24.761.278)**
Carrying amount end of year	**60.612**	**182.937.457**

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK
8. Property, plant and equipment	
Addition through business combinations etc	3.426.662
Additions	760.721
Disposals	(200.236)
Cost end of year	**3.987.147**
Depreciation and impairment losses beginning of the year	(1.766.483)
Depreciation for the year	(791.365)
Reversal regarding disposals	63.628
Depreciation and impairment losses end of the year	**(2.494.220)**
Carrying amount end of year	**1.492.927**

	Other investments DKK	Deposits DKK
9. Fixed asset investments		
Addition through business combinations etc	1.050	122.131
Additions	0	76.025
Cost end of year	**1.050**	**198.156**
Carrying amount end of year	**1.050**	**198.156**

10. Inventories

	2017 kr.	2016 kr.
Manufactured goods and goods for resale	17.171.813	19.632.235
Manufactured goods along the way	20.343.472	4.381.095
Prepayments for goods	2.095.508	0
	39.610.793	**24.013.330**

Notes to consolidated financial statements

	2017 DKK
11. Deferred tax	
Intangible assets	733
Property, plant and equipment	74.804
Fixed asset investments	23.465
Liabilities other than provisions	29.700
	128.702
Changes during the year	
Recognised in the income statement	128.702
End of year	**128.702**

	Instalments within 12 months 2017 DKK	Instalments beyond 12 months 2017 DKK	Outstanding after 5 years DKK
12. Liabilities other than provisions			
Bank loans	20.000.000	80.000.000	20.000.000
	20.000.000	**80.000.000**	**20.000.000**

	2017 DKK
13. Change in working capital	
Increase/decrease in inventories	(27.285.671)
Increase/decrease in receivables	23.484.012
Increase/decrease in trade payables etc	47.838.588
	44.036.929

	2017 DKK
14. Unrecognised rental and lease commitments	
Hereof liabilities under rental or lease agreements until maturity in total	**3.098.108**
Liabilities under rental agreements and leases with associates until maturity	**2.838.000**

15. Mortgages and securities

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 DKK53.071k.

Notes to consolidated financial statements

	Registered in	Corporate form	Equity interest %
16. Subsidiaries			
MM & TEN A/S	Kolding	A/S	100,0
Mos Mosh A/S	Kolding	A/S	100,0

Parent income statement for 2017

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

Parent income statement for 2017

	Notes	2017 DKK
Investments in group enterprises		239.168.541
Fixed asset investments	6	**239.168.541**
Fixed assets		**239.168.541**
Deferred tax	7	29.700
Joint taxation contribution receivable		988.569
Receivables		**1.018.269**
Cash		**912.012**
Current assets		**1.930.281**
Assets		**241.098.822**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK
Contributed capital	8	72.464
Retained earnings		95.743.928
Equity		**95.816.392**
Bank loans		80.000.000
Payables to group enterprises		3.046.562
Non-current liabilities other than provisions	9	**83.046.562**
Current portion of long-term liabilities other than provisions	9	20.000.000
Payables to group enterprises		124.820
Payables to associates		41.715.068
Other payables		395.980
Current liabilities other than provisions		**62.235.868**
Liabilities other than provisions		**145.282.430**
Equity and liabilities		**241.098.822**
Contingent liabilities	10	
Related parties with controlling interest	11	
Transactions with related parties	12	

Parent statement of changes in equity for 2017

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Contributed upon formation	50.001	89.669.999	0	89.720.000
Effect of mergers and business combinations	0	457.549	0	457.549
Increase of capital	22.463	0	0	22.463
Transfer to reserves	0	(90.127.548)	90.127.548	0
Profit/loss for the year	0	0	5.616.380	5.616.380
Equity end of year	**72.464**	**0**	**95.743.928**	**95.816.392**

Notes to parent financial statements

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

	2017 DKK
2. Other financial income	
Exchange rate adjustments	7.695
	7.695

	2017 DKK
3. Other financial expenses	
Financial expenses from group enterprises	46.562
Financial expenses from associates	1.715.068
Interest expenses	2.346.519
Other financial expenses	135.005
	4.243.154

	2017 DKK
4. Tax on profit/loss for the year	
Tax on current year taxable income	(988.569)
Change in deferred tax for the year	(29.700)
	(1.018.269)

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

Notes to parent financial statements

	Investments in group enterprises DKK
6. Fixed asset investments	
Additions	229.914.789
Cost end of year	**229.914.789**
Amortisation of goodwill	(24.721.278)
Share of profit/loss for the year	33.975.030
Revaluations end of year	**9.253.752**
Carrying amount end of year	**239.168.541**

Residual value of group goodwill DKK 182.937k.

	2017 DKK
7. Deferred tax	
Provisions	29.700
	29.700
Changes during the year	
Recognised in the income statement	29.700
End of year	**29.700**

	Number	Par value DKK	Nominal value DKK
8. 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**

Notes to parent financial statements

	Instalments within 12 months 2017 DKK	Instalments beyond 12 months 2017 DKK	Outstanding after 5 years DKK
9. Liabilities other than provisions			
Bank loans	20.000.000	80.000.000	20.000.000
Payables to group enterprises	0	3.046.562	0
	20.000.000	**83.046.562**	**20.000.000**

10. 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.

11. Related parties with controlling interest

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

12. 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.

It is the company's first financial 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.