ANNUAL REPORT
2016/2017

TOP-TOY Holding II A/S
Delta Park 37, 2665 Vallensbæk, Denmark
CVR: 37 25 47 03

CONTENT

INTRODUCTION

HIGHLIGHTS OF THE YEAR

We have initiated the development of **A NEW MODERN IN-STORE DESIGN FOR OUR TOYS"R"US STORES.** The new design focuses on creating and inspiring play experiences and making it easier for customers to navigate our stores.

LAUNCH OF BABIES"R"US

We have introduced a new baby section in our TOYS"R"US stores, designed as a store within the store and its own look and feel. Our baby venture has commenced with test stores in Sweden.

WE HAVE INTRODUCED "HAPPY GUARANTEE" FOR ALL CLUB BR MEMBERS.

"HAPPY Guarantee" means that Club BR members can exchange products for up to 14 days after their purchase, even after unwrapping and playing with them.

DKK 3,365.5 MILLION IN REVENUE

EBITDA BEFORE SPECIAL ITEMS DKK 138.9 MILLION

We have **IMPLEMENTED A NEW ERP SYSTEM** to help us create even better customer experiences and enhance our efficiency.

13 NEW BR STORES OPENED THEIR DOORS TO CUSTOMERS

15 stores closed as part of our store network optimisation.

Customers bought more than 180,000 of our **FSC®-CERTIFIED OWN BRAND WOOD PRODUCTS.**

2,287 new products were verified as part of our product safety procedure.

We screened working conditions at **AROUND 1,000 FACTORIES** that manufacture our products.

We now use LED-lightning in 93% of our stores

WE CELEBRATED THE OPENING OF 7 NEW TOYS"R"US STORES

3 stores closed as part of our store network optimisation.

WE HAVE UPDATED OUR STRATEGY WITH THE GOAL TO INSPIRE PLAY @ EVERY OCCASION

MESSAGE FROM OUR CEO

As the Nordic leader in the dynamic retail market for toys our ambition is to grow and bring great experiences to children and their families when they shop in our stores – online and offline. In 2016/2017, we have faced challenges and our unsatisfactory financial performance has highlighted several improvement areas. The launch of new concepts and implementation of a new ERP system are key steps in our efforts to make the necessary changes. We will continue to modernise our business to ensure we always offer great play experiences.

A challenging year

Our financial performance has not been satisfactory this year, showing a decline in both revenue and profit. The implementation of a new ERP system has occupied many key resources both before and after go-live and has had a direct impact on financial results. Furthermore the important Christmas season in 2016 also delivered slightly below our expectations and the bad weather this spring and summer had a negative impact on sales of outdoor products, which is an important category for TOP-TOY.

We remain determined to further improve our operations and achieve a higher level of agility while serving our customers with the best assortment at highly competitive prices. Going forward we will be even more agile and market-driven in our pricing and marketing.

In light of the changes in our markets and the less than satisfactory results, we have adjusted our organisation to keep our business agile, competitive and efficient and to prepare for the future. This unfortunately meant that we in August 2017 had to say goodbye to a number of employees across our office locations. I would like to thank our former colleagues and wish them the best of luck in their future careers.

The journey ahead

This year's performance should be viewed in broader context. We are on a journey to fundamentally change TOP-TOY and build the foundation for our future growth. Here are a few of the initiatives I expect to have a positive impact on TOP-TOY's growth:

- We are investing in new store concepts. This includes a new in-store design for our TOYS"R"US stores and an upgrade of our BR stores
- We are testing a new BABIES"R"US concept in two TOYS"R"US stores in Sweden
- We are strengthening our omni-channel approach to give customers the best possible experience, whether they shop in our physical or online stores or both
- We are strengthening our pricing with initiatives such as price match and everyday low prices
- We have invested in a new ERP system to help us create even better customer experiences and enhance our efficiency

All of this will make us even better at giving children and their families special experiences and expert advice. I am confident that this is the path to future growth for TOP-TOY.

Growing responsibly

Our long-term growth has to be achieved in a responsible manner. This is why TOP-TOY has been a signatory of the UN Global Compact since 2010. Our commitment is as strong as ever.

Especially close to TOP-TOY's heart – and to my own – is the commitment to ensuring safe play for children, safe and responsible conditions for those who work in the factories that produce our products, and an ethical approach to our product offering and marketing.

Søren Torp Laursen
CEO

KEY FIGURES AND FINANCIAL RATIOS

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016[1]
Key figures		
Revenue	3,365.5	1,259.3
Gross Profit	1,762.8	634.8
EBITDA before special items	138.9	-126.5
Operating result	-16.0	-201.5
Financials, net	-29.6	-30.1
Result for the year	**-38.7**	**-188.6**
Total assets	3,047.9	2,928.1
Investment in property, plant and equipment	35.2	41.5
Equity	**959.7**	**1,010.9**
Cash flows from operating activities	-107.4	-342.7
Cash flows from investing activities	-124.3	-2,121.1
Cash flows from financing activities	-9.7	2,099.2
Total cash flows	**-241.4**	**-364.6**
Financial ratios[2]		
Gross margin	52.4%	50.4%
Solvency ratio	31.5%	34.5%
Average number of full-time employees	**2,124**	**2,266**
Number of stores	**311**	**309**

1) As TOP-TOY Holding II A/S was established on the 25th of November 2015 and went into operation on the 1st of January 2016 last year's financial data covers from the 1st of January 2016 until the end of financial year.

2) Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, " Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

OPERATING AND FINANCIAL REVIEW

TOP-TOY's revenue totalled DKK 3,365.5 million in the 2016/2017 financial year, which were below the expectations. The decrease was primarily driven by challenges following the launch of our new ERP system at the end of March 2017 and the fact that the implementation of the new system occupied many key resources both before and after go-live. Poor weather in the Nordic region during the summer 2017 also had a negative impact on sales of outdoor products. Finally, the all-important Christmas season was slightly disappointing due to competition and the fact that TOP-TOY did not benefit fully from increased online demand.

The implementation of a new ERP system brought a number of challenges which affected our operational performance in 2016/2017. Customers, who used our web shops after go live experienced significantly limited search capabilities, lack of promotional pricing and poor checkout flow. Many customers start their search online even when they intend to make their purchase in a physical store. So, this problem also had an impact on our physical stores. In addition, poor performance in our supply chain as a result of the new system meant that customers who visited our online and physical stores found a less attractive assortment – often without the products they intended to buy. Due to ERP system challenges store employees also focused more on internal issues like stock counting than on purely serving the customers.

The operational issues with the ERP system will be solved in 2017/2018. However, there will still be an impact on Q1 in the new financial year. The focus is on ensuring all areas of operation are fully up to speed before the 2017 Christmas season.

The main business impact on our financial performance was a significant decline in revenue during Q4 of our financial year (April – June 2017). Furthermore the gross margin was negatively affected as weak sales lead to price reductions to reduce inventories of seasonal goods. OPEX also increased during Q4 of our financial year due to the need for stock recounts and manual order handling.

The Board of Directors and the Executive Management view the overall operational and financial performance in 2016/2017 as unsatisfactory.

We have launched several initiatives to improve short and mid-term performance. Key initiatives are centred around achieving positive same-store sales growth, this includes attractive prices and promotions as well as a good store service level to enhance the customer experience and making a visit to our stores appealing. This also includes proactive introduction of category initiatives such as the launch of Babies"R"Us in selected test stores.

Another focus area is to reduce costs and make the company more agile in order to react faster to changes in consumer demands and market trends. Unfortunately this meant that we in August 2017 had to say goodbye to a number of employees across our office locations.

One of the key areas to improve our performance is to excel in online sales. From autumn 2017, we have strengthened our price offering by increased use of "price matching" and "everyday low prices", supported by the introduction of a "price crawler" which constantly checks competitor prices. We have also invested significantly in an up-to-date online platform to improve the customer experience and agility of our online offer. This new platform will go live in Q4 of 2017.

Revenue development

Total revenue for 2016/2017 was DKK 3,365.5 million, which were below the expectations. This was mainly driven by a decrease in same-store sales, as the opening of new stores almost sets off the impact of store closures.

The decline in same-store sales was largely caused by issues with our new ERP system. However, the underlying consumer preference for online sales clearly poses a challenge to our physical stores. Consumers are increasingly doing their shopping online, which globally is changing the purpose and need for shopping experience in the physical stores – a challenge TOP-TOY has taken on board.

Development in earnings

The gross margin was 52.4%, which was below our expectations. It was impacted by significant inventory inefficiencies due to implementation of the new ERP system. Increasing price competition, especially on branded goods like LEGO, also had an impact on earnings.

Operating costs were DKK 1,623.9 million, representing 48.3% of revenue. The target is to reduce operating costs as a percentage of revenue – both in individual stores and administrative functions.

EBITDA before special items amounted to DKK 138.9 million impacted by the low operational result after ERP going live. Operating result and result for the year showed a loss at DKK -16.0 million and DKK -38.7 million respectively. The result is positively affected by changes in exchange rates. The effect is DKK 40.3 million, hereof DKK 24.4 million from loans in foreign currency.

Free cash flow and net interest-bearing debt

Net working capital increased due to the go-live of the new ERP system. This was due to a decision to fill up inventories before go-live on 27th of March. Due to payment terms, most were paid for before year end.

Cash flow from operating activities was DKK -107.4 million. This was mainly driven by changes in working capital, which are expected to be improved in the current financial year, and the higher interest expenses, which will continue in the years ahead.

Cash flow from investing activities was DKK -124.3 million. The main asset acquired was the new ERP system, which has been fully capitalized and started to be amortised at go-live. From 2017/2018, investment activities will be more normalized and primarily focus on store openings and upgrades.

The interest-bearing debt increased from DKK 1,349.4 million in 2015/2016 to DKK 1,563.1 million in 2016/2017. TOP-TOY has after the balance date entered into a committed load facility agreement of DKK 250 million with the shareholders who hold 5% or more of the share capital. TOP-TOY is in dialogue with the owners and Lenders about the future finance structure.

Outlook for 2017/2018

In 2017/18 revenue and operating result before special items are expected to grow despite continued uncertainty due to the new ERP system.

ABOUT TOP-TOY

TOP-TOY - INSPIRE PLAY @ EVERY OCCASION

311
STORES

MORE THAN
32,000
PRODUCTS IN ASSORTMENT

EBITDA before special items
DKK 138.9
MILLION

REVENUE
DKK 3,365.5
MILLION

2,124
FULL-TIME EMPLOYEES

"We strive to inspire play whenever we meet children and their families.**"**

We are the leading retail company for toys and other children's products in the Nordic region, defined by our strong heritage and sound store concepts. We have a passion for play, a commitment to responsible business and a desire to meet and exceed customer expectations at every occasion.

A leading position through more than 300 BR and TOYS"R"US stores

Through our two retail chains BR and TOYS"R"US, we offer a broad range of inspiring products that enable children of all ages to explore and develop their creativity while learning and having fun. The range spans everything from toys, trampolines and pools to children's books, bed linen, role-play costumes and accessories. We sell our own brand products and other leading international brands.

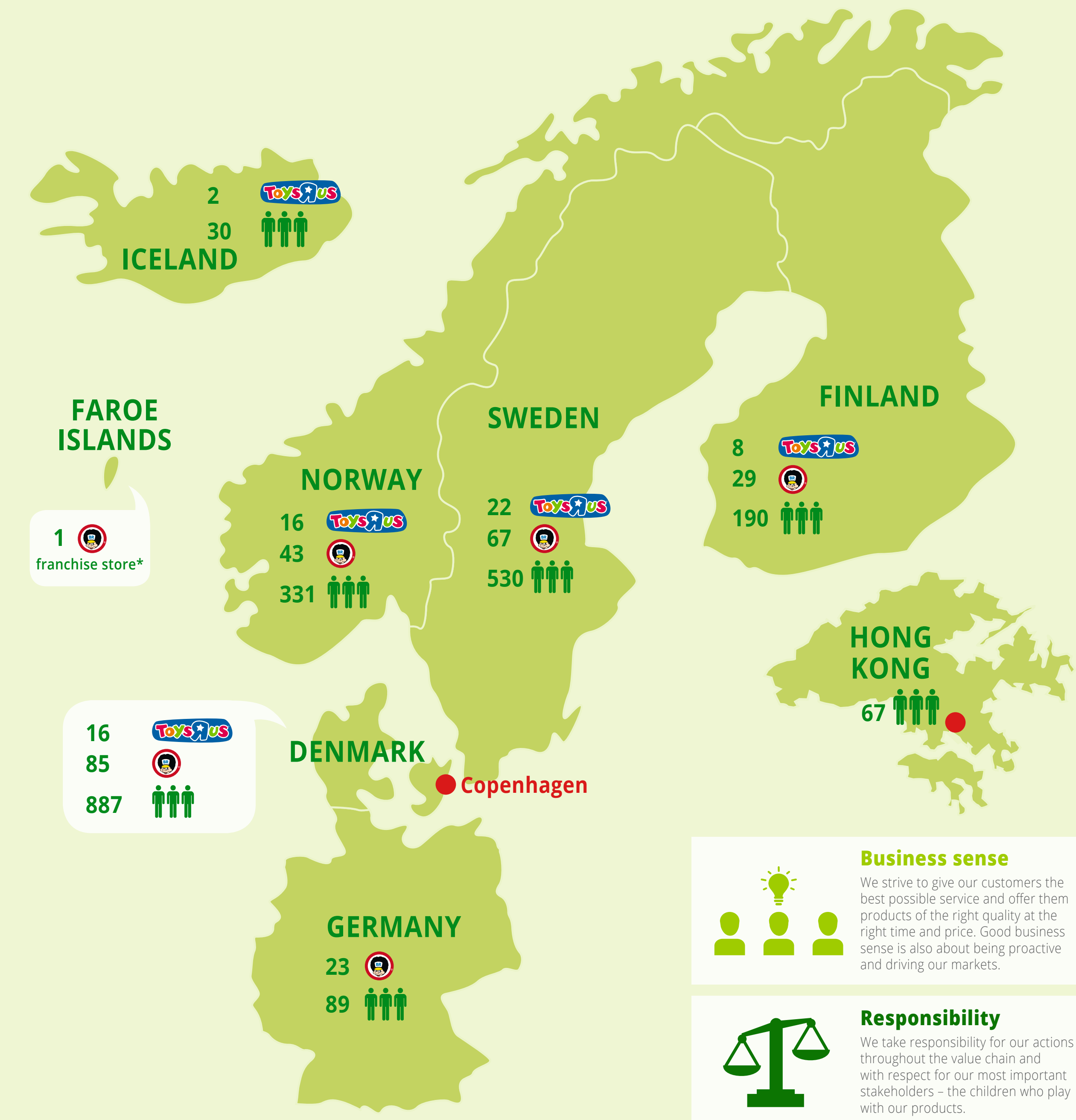
We operate more than 300 stores. Most of our stores are in the Nordic region, but we also have more than 20 BR stores in Germany. In addition, we have four BR web shops and four TOYS"R"US web shops. This makes TOP-TOY the leading player in the Nordic toy market.

Inspiring play for more than 50 years – and continuing to innovate

TOP-TOY has more than 50 years of experience in inspiring play. We modernise our business continuously and take an innovative approach that includes investing in new store concepts. This year we have initiated the development of a new in-store design for our TOYS"R"US stores and a new concept for our BR stores. In the future, we will reinforce our market and price agility, for example through new initiatives such as price match and everyday low prices.

Being present for our customers all year round

We want to be present in the most convenient locations for customers, whether they use our online or physical stores – and to provide a seamless experience if they use a combination of both. Being present also means being a relevant place to visit right through the year. While Christmas is naturally an important season, customers should also have clear reasons to visit in the summer, when they shop for outdoor products, or in the autumn, when children return to school. Our new "BABIES"R"US" concept strengthens our ability to be relevant throughout the year - and makes TOYS"R"US relevant for parents-to-be.



Main offices

2,124 full-time employees

247 BR stores

64 TOYS"R"US stores

* Our franchise store in the Faroe Islands is not included in the total number of stores.

Our business as it looked at the end of the fiscal year June 30, 2017. The number of employees is the average number of full-time employees in the financial year 2016/2017.

Business sense

We strive to give our customers the best possible service and offer them products of the right quality at the right time and price. Good business sense is also about being proactive and driving our markets.

Responsibility

We take responsibility for our actions throughout the value chain and with respect for our most important stakeholders – the children who play with our products.

Family tree

The importance of family is apparent throughout TOP-TOY. Families are the most frequent visitors to our stores, and there is a strong family spirit among our employees.

Top performance

We strive to be top performers. We want to do better than yesterday, and we do this by listening to relevant stakeholders and closely monitoring our performance.

Toy fun

Fun is a key driver of our work that we would not be without. Just as children have fun experimenting and trying out new things, we have fun when choosing and testing the products we sell and growing our company.

OUR BUSINESS MODEL

Our business model focuses on the selection and purchase of finished products and the design of our own products and private labels. All products are sold in our online and physical stores in Northern Europe. Below is an overview of the key processes in our business model.

Designing and choosing our products

Ensuring that we have a fun and inspiring selection of toys and other products in our stores is crucial to our business. This requires that we find the best of the many new toys introduced by suppliers each year as well as develop own brand and private label products. Our design team in Hong Kong is responsible for the latter.

We integrate product safety and ethical considerations in our product design and selection.

Production

As we do not own any factories or production facilities, we work closely with the suppliers that produce our products. Our suppliers either have their own factories or contracts with sub-suppliers.

Through our factory compliance programme, we work to ensure our products are produced under safe and responsible conditions for factory workers.

Products on the move

Most of our products are produced in Asia, while others are produced in European countries. It is vital that the toys arrive in our warehouse for timely distribution to our stores.

We try to avoid air freight and work to reduce waste, energy use and emissions at our distribution centre. We also take care to create a good work environment and minimise work-related injuries among our employees.

Selling our products

Our many store employees meet children and their families with the goal of giving them the best possible shopping experience. This includes ensuring an ethical product offering and marketing, so parents can be sure their children are not exposed to products or marketing that could affect them negatively.

Our products in play

We see the value of our business when children play with our products and create worlds that are much bigger than an individual toy.

We test our products thoroughly – because children have a right to safe play.

A STRATEGY FOR SUSTAINABLE GROWTH

Our ambition is to inspire play @ every occasion. We should inspire many different ways of playing, learning and having fun for children and their families. Achieving this ambition is key to maintaining our position as the undisputed leader in the Nordic retail toy market and achieving sustainable growth.

To meet our ambition, we have revised our strategy 2016/2017 and established three core aspirations:

In 2021 TOP-TOY...

- ...offers world-class shopping experiences that inspire play among children, parents and gift-givers
- ...is the undisputed leader in the Nordic retail toy market and the clear no. 1 online and omni-channel toy player
- ...has a lean and agile organisation and strong foundation for further international expansion

Each of the core aspirations is supported by a number of strategic priorities:

The undisputed leader in the Nordic retail toy market and clear no. 1 online

- We have launched BABIES"R"US in two Swedish TOYS"R"US stores. Here, customers can find a wider selection of products for babies than in any of our other stores.
- In 2016/2017, we upgraded our omni-channel approach significantly. This included changing our system platform, giving us the foundation we need to upgrade the customer experience in the years ahead. At an organisational level, we have significantly strengthened the teams responsible for ongoing improvements to our online environment. These upgrades are part of a new omni-channel strategy to continue professionalising our web shops and improving the customer experience.
- In 2016/2017 we introduced "HAPPY Guarantee" for all Club BR members. "HAPPY Guarantee" means that Club BR members can exchange products for up to 14 days after their purchase, even after unwrapping and playing with them. Going forward we will continue to revitalise Club BR by significantly increasing the value and benefits for Club members so they have more reasons to visit BR all year round.

Offering world-class shopping experiences that inspire play

- We have initiated the development of a new modern in-store design for our TOYS"R"US stores and have implemented the first changes in our test store in Denmark. The new design focuses on creating and inspiring play experiences for our customers and making it easier for them to navigate the large selection of exciting products. We will continue to develop the concept and use what we learn from the test store to improve the in-store concept in all our TOYS"R"US stores.
- Based on the success of our own brand products in BR and a wish to give customers a unique experience when they visit our stores, we will strengthen our exclusive offering and make focused investments in our own products and private label across both our banners.

A lean and agile organisation and a strong foundation for expansion

- We implemented a new global ERP system in March 2017. This is an important step in our continued efforts to increase our agility and create even better customer experiences. The system will, for example, enable us to collect better data about customer purchasing behaviour under consideration of general data privacy regulation, equipping us to create a more tailor-made experience for the individual shopper. With the system more processes can be automated in the future.
  This will enable us to focus our resources on sourcing the best collection of toys and serving our customers.

CONTINUING OUR JOURNEY

Many of our strategic initiatives are continuously developed as part of our ongoing journey to meet our strategic ambitions. You can find important examples here.

Price match and everyday low prices

Price agility is key to success in the highly dynamic retail toy market. This is why we have launched "price match" for all our products above a given price. At the same time, we have implemented an "everyday low prices" initiative, where we have lowered the price of many key products.

Grand opening of BABIES"R"US

Following the soft launch of the two new BABIES"R"US test stores in Sweden in June 2017, we invited our customers to a grand opening celebration of this new concept in September.

Organisational changes

In August 2017, we made organisational adjustments to keep our business agile, competitive and efficient. These adjustments regrettably included saying goodbye to a number of employees across office locations. All affected employees have been offered guidance and support in taking the next step in their careers. Employees working in our stores and warehouse have not been affected.

Continued optimisation of our store network

As part of our store network we expect to open around five new stores this fall, and close three. A number of stores will also be relocated.

Launch of "Spire" our new concept for own brand products

Based on the success of our own brand products in BR, we have decided to offer them to customers in TOYS"R"US as well.
In September 2017, we introduced a new line of own brand products called "Spire". "Spire" will be sold in BR and TOYS"R"US. It consists both of well-known existing products and some exciting new products.

One step further in developing our new in-store concept for TOYS"R"US

We have continued to develop the new modern in-store design for our TOYS"R"US stores for example by improving navigation.
We will continue to develop the concept in our test store in Denmark and use what we learn to improve the in-store concept in all our TOYS"R"US stores.

New service concept for our store employees

We have developed a new service concept to ensure all our customers get the same good service experience whenever they visit our stores – supporting our overall strategic goal to provide world-class shopping experiences that inspire play. This includes equipping our store employees with stronger sales knowledge.
All store employees have now been trained in the new service concept and will receive ongoing training to build competences and provide new inspiration.

STORES

"Most of our customers know TOP-TOY not as TOP-TOY but as BR or TOYS"R"US. It is through these two well-known brands that we provide customers with play experiences and inspiration that keeps them coming back to our physical and online stores."

ALWAYS NEW

247
STORES

Over 1,000
FULL-TIME EMPLOYEES

> BR has **more than 50 years of experience in inspiring play**. Our BR employees are important ambassadors of play – along with our BR mascot.

BR is TOP-TOY's high street toy retailer with stores in prime locations, a strong brand with a recognisable mascot, well-established customer relationships and, not least, our loyalty programme Club BR.

Our BR store network covers almost 250 stores, all located close to our customers in shopping centres and other prime locations in Denmark, Sweden, Norway, Finland, the Faroe Islands and Germany.

Always new

We have revised our strategy for BR as part of our overall strategy revision. Our ambition is that customers will experience BR as always new. BR should be the preferred toy store for gifts and an exciting place where children always want to stop by to see what is new.

We want Club BR to offer good value to members, so they have more reasons to visit BR all year round. To ensure this, we introduced "HAPPY Guarantee" for all Club BR members in 2016/2017.

How BR is inspiring play

We opened the first BR store in 1963. This means BR has more than 50 years of experience in inspiring play. Our BR employees and mascot are important ambassadors of play – and a symbol of the hours of play that childhood entails. One way of improving our ability to inspire play is to offer more solutions and packages for our customers instead of focusing on individual products alone. Our passion for play is also the reason why celebrating children's birthdays are important for us. All Club BR members can collect a free gift in their local BR shop when their big day comes around.

Fun, inspirational, safe toys of high quality

Our selection of toys is key to our ability to inspire play. BR offers a focused assortment of fun, inspirational and high quality toys and other products that target young children. The assortment comprises our own brand, our private-label brands and many well-known brands from our suppliers. BR offers a broad range of creative and educational products, such as baby and toddler toys, children's books, role-play costumes and accessories, interactive toys, video games and much more.

ALWAYS FUN

64
STORES

Over 600
FULL-TIME EMPLOYEES

TOYS"R"US is TOP-TOY's chain of large toy stores, offering a broad assortment of entertaining products at great prices and targeting children of all ages.

For almost 20 years, TOP-TOY has successfully operated a strong network of TOYS"R"US stores across the Nordic region under a licence agreement. Today we have a strong market position as we operate more than 60 stores across Norway, Sweden, Finland, Denmark and Iceland.

Always fun

We have revised our strategy for TOYS"R"US as part of our overall strategy revision. Our ambition is that customers will experience TOYS"R"US as always fun. TOYS"R"US should be a destination for the whole family throughout the year.

Each TOYS"R"US store offers a broad product assortment covering everything from trampolines, swimming pools, bicycles and construction toys to party tableware, lamps and children's furniture. It should always be possible to find a wide selection of the hottest well-known brands in TOYS"R"US. These include LEGO®, PLAYMOBIL®, FISHER PRICE®, and our private-label brands, such as OUTRA® and COLOR KIDS®.

A new in-store experience to inspire play

We want TOYS"R"US to offer our customers a great store experience. This is why we aim to improve in-store navigation by having distinct zones that offer immersive play experiences for children and parents. Part of this new strategy for our in-store design has already been implemented in our TOYS"R"US store in Gentofte, Denmark. The new design inspires play experiences for example the store now has a brand new skating rig where children can try out our skating products.

BABIES"R"US - a new baby venture

On 1 June 2017, we launched BABIES"R"US in two Swedish TOYS"R"US stores.

In addition to baby toys, the BABIES"R"US stores offer strollers, furniture, car seats, baby clothes and a variety of other products for new family members in Scandinavian design of the highest quality. The brands in the new BABIES"R"US are all well known, including Cybex®, Maxi Cosi®, Philips Avent®, Babyjogger®, bObles®, Sebra®, Celavi® and Medela®.

BABIES"R"US sections are designed as a store within the TOYS"R"US store and have their own look and feel. BABIES"R"US employees are dedicated to the baby store and, after extensive product training, can offer parents expert advice.

The launch of BABIES"R"US is an important part of our strategy and ambition to be a proactive market leader.

PEOPLE

" TOP-TOY is all about people. People are involved at every step in a toy's journey: from the first idea for a new toy to its production, transportation and sale – until it finally reaches the children. "

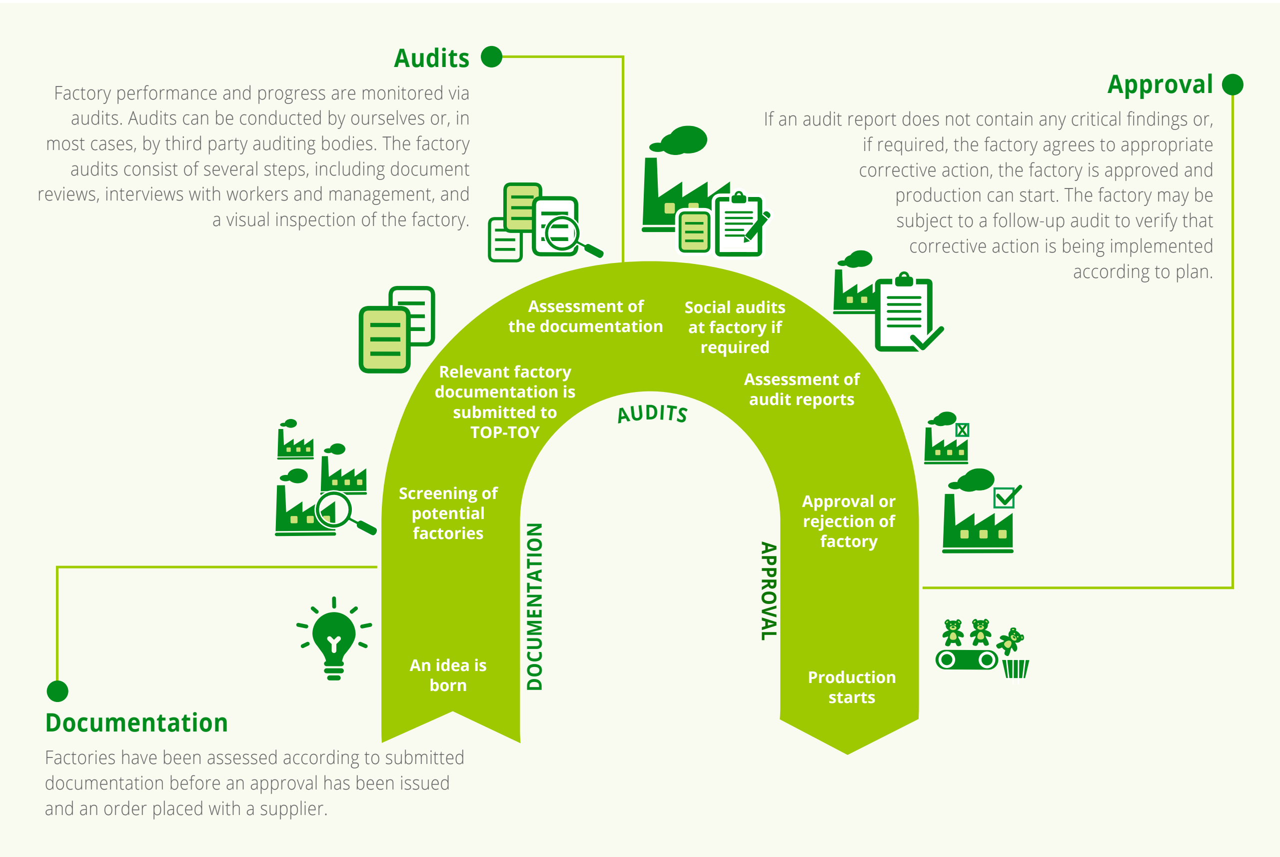
SAFE AND RESPONSIBLE WORKING CONDITIONS

One of the preconditions for inspiring play @ every occasion is that we are confident the products we offer are made under responsible conditions.

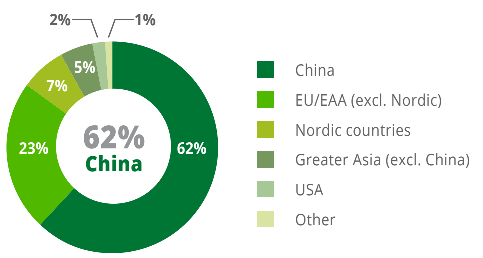
Through our social compliance programme, we work continuously to ensure our products are made under responsible conditions with respect for international human rights and labour standards. Our products are only produced in factories that have been audited in accordance with our social compliance standards.

We do not own any factories ourselves but collaborate with our suppliers to ensure the people who make our toys have safe, humane and healthy working conditions, where their rights are respected. As part of our human rights policy, we recognise our responsibility to pay attention to younger workers and migrant workers.

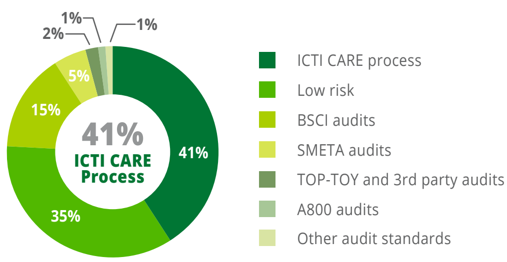
We monitor our suppliers' performance via social audits, where we screen factory working conditions. In 2016/2017, we screened around 1,000 factories[1].



Factory geographical distribution 2016/2017[2]



Audit standards in percent 2016/2017[2]



1) This year we include screenings for actual and potential purchases. Last year we only included screenings for actual purchases.
2) The data covers the period from 1 July 2016 to 1 March 2017.

EMPLOYEES

At TOP-TOY, we view our employees – their knowledge, creativity and engagement – as our most important asset.

Creating good jobs

One of our key contributions to society is job creation. Through our stores, warehouse and offices, we create jobs that require a range of skill sets. Located throughout the Nordic countries, our stores create local jobs for skilled and unskilled workers. In 2016/2017, more than 6,000 people were employed at TOP-TOY, corresponding to 2,124 full-time employees.

We do not just create jobs – we strive to create good jobs in an engaging work environment. This is why we invest in our employees.

Training

We continuously work to improve our training of store and office employees to maintain and develop their skills. During 2016, 72 store managers and trainee store managers attended our store manager school. In 2016/2017, our training focus was to prepare employees for our new ERP system. As part of this, we conducted more than 400 live training sessions and 2,500 hours of e-learning.

Health and safety

We have a strong health and safety organisation in our stores, warehouse and offices. We encourage employees to be prompt and proactive in reporting workplace hazards and accidents and raising concerns about the workplace that can impact physical or psychological safety. That is also why training on how to reduce the risk of work-related injuries is part of our store manager school.

Should a safety incident occur at our warehouse, we have a first response team, which ensures immediate action is taken to help the employee involved in the incident and to inform all warehouse employees. The first response team then works closely with work environment representatives to investigate the source of the accident and prevent it from happening again.

Supporting employees and ethical behaviour

At TOP-TOY, we are committed to maintaining high ethical standards in everything we do. To support this, we developed our Code of Conduct, which helps guide the responsible behaviour of our employees.

The Code of Conduct is a tool for encouraging and supporting dialogue when solving the ethical dilemmas that employees may face in their daily work and for establishing clear roles and responsibilities across the organisation. It also ensures our external stakeholders know what to expect from us. Detailed policies and tools support the practical application of our Code of Conduct.

DIVERSITY

Gender in top management

	2015/2016		2016/2017	
	Women	Men	Women	Men
Board of directors	0%	100%	0%	100%
Executive Management Team (EMT)	0%	100%	14%	86%
Top Management Team (TMT)	23%	77%	30%	70%
Middle managers	31%	69%	30%	70%
Store managers[1]	65%	35%	69%	31%
Entire top management	**60%**	**40%**	**60%**	**40%**

New appointments to managerial positions

	2015/2016		2016/2017	
	Women	Men	Women	Men
Board of directors	0%	100%	0%	100%
Executive Management Team (EMT)	0%	100%	50%	50%
Top Management Team (TMT)[2]	0%	100%	33%	67%
Middle managers	62%	38%	14%	86%
Store managers	-	-	44%	56%
Entire top management	**31%**	**69%**	**37%**	**63%**

Our future competitiveness depends on our ability to attract and retain an engaged and competent workforce, recognising the benefits of diversity in respect of gender, culture and experience.

Our aim is to continue progressing towards our long-term commitment of hiring and promoting women. Diversity is therefore a focus area in our recruitment to managerial positions. Part of the brief given to internal hiring managers and external recruitment agencies is that they should ensure a representative candidate list also in relation to gender, although qualifications remain the most important criteria for recruitment.

Our long-term goal for diversity is that two members of our Board of Directors should be women in 2019/2020[3]. In 2016/2017, our Board comprised men only. One member of the board changed during 2016/2017 where the majority owner EQT appointed a new EQT partner from their partner portfolio to represent them. The new board member was chosen based on a strong profile and a good strategic fit to TOP-TOY.

In 2016/2017 we hired the first woman to our Executive Management Team (EMT), and in doing so, we reached our target that half of all new appointments at EMT level should be women.

Diversity and integration at our warehouse

In 2015, the local district authority contacted the management team at our warehouse in Greve to understand whether they were interested in hiring refugees for language internships.

The idea was well received as it lives up to the overall philosophy of the warehouse: if there is a need for extra labour and a person sincerely wishes to contribute, then everyone is welcome and will receive the training they need. After thorough consideration of available resources and how to overcome language barriers, our warehouse decided to participate in the programme.

Since then, five refugees have worked at the warehouse in language internships. The goal is to help refugees gain new skills and become more familiar with the Danish labour market. The program has been ssuccessful. In May 2016 two of the refugees started in permanent jobs at the warehouse.

1) In 2015/2016 assisting store managers were included. In 2016/2017 we excluded assisting store managers to give a more accurate picture of diversity in our top management.
2) Our TMT has been expanded this year to ensure a commercial focus. This means that among others category managers and marketing managers have been included in the TMT. Only new hires have been included in the table.
3) Since the end of the financial year, we have set an additional diversity target for our Executive Management Team (EMT) and Top Management Team (TMT). This aims for an equal gender distribution (40/60%) at both these management levels in 2020/2021. The diversity target for the Board of Directors has been aligned with this new target.

THE CHILDREN WHO PLAY WITH OUR PRODUCTS

It is through our products and marketing that we engage most directly with children and their families. Children experience our marketing and product offering when they browse our catalogues and visit our stores.

Ethical product offering

As children are our target group, we have a great responsibility to ensure an ethical product offering and marketing. Customers should feel confident that children will not be exposed to products that may affect them negatively, for example by sending inappropriate signals or causing emotional or physical harm. For this reason, we developed our Ethical Product Offering Policy in 2015 to define products that are unsuitable for our assortment.

Examples of our positions

Tobacco and alcohol: We do not offer products that can be perceived as promoting the use of tobacco or alcohol. As far as possible, this also applies to the reproduction of related logos on, for example, football trading cards and model vehicles.

Toy weapons: We do not offer toy weapons that are realistic copies of modern firearms and can be associated with modern war, terror or street crime. We acknowledge that most children, at some time, are interested in role-play where 'the good' are against 'the bad'. For this reason, we do offer toy weapons, such as cowboy guns, for use in role-play.

Responsible marketing

Our Ethical Product Offering Policy also covers marketing-related issues. However, because we recognise that marketing communications can influence children's behaviour, we have set ourselves a goal to develop a separate Responsible Marketing Policy. We wish to ensure our marketing promotes safe, inclusive and active play.

Examples of our positions

Safe play: We offer personal protection equipment along with products such as bikes, skateboards and roller skates. We also make sure that the use of relevant personal protection equipment is shown when promoting these products.

Right impression of product features: We promote products in a way that gives children the right impression of product features. This avoids disappointing the children.

Gender, marketing and product offering

In our experience, girls and boys often like to play with many different toys across traditional and stereotypical gender categories. This is why we always strive to give our customers the opportunity to buy and play with the toys of their choice regardless of gender.

This principle is also reflected in our marketing, where we work to portray children playing together with products across categories, both in our catalogues and when we produce other marketing material.

We also make efforts to avoid stereotyping in our store design. In all BR stores and new TOYS"R"US stores, the sections are not categorised according to gender but according to product categories such as interactive play, creativity and learning, baby and toddler and so on.

Although we work continuously to ensure we portray modern ways of playing without stereotyping, we acknowledge that this takes time and that things do not change overnight.

PRODUCTS

"Our products are enablers for the much bigger worlds that children create through play. We always strive to ensure children can play safely with our products."

OUR PRODUCTS

We offer a broad range of inspiring products that spans everything from toys, trampolines and pools to children's books, bed linen, role-play costumes and accessories.

The right product assortment is key to our business. So it is essential for us to find fun and exciting products that inspire play and have a positive impact on children's development.

We design own brand products or choose some of the interesting new products developed by other toy suppliers. Here is an example of how that process works from the first idea for a fun vehicle range to the arrival of the Rockin' Rollers series in the homes of children and their families.

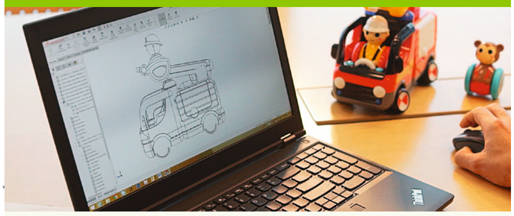
2015

EARLY 2015

An idea is born

We get the idea to create a range of vehicles for young children with a unique play feature. The new range should fit the overall vision for our own brand products for small children: classic toys with a contemporary Scandinavian twist.

MARCH 2015



Rockin' Rollers on the drawing board

Our design team comes up with a figure on wheels. The figure has a counterweight so it stands upright and at the same time has wobbly action. Animals and fun vehicles to fit the figures also becomes part of this new series, which we call "Rockin' Rollers".

Play features that are developmentally appropriate for young children are added to the animals. For example, the lion makes a clicking sound when you turn its head and has a chewable textured mane.

The Rollers should be as safe as they are fun. They are tested thoroughly. For example, there must be no small parts in the Rollers, so they are safe for children below three years of age.

SEPTEMBER 2015

Production of our Rockin' Rollers assortment initiated

As part of our factory compliance programme, it was checked that the factory producing the Rollers has been subject to a social audit to ensure production conditions are safe and responsible for factory workers.

FEBRUARY 2016

Rockin' Rollers on the move

The first shipment of Rockin' Rollers lands in our distribution centre in Greve in February 2016.

In our distribution centre, we focus on reducing waste and energy use, for example by using environmentally-friendly, longer-lasting banderole foil. As the Rockin' Rollers are part of our own brand range, the product packaging is made of recycled cardboard with a UV coating that ensures quality and environmental standards are met.

MARCH 2016

Rockin' Rollers in our stores and in play

Our customers can buy the first Rollers in our stores from March 2016 and the wider range from September 2016. The world of Rocking Rollers has come to life by children playing with them and creating their own stories and games with these wobbly toys.

2016

SAFE PLAYING EXPERIENCES

Children have a right to safe play. The safety of the children who play with our products is at the very top of our priorities. We can only inspire play @ every occasion when we know each product has been subject to our thorough safety procedure.

We work systematically to integrate safety in a product's entire lifecycle. All our products are tested thoroughly to make sure they are safe to play with, and they naturally always comply with relevant EU and national safety regulations. In the case of chemical content and for some toys aimed at children under the age of three, we set ourselves higher standards than those of the EU Toy Safety Directive. We communicate with new suppliers to introduce them to our product safety requirements and ensure they have the necessary knowledge to produce safe products.

We help support good and meaningful safety regulations by collaborating with the European Committee for the Standardisation of Toys (CEN TC 52) and the Danish Standardisation Agency. We also encourage market surveillance by relevant authorities to ensure a level playing field.

Production

Quality checks and inspections are performed during production as a safeguard against potential safety risks. We pay special attention to critical points in the manufacturing process, for example the use of chemicals. Complex products such as cosmetics are subject to particular scrutiny. If we find parts or materials that do not meet our requirements, they are improved or reworked as early in the production process as possible.

Verification

All finished products are assessed to ensure they meet the strict European standards for mechanical and chemical safety.

Development

Every product design is assessed for its chemical and mechanical safety and quality. The design may be changed and improved before products are approved for production.

Sales

Once products are on the market, we continue to monitor their safety by collecting feedback from consumers. This provides input for any future product redesigns or potential product recalls. Due to our strict safety and quality control, we have had very few recalls in recent years.

Only the recall data covers the full financial year. The rest of the data covers the period from 1 July 2016 to 26 March 2017.

PLANET

"We have a responsibility to care for the planet, so children can grow up and play in a healthy environment. This is why we are committed to minimising our environmental impact, including the promotion of environmentally responsible behaviou."

REDUCING OUR ENVIRONMENTAL IMPACT

Our environmental policy

Our biggest direct environmental impact comes from our distribution set-up and retail stores, because we do not own any manufacturing or production sites. Our environmental policy focuses on the following six priority areas where we believe we can bring about the most positive change:

- Energy and emissions
- Product packaging
- Waste
- Transportation
- Product suppliers
- Investments and purchases

In 2016/2017, we carried out a series of initiatives in line with our policy:

Reducing waste by using bags instead of cardboard for web orders

We have reduced packaging for many of our web order deliveries by using plastic bags instead of cardboard. This reduces the amount of packaging waste. In addition, the plastic bags are made from recycled material – 10% from post-consumer waste and 90% from industrial waste. We currently deliver 25% of our web orders in recycled plastic bags.

Charging for plastic bags and changing to recycled material

EU has an ambition to reduce plastic bag consumption by 50% before 2025. We welcome this, so in 2016/2017, we decided to start charging for our plastic bags. The decision will be implemented in the second half of 2017. We hope this will encourage our customers to consider other alternatives before they buy a plastic bag - or reuse the bags they buy. As part of the initiative, we have also decided that, in the future, we will only sell bags made from 100% recycled material – 80% from post-consumer waste and 20% from industrial waste.

Responsible own brands

We have integrated environmental concerns in the development of new own branded products. Packaging is made of recycled cardboard with a waterbased UV coating that ensures quality and environmental standards are met. In addition, our series of own branded wood products is made entirely of FSC-certified wood. In 2016/2017, we sold more than 180,000 of these products.

Energy and emissions: LED lightning in our warehouse and stores

One of our most important steps to reduce energy consumption and emissions is the switch to LED lighting in our own facilities. At our distribution centre, this has saved approximately 710,000 kWh, corresponding to 300 tonnes of CO2 a year. At our BR stores, we have saved approximately 4.4 million kWh, corresponding to a CO2 reduction of 1,800 tonnes. In 2016/2017, we introduced LED lighting in the remaining TOYS"R"US stores that still used traditional lighting. All but one of our TOYS"R"US stores now use LED lighting.

Stores with LED lightning at year-end

2014/2015	2015/2016	2016/2017
35%	75%	93%

PARTNERSHIPS

"We are conscious of the fact that TOP-TOY does not exist in a vacuum, but that we are completely dependent on our stakeholders and surrounding environment. So we always strive to be a respected and trusted partner."

OUR PARTNERSHIPS

For us, partnerships are long-term commercial relations with suppliers and major toy companies, such as Mattel® and LEGO®. Our partnerships also include our work with industry associations to ensure meaningful regulation and with the Red Cross in the Nordic countries. Regardless of who we work with, we always strive to be a respected and trusted partner.

Commercial partnerships

As we do not produce any products ourselves, some of our most important commercial relationships are with suppliers and toy companies, which produce products that end up in our stores. We always have a common interest in the products becoming a success. For example, in close cooperation with LEGO®, we have trained one employee in each of our TOYS"R"US stores to be a LEGO® expert. This initiative is of benefit to TOP-TOY, LEGO® and our customers, who get better advice on the product that best suits their needs.

Collaborations for responsibility

We believe that most challenges are best faced together. This is why we support initiatives that promote responsible business and collaborate with relevant organisations that work to ensure responsible manufacturing practices or good and meaningful safety regulations. We therefore support:

The Business Social Compliance Initiative

WE SUPPORT

The UN Global Compact

Signatory since 2010

ICTI CARE Foundation

The ICTI CARE Foundation

We are part of the ICTI CARE Committed Brands PLUS Program

We also collaborate with the committee for the Standardisation of Toys (CEN TC 52) and the Danish Standardisation Agency.

UN Global Compact and Sustainable Development Goals

As part of our commitment to responsibility, we have been a signatory of the UN Global Compact since 2010. We work with the UN Global Compact principles at all stages of our value chain.

UN, UNICEF and Save the Children have developed the Children's Rights and Business Principles that guide us in prioritising our sustainability activities throughout our value chain. We focus primarily on the following principles: Respect and support children's rights; contribute to the elimination of child labour; provide decent work for young workers, parents and caregivers; ensure that products and services are safe; and use marketing and advertising that respect and support children's rights.

We support the UN Sustainable Development Goals. Our responsibility focus areas are largely aligned with those goals where we believe we can make the most meaningful contribution. In particular:

BR and Red Cross

In October 2016, we launched a partnership between the Red Cross and BR in the Nordic countries.

The partnership is based on our recognition that play is important to all children – but that play is often challenged when disasters hit, when children have to flee from their home or when they grow up in deprived families. In these situations, the Red Cross uses play to improve the children's well-being.

BR supports these activities through the sale of a Red Cross teddy, where all proceeds go to the Red Cross and their work with vulnerable children in the Nordic countries and the rest of the world. The partnership raises awareness of the importance of Red Cross' work for vulnerable children.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE

Corporate governance practices at TOP-TOY

TOP-TOY strives to comply with generally accepted corporate governance principles as required under the Danish Companies Act, the Danish Financial Statements Act, the International Financial Reporting Standards and the internal rules and procedures described in the company's Rules of Procedure for the Board of Directors and Executive Management. As TOP-TOY is controlled by EQT, which is a member of the Danish Venture Capital and Private Equity Association (DVCA), the company also strives to comply with the corporate governance guidelines issued by DVCA.

At TOP-TOY, powers are distributed between the Board of Directors and Executive Management in accordance with common practices for Danish companies and as formalised by the company's Rules of Procedure. The Executive Management handles all day-to-day operations while the Board of Directors supervises the work of the Executive Management and approves certain types of decisions and investments. TOP-TOY's Executive Management is supported by an Executive Management Team (EMT), consisting of four members in addition to the Executive Management.

TOP-TOY's Board of Directors develops the corporate strategy together with the Executive Management, oversees progress and financial development, and assesses whether the necessary skills and qualifications are in place to support TOP-TOY's development and strategic business objectives. In addition, the Board of Directors ensures that TOP-TOY works towards implementing efficient and transparent business procedures. The Board aims to have six board meetings a year. The content of the meetings is determined by the Board's meeting schedule, which is updated and approved by the Board of Directors at the beginning of each financial year and through ongoing discussions between the Board of Directors and Executive Management.

Board and Executive Management

The Board of Directors has six members and held six board meetings in 2016/2017. Each meeting lasted at least a day, ensuring enough time to discuss current performance and strategic issues. Key topics of discussion this year related to sales development, ERP implementation, our omni-channel approach, deep dives into each of our six markets and the company's strategy.

During 2016/2017, Albert Gustafsson, partner in EQT Partners, became a member of the Board, replacing Anders Misund, partner in EQT Partners. There were no changes in the composition of the Executive Management during the financial year.

Internal control systems

The Executive Management is responsible for maintaining an adequate and efficient internal control environment in connection with financial reporting. In the coming year, we will continue to strengthen the control environment as part of our ongoing efforts to ensure we benefit fully from our new ERP system.

Ownership and capital structure

TOP-TOY's majority shareholder is private equity fund EQT, which owns 73% of TOP-TOY, while the founding Gjørup family owns 24%. The remaining shares are owned by board and management members.

RISK MANAGEMENT

The Executive Management works actively with risk management. Ongoing discussions and assessments of actual and potential risks ensure such risks are managed in a proactive and efficient manner. This includes departmental follow-ups to drive risk mitigation and action plans. The Board of Directors is ultimately responsible for risk management.

Financial risk

The nature of TOP-TOY's operations, investments and financing arrangements exposes TOP-TOY to financial risks from fluctuations in foreign exchange rates and interest rate levels. TOP-TOY's treasury policy is to address financial risks actively in order to mitigate the risk of material impacts on TOP-TOY's financial position.

Currency risk

Due to our international activities, our financial results, cash flows and equity are exposed to fluctuations in various foreign currencies. The main exchange rate exposure faced by TOP-TOY relates to the purchase of goods in foreign currency, mainly USD, and net cash flows from foreign subsidiaries, mainly SEK and NOK and debt in SEK and NOK. Our policy is to hedge foreign currency risk at least on a half-yearly basis for minimum 75% of planned procurement prior to purchasing for each season. Exchange rate exposure is not hedged when related to the translation of financial results, debt and equity of foreign subsidiaries into DKK.

Interest rate risk

TOP-TOY is exposed to interest rate risk when borrowing funds at variable interest rates. TOP-TOY monitors the risk and applies hedging to maintain a mix between fixed and floating rate borrowings in accordance with our treasury policy.

Liquidity risk

TOP-TOY monitors liquidity flow in order to ensure adequate liquidity resources are available.

Credit risk

TOP-TOY has limited credit risk exposure related to trade receivables as revenue transactions are settled by cash, credit or debit cards. We are not exposed to any major credit risk related to trade receivables from any single customer or other party. However, we do have credit risk in relation to cash held at financial institutions and unrealised gains on financial contracts.

Operational risk

TOP-TOY has identified key operational risks within the areas of:

- Market place
- Sourcing
- Legislation
- Infrastructure
- People

Market place

Competition

As a retailer, TOP-TOY is exposed to competition from specialist retailers with a value proposition similar to TOP-TOY's as well as more generalist retailers like hypermarkets. An increasing part of the competition comes from online formats – both omnichannel players and pure online retailers. To mitigate competition from other retailers, TOP-TOY continues to invest and develop the BR and TOYS"R"US concepts to sustain their relevance and an attractive value proposition to customers. Initiatives include continued strengthening of our creative capabilities within category management, product design and innovation, visual merchandising, marketing and branding as well as training of store staff in order to sustain or improve the level of service we provide.

Product assortment

In line with other retailers, our product assortment needs to meet customer preferences in order to keep our two store concepts succesful. Should we fail to select the right products at the right prices, then financial performance will be affected. We review our assortment continuously and actively engage in category management to constantly improve our trend spotting and stay up to date with market developments.

Product development

TOP-TOY depends on the product development of major toy suppliers. The industry is very trend driven and relies on demand created primarily by strong movie merchandise. The strength of major movie launches varies from year to year and has a significant impact on specific demand within our categories.

Expansion

Our growth ambitions require strong performance in our physical stores and online. Failure to address performance issues in local markets may impact overall financial results. We work continuously to improve our monitoring, business review and controlling so we can proactively address any potential disruptions in local markets.

Sourcing

Forecasting

We work constantly to strengthen our forecasting tools so we are better able to predict demand. Our latest initiative is the implementation of a formal Sales & Operations Process (S&OP) in 2016/2017. Failure to assess demand correctly will have a negative impact on our financial results. Underestimating demand will lead to availability issues and missed sales with limited opportunities for substitution. Similarly, overestimating demand will cause inventory build-up and potential future write-downs on stock.

Suppliers

Products are sourced from external suppliers. If the suppliers fail to comply with TOP-TOY's Product Integrity Policy, our reputation and brand may be jeopardised. We monitor compliance through our product integrity programme. See the sections "Safe and responsible working conditions" and "Safe playing experiences" for further information.

Supply chain disruptions

Disruption in our supply chain may cause product shortage and/or prolonged lead times, which could have a negative impact on our reputation as well as our ability to meet demand – with potential negative impact on our financial results. To mitigate this risk, TOP-TOY monitors the supply chain continuously and invests in sourcing and supply chain systems, processes and capabilities. Our main distribution centre in Greve, Denmark receives special attention in the form of an annual risk management survey conducted at the site.

Legislation

TOP-TOY operates in the regulated market for selling toys to children and their families. As such, it is important to develop our marketing efforts in compliance with the legislation and standards that apply in our markets. Failure to comply with local regulations and standards may negatively affect our reputation and financial performance. We have dedicated teams focusing on legal and compliance matters pertaining to our business model. When required, we make use of external advisors.

Infrastructure

TOP-TOY's business model depends on a well-functioning IT infrastructure and automated logistics setup. Continued disruptions and/or delays in the implementation of our new global ERP system may have a negative impact on our financial results. Disruptions in our day-to-day operations may potentially continue to occur as a consequence of the implementation. To mitigate potential risks, we have strengthened our project organisation and project management capabilities. In addition, we have implemented a governance structure anchored with the Executive Management to ensure all departments allocate sufficient attention and resources to the project.

People

To meet our growth ambitions, we must continue to attract, motivate and retain highly qualified employees at all levels of the organisation – from store staff and managers to creative and administrative people at office locations. TOP-TOY has a central HR function focused on promoting and strengthening employee engagement and satisfaction in our stores and office locations. Local HR managers are employed in all markets to support local sales management and implement initiatives for store employees. Among other initiatives, we will develop and roll-out programs in all stores, focusing on our sales training and service concept.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

Michael Hauge Sørensen

Chairman of the Board

Member since 2016

Educational background:
Executive training from Stanford, IMD and INSEAD

Current position:
Professional board member and industrial advisor, EQT partners

Other board positions:
Fristads Kansas Group AB (chairman)
Elevate Global Limited
Santa Fe Group A/S
IC Group A/S
Zebra A/S
Pandora A/S

Henrik Gjørup

Board member and one of the founders of TOP-TOY

Member since 1963

Educational background:
Business administration, CBS and retail traineeship in USA and Switzerland

Current position:
Professional board member and investor

Peter Gjørup

Board member

Member since 1990

Educational background:
Business administration, CBS Executive and INSEAD

Current position:
Professional board member and investor

Other board positions:
Odin DK Holding A/S (chairman)
Sekoia ApS

Albert Gustafsson

Board member

Member since 2017

Educational background:
Business administration

Current position:
Partner, EQT Partners

BOARD OF DIRECTORS

Erik Lindgren

Board member

Member since 2016

Current position:

Industrial Advisor, EQT Partners

Other board positions:

Independent Vetcare
Musti ja Mirri Oy
Eton AB

Frederik Steenbuch

Board member

Member since 2016

Educational background:

Business and marketing, Norges Markedshøyskole (NMH)

Current position:

CEO of XXL Sports & Outdoor

Other board positions:

Megaflis AS

EXECUTIVE MANAGEMENT

Søren Torp Laursen

Chief Executive Officer

Started in 2016

Educational background:
Business administration and marketing

Board positions:
Varier Furniture A/S
A.T. Cross Company
Toy Industry Foundation
Connecticut Children's Medical Center

Previous positions:
President of LEGO Americas and various other positions in the LEGO Group

Henning Andersen Bröchner

Chief Financial Officer

Started in 2013

Educational background:
Commercial law and business administration

Previous positions:
CFO in Carli Gry International A/S and KOMPAN Holding A/S

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

Note	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
	Revenue	**3,365.5**	**1,259.3**
	Cost of goods sold	-1,602.7	-624.5
	Gross profit	**1,762.8**	**634.8**
	Other external expenses	-927.6	-432.4
3	Employee expenses	-696.3	-328.9
	EBITDA before special items	**138.9**	**-126.5**
4	Amortisation, depreciation and impairment losses	-62.5	-28.8
	Other operating expenses	-1.1	-1.5
	Operating profit (EBIT) before special items	**75.3**	**-156.8**
5	Special items	-91.3	-44.7
	Operating result	**-16.0**	**-201.5**
7	Financial income	40.5	3.3
8	Financial expenses	-70.1	-33.4
	Result before tax	**-45.6**	**-231.6**
9	Tax on result of the year	6.9	43.0
	Result for the year	**-38.7**	**-188.6**

STATEMENT OF COMPREHENSIVE INCOME

Note	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
	Result of the year	**-38.7**	**-188.6**
	Other comprehensive income		
	Other comprehensive income to be reclassified to the result in subsequent periods (net of tax):		
	Exchange differences on translation of foreign entities	-3.5	-3.0
	Value adjustment of hedging instruments	-11.5	7.1
9	Income tax	2.5	-1.6
	Other comprehensive income/(loss) for the year, net of tax	**-12.5**	**2.5**
	Total comprehensive income for the year, net of tax	**-51.2**	**-186.1**
	Attributable to:		
	Shareholders of the parent	-51.2	-186.1

BALANCE SHEET

Note	DKK million	30 June 2017	30 June 2016	25 November 2015
	ASSETS			
	Non-current assets			
11	Intangible assets	1,773.0	1,698.7	0.0
13	Property, plant and equipment	171.4	190.4	0.0
10	Deferred tax asset	76.6	50.7	0.0
	Other non-current assets	7.2	7.5	0.0
	Total non-current assets	**2,028.2**	**1,947.3**	**0.0**
	Current assets			
15	Inventories	895.3	836.8	0.0
16	Trade and other receivables	22.1	50.8	0.0
	Income tax receivable	14.3	16.1	0.0
	Prepayments	48.9	43.5	0.0
17	Cash and cash equivalents	39.1	33.6	0.5
	Total current assets	**1,019.7**	**980.8**	**0.5**
	TOTAL ASSETS	**3,047.9**	**2,928.1**	**0.5**

BALANCE SHEET

Note	DKK million	30 June 2017	30 June 2016	25 November 2015
	EQUITY AND LIABILITIES			
	Equity			
18	Share capital	11.6	11.6	0.5
	Hedging reserve	-3.5	5.5	0.0
	Foreign currency translation reserve	-6.5	-3.0	0.0
	Retained earnings	958.1	996.8	0.0
	Proposed dividends	0.0	0.0	0.0
	Total equity	**959.7**	**1,010.9**	**0.5**
	Non-current liabilities			
10	Deferred tax liabilities	58.2	58.8	0.0
20	Provisions	16.1	16.6	0.0
21	Credit institutions	834.5	900.4	0.0
	Total non-current liabilities	**908.8**	**975.8**	**0.0**
	Current liabilities			
20	Provisions	14.0	18.9	0.0
17,21	Credit institutions	687.2	399.8	0.0
22	Trade and other payables	420.6	449.7	0.0
	Income tax payable	10.6	14.1	0.0
	Joint taxation payables	27.0	41.1	0.0
	Deferred income	20.0	17.8	0.0
	Total current liabilities	**1,179.4**	**941.4**	**0.0**
	TOTAL EQUITY AND LIABILITIES	**3,047.9**	**2,928.1**	**0.5**

STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Proposed dividend	Total equity
2016/17						
Equity 1 July 2016	11.6	5.5	-3.0	996.8	0.0	1,010.9
Result for the year	0.0	0.0	0.0	-38.7	0.0	-38.7
Other comprehensive income						
Foreign currency translation of foreign entities	0.0	0.0	-3.5	0.0	0.0	-3.5
Hedging instruments	0.0	-11.5	0.0	0.0	0.0	-11.5
Tax on hedging instruments	0.0	2.5	0.0	0.0	0.0	2.5
Total other comprehensive income	0.0	-9.0	-3.5	0.0	0.0	-12.4
Total comprehensive income for the year	0.0	-9.0	-3.5	-38.7	0.0	-51.2
Transactions with owners						
Dividend distributed	0.0	0.0	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	0.0	0.0	0.0	0.0	0.0
Equity 30 June 2017	**11.6**	**-3.5**	**-6.5**	**958.1**	**0.0**	**959.7**
2015/16						
Equity 25 November 2015	0.5	0.0	0.0	0.0	0.0	0.5
Result for the year	0.0	0.0	0.0	-188.6	0.0	-188.6
Other comprehensive income						
Foreign currency translation of foreign entities	0.0	0.0	-3.0	0.0	0.0	-3.0
Hedging instruments	0.0	7.1	0.0	0.0	0.0	7.1
Tax on hedging instruments	0.0	-1.6	0.0	0.0	0.0	-1.6
Total other comprehensive income	0.0	5.5	-3.0	0.0	0.0	2.5
Total comprehensive income for the year	0.0	5.5	-3.0	-188.6	0.0	-186.1
Transactions with owners						
Issue of share capital	11.1	0.0	0.0	1,185.4	0.0	1,196.5
Total transactions with owners	11.1	0.0	0.0	1,185.4	0.0	1,196.5
Equity 30 June 2016	**11.6**	**5.5**	**-3.0**	**996.8**	**0.0**	**1,010.9**

CASH FLOW STATEMENT

Note	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
	Operating result	-16.0	-201.5
	Depreciation, amortisation and impairment losses	62.5	28.8
	Other adjustments of non-cash operating items	14.1	-5.5
	Cash flow from operating activities before changes in working capital	60.6	-178.2
23	Change in working capital	-72.5	-129.4
	Cash flow from operations	-11.9	-307.6
	Interest expenses, paid	-62.3	-29.4
	Interest income, received	0.2	0.6
	Cash flow from ordinary activities	-74.0	-336.4
	Income tax paid	-33.4	-6.3
	Cash flow from operating activities	**-107.4**	**-342.7**
	Acquisition of intangible assets	-87.1	-65.8
	Acquisition of property, plant and equipment and leasehold improvement	-37.6	-41.7
	Proceeds from sale of property, plant and equipment	0.1	9.3
24	Acquisition of subsidiaries	0.0	-2,022.9
	Change in rental deposits	0.3	0.0
	Cash flow from investing activities	**-124.3**	**-2.121,1**
	Repayment of borrowings	-9.7	0.0
	Proceeds from borrowings	0.0	902.6
	Proceeds from share issue	0.0	1,196.6
	Cash flow from financing activities	**-9.7**	**2,099.2**
	Cash flows for the year	**-241.4**	**-364.6**
	Cash and cash equivalents 1 July 2016 / 25 November 2015	-364.1	0.5
	Foreign currency translation of cash and cash equivalents	-0.4	0.0
17	**Cash and cash equivalents 30 June**	**-605.9**	**-364.1**

The amounts in the Cash Flow Statement may not be derived solely from the published accounting records in the income statement and balance sheet.

NOTES

1 Accounting policies

The financial statements section of the annual report for the period 1 July 2016 – 30 June 2017 comprises both the consolidated financial statements of TOP-TOY Holding II A/S and its subsidiaries (the Group or the TOP-TOY Group) and the separate parent company financial statements. The comparative figures cover the period 25 November 2015 – 30 June 2016.

The Group is the leading retailer in toys and other children's products in the Nordic Region, with stores located in Denmark, Sweden, Norway, Finland, Iceland and North Germany.

TOP-TOY Holding II A/S is incorporated and domiciled in Denmark.

The consolidated financial statements of TOP-TOY Holding II A/S have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and Danish disclosure requirements for large reporting class C entities.

The Board of Directors and the Executive Board have on 1 November 2017 discussed and approved the annual report for TOP-TOY Holding II A/S. The annual report will be presented to the shareholders of TOP-TOY Holding II A/S for adoption at the annual general meeting on 1 November 2017.

Basis of preparation

The consolidated financial statements have been presented in Danish kroner, presented in million with one decimal.

This set of financial statements covers the second financial year of the TOP-TOY Group. The consolidated financial statements for the period 25 November 2015 – 30 June 2016 was prepared in accordance with the Danish Financial Statements Act. These financial statements for the year ended 30 June 2017 are the first the Group has prepared in accordance with IFRS. Information on how the Group has adopted IFRS and the effect that the transition has had on the Group is disclosed in note 30

In connection with the transition to IFRS, the TOP-TOY Group has chosen to early-adopt the following standard, which becomes mandatory for financial periods beginning on or after 1 January 2018:

- IFRS 9 Financial Instruments

The accounting policies set out below have been applied consistently in respect of the financial year and to comparative figures. For standards implemented prospectively, comparative figures are not restated.

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements include the parent company TOP-TOY Holding II A/S and its subsidiaries at 30 June 2017.

Subsidiaries are entities over which the TOP-TOY Group has control. The Group has control over an entity, when the Group is exposed to or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

Only potential voting rights that are considered to be substantive at the balance sheet date are included in the control assessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The consolidated financial statements are prepared by combining uniform items. On consolidation, intercompany income and expenses, shareholdings, intercompany accounts and dividend as well as realised and unrealised profit and loss on transactions between the consolidated companies are eliminated. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

NOTES

1 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method.

The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised. The acquisition date is the date when TOP-TOY Holding II A/S effectively obtains control over the acquired business.

The consideration paid for a business consist of the fair value of the agreed consideration in the form of the assets transferred, equity instruments issued and liabilities assumed at the date of acquisition. If part of the consideration is contingent on future events, such consideration is recognised in cost at fair value. Subsequent changes in the fair value of contingent consideration are recognised in the income statement.

A positive excess (goodwill) of the consideration transferred (including any previously held equity interests and any non-controlling interests in the acquired business) over the fair value of the identifiable net assets acquired is recorded as goodwill. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing.

Costs directly attributable to the acquisition are expensed as incurred.

If uncertainties regarding identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration transferred exist at the acquisition date, initial recognition will be based on provisional values. Any adjustments in the provisional values are adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated.

Translation of foreign currency

The Group's consolidated financial statements are presented in Danish Kroner (DKK), which is also the parent company's functional currency. For each of the reporting entities in the Group, including subsidiaries and foreign branches, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date.

Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the date of the statement of financial position.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

In the consolidated financial statements, the statements of comprehensive income of foreign operations with a functional currency other than Danish kroner are translated at the exchange rate at the transaction date, and the statement of financial position items are translated at closing rates. An average exchange rate for each month is used as the exchange rate at the transaction date in so far as this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on translation of the opening equity of such entities at closing rates and on translation of the statements of comprehensive income from the exchange rate at the transaction date to closing rates are recognised in other comprehensive income in a separate translation reserve under equity. On disposal of a reporting entity, the component of other comprehensive income relating to that particular reporting entity is reclassified to profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised initially in the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables or other payables and positive and negative values are set off only when the Group has the right and the intention to settle several financial instruments net.

The Group uses derivate financial instruments, such as interest rates swaps, to hedge its interest rate risk and forward contract to hedge currency (cash flow hedge). Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in future cash flows are recognised in other comprehensive income under a separate hedging reserve in equity until the hedged cash flows affect profit or loss.
If the hedged transaction results in gains or losses, amounts previously recognised in other comprehensive income are reclassified to the same item as the hedged item.

NOTES

1 Accounting policies (continued)

If the hedging instrument does no longer qualify for hedge accounting, the hedge will cease to be effective. The accumulated change in value recognised in other comprehensive income is reclassified to profit or loss when the hedged cash flows affect profit or loss or are no longer probable.

The portion of the value adjustment of a derivative financial instrument that is not included in a hedge is presented under net financials.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods is recognised when it is probable that economic benefits will flow to the group and the income from the sale of goods can be reliably measured, despite when the payment is received. Income from sale of goods is measured at fair value of the received consideration or receivable, taking into account contractually defined terms of payments, excluding taxes and duty.

Cost of goods sold

Cost of goods sold comprises cost on goods sold and any write-downs on inventory. Cost of goods sold are recognised when revenue is earned.

Other external expenses

Other external expenses include costs and expenses for distribution, sale, advertising, administration, premises etc.

Employee expenses

Employee expenses comprises wages and salaries including pensions and other costs for social security etc. In employee expenses received refunds from public authorities are offset.

Other operating income and expenses

Other operating income and expenses comprise items secondary to the principal activities of the entities, including gains and losses on disposal of intangible assets and items of property, plant and equipment are calculated as the sales price less selling costs and the carrying amount at the time of disposal.

Special items

Special items consist of significant recurring and non-recurring income and expenses which management does not consider to be part of the Group's ordinary operations, primarily acquisition costs, restructuring and fundamental structural costs, as well as gains or losses arising in this connection. These items are classified separately in the income statement in order to give a more true and fair view of the Group's operating profit.

Financial income and financial expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses concerning securities, liabilities and transactions in foreign currencies. Furthermore, amortisation of financial assets and liabilities, as well as surcharges and allowances under the on-account tax scheme.

Income tax

TOP-TOY Holding II A/S is jointly taxed with all its Danish subsidiaries. The current Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax charge and deferred tax adjustments. The tax expense is recognised in profit or loss, other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised there and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations, in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustment arising from the translation from functional currency to presentation currency and fair value adjustments of hedging instruments.

In the event of the disposal of an entity, the accumulated exchange rate adjustment relating to the relevant entity is reclassified to the income statement.

NOTES

1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation (for intangible assets with finite lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

- Goodwill - indefinite
- Brand – indefinite
- Customer relationships - amortised on a straight-line basis over 8 years
- Leasehold rights - amortised on a straight-line basis over 5-10 years
- Licenses, rights and software amortised on a straight-line basis over 3-10 years
- Development projects no amortisation

Goodwill and Brand

Goodwill and BR-Brand are tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill and Brand by assessing the recoverable amount being the highest of value in use and fair value less cost of disposal of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Development projects in progress

Development projects in progress clearly defined and identifiable, where technical feasibility, sufficient resources and where the Group intends to complete and use the individual project, are recognised as intangible assets provided that the cost can be measured reliably. When development projects are finalised they are transferred to the relevant group of assets and then depreciated over a straight-line basis.

Other intangible assets

Customer relationship, leasehold rights and Licenses, rights and software are measured at cost less accumulated amortisation. Leasehold rights are amortised over the duration of the lease contract. Customer relationship and Licenses, rights and software are amortised over the estimated useful lives of the assets which are estimated based on Management's experience.

Property, plant and equipment

Leasehold improvements and plant and equipment are measured at cost less accumulated depreciation. Cost comprises acquisition cost and expenses directly attributable to the acquisition until the time when the asset is ready to be used.

Where individual components of an item of plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis and based on the estimated useful life of the assets:

Leasehold improvements	5-10 years
Plant and machinery	5-10 years

The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. Depreciation charges are recognised in the income statement as a separate line item.

Gain or loss resulting from the sale of property, plant and equipment is measured as the difference between the sales price reduced by the selling costs and the carrying amount at the time of the sale. The profit or loss is recognised in the income statement under other operating income or expenses.

NOTES

1 Accounting policies (continued)

Other non-current assets

Other non-current assets include deposits of rent, which are recognised at fair value and subsequently measured at amortised cost.

Impairment of non-current assets

Goodwill and Brand are subject to annual impairment tests.

The carrying amount of goodwill and brand are tested for impairment together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill and brand are allocated. The assets of the cash-generating units are written down to the recoverable amount over the income statement if the carrying amount is higher.

The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill and brand relates.

For goodwill the cash-generating unit is defined as per country in line with the internal model for monitoring and follow up on performance.

The carrying amount of other non-current assets is tested annually for evidence of impairment. When there is evidence that assets may be impaired, the recoverable amount of the asset is calculated. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

The carrying amount of other intangible assets and property, plant and equipment as well as investments in subsidiaries other investments is subject to an annual test for indications of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Recognition of impairment losses in the income statement
The impairment loss is recognised in the income statement as depreciation or amortisation, respectively.

Impairment of goodwill is not reversed. Impairment losses recognised in respect of other assets are reversed in so far as the assumptions and estimates underlying the impairment losses have changed. Impairment losses are reversed only in so far as the new carrying amount of the asset does not exceed the carrying amount that would have resulted (net of amortisation or depreciation) had no impairment loss been recognised in respect of the asset in prior years.

Inventories

Inventories comprising goods for resale are measured at cost based on weighted average prices. Cost comprises the purchase price plus delivery costs.

Where net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Financial assets

Receivables are classified as financial instruments measured at amortised costs, when both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets within this category are measured at amortised cost using the effective interest method, less any impairment losses.

The group recognises a provision for impairment for expected credit loss on financial assets measured at amortised cost.

The provision for impairment for trade receivables are always measured at an amount equal to lifetime expected credit loss.

Prepayments

Prepayments recognised under assets comprise costs and expenses paid that concern the following financial year. Prepaid expenses are measured at cost.

NOTES

1 Accounting policies (continued)

Equity

Hedging reserve

The hedge reserve comprises the accumulated net change in fair value of hedging transactions which meet the criteria of hedging future cash flows and for which the hedged transaction is yet to be realised.

Foreign currency translation reserve

The exchange adjustment reserve in the consolidated financial statements comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into Danish kroner, including exchange differences on financial instruments considered to be a part of the net investment or as hedging of the net investment. On realisation, accumulated value adjustments are taken from equity to financial items in the income statement.

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is disclosed as a separate item under equity.

Provisions

Provisions are recognised when the Group has a current legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions include warranty and sales returns, restoration of leasehold improvements etc.

Current and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as tax computed on the year's taxable income adjusted for tax on the previous year's taxable income and tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Joint taxation receivable" or "joint taxable payable".

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting.

Financial liabilities

Amounts owed to credit institutions, etc. are recognised at the date of borrowing at fair value less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Other financial liabilities are measured at amortised cost.

Deferred income

Payment received concerning income in regards to the following financial years are recognised under deferred income recognised under liabilities.

NOTES

1 Accounting policies (continued)

Leases

For financial reporting purposes, lease liabilities are classified as finance lease liabilities and operating lease liabilities. A finance lease is classified as a lease which in all material respects transfers the risk and benefits associated with ownership of the leased asset to the lessee. All other leases are classified as operating leases. Currently, all leases entered into by the Group are classified as operating leases.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

Fair value measurement

The Group uses the fair value concept in connection with certain disclosure requirements and for recognition of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and transport costs.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Cash flow statement

The Cash Flow Statement shows the cash flows of the Group for the year, distributed on operating activities, investing activities, and financing activities for the year, changes in cash and cash equivalents, and the cash and cash equivalents at the beginning and the end of the year, respectively.

The cash flow effect of acquisitions of businesses is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition.

Cash flow from operating activities
Cash flows from operating activities are determined as profit for the year adjusted for non-cash operating items, the change in working capital and income tax paid.

Cash flow from investing activities
Cash flows from investing activities comprise payments in connection with the acquisition and sale of intangible assets, property, plant and machinery and financial assets.

Cash flow from financing activities
Cash flows from financing activities comprise change in the size or composition of the Groups share capital and related costs as well as borrowing, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash, short term bank debt and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Key figures and financial ratios
Key figures and financial ratios have been calculated as follows:

Operating profit before special items (adjusted EBITDA) is calculated as operating result with addition of amortisation, depreciation and impairment losses as well as special items, which the management find outside of the normal ordinary operation.

$$\text{Gross margin} \quad \frac{\textit{Gross profit} \times 100}{\textit{Revenue}}$$

$$\text{Solvency ratio} \quad \frac{\textit{Equity,end} \times 100}{\textit{Total liabilities, end}}$$

NOTES

2 Significant accounting judgements, estimates and assumptions

When preparing the consolidated financial statements for the Group, Management undertakes a number of accounting estimates and judgements to recognise, measure and classify the Group's assets and liabilities.

The most significant areas subject to estimates and judgements are mentioned below.

Valuation of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated value in use is computed on the basis of the expected free cash flow from the relevant cash-generating unit based on updated budgets for the next 5 years. The calculated value in use is based on a number of assumptions and is by nature subject to uncertainty. The key assumptions are disclosed and further explained in note 12.

Business combinations

The allocation of the acquisition cost to the fair value of the acquired assets, liabilities and contingent liabilities and thus to goodwill, including the allocation to cash-generating units, may have a significant impact on future profits. Fair values are based on estimates using information available at the time control was achieved. When part of the acquisition cost for entities acquired is dependent on the development in future profits, estimates are made of the most probable value of the contingent acquisition cost based on current forecasts. Please refer to note 24 for information about business combinations.

Valuation of inventories

Write-down for obsolete inventories is carried out on the basis of an assessment of their recoverability at the reporting date. Inventories are analysed and written down based on analysis of inventory days and assessment of expected net realisable value. Movements in inventory write-downs are reflected in note 15.

NOTES

3 Employee expenses

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Wages and salaries	644.3	292.5
Pensions, defined contribution plans	42.5	15.9
Other costs for social security	65.7	33.3
	752.5	**341.7**
Capitalised salaries and wages related to development projects	-10.9	-4.6
Salaries classified as special items	-45.3	-8.2
Total	**696.3**	**328.9**
Average number of full time employees	2,124	2,266

Management & Board of Directors remuneration

	1 July 2016 – 30 June 2017			25 November 2015 – 30 June 2016		
	Executive board	Board of directors	Other key management personnel	Executive board	Board of directors	Other key management personnel
Wages and salaries	9.0	0.7	13.7	12.0	0	16.0
Pensions, defined contribution plan	0.8	0.0	0.9	0.2	0	0.3
	9.8	**0.7**	**14.6**	**12.2**	**0**	**16.3**

Remuneration in 2015/16 and 2016/17 includes salaries to resigned Executive board and Other Key management personnel.
The Executive Board and key management personnel are eligible for bonuses, depending on result of operations and personal KPI's.

Key management personnel comprise the Chief Officers of Sales, Commercial, Operations, Procurement, eCommerce, Experience, and Marketing.

NOTES

4 Amortisation, depreciation and impairment

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Amortisation of intangible assets	10.6	2.5
Depreciation of property, plant and equipment	51.9	26.3
	62.5	**28.8**

5 Special items

Costs related to acquisition	0.0	33.3
Costs related to strategic review	5.7	0.6
Costs related to organisational restructuring	27.7	6.0
Costs related to new ERP	47.3	0.0
Costs related to winding down wholesale activity	0.4	0.2
Costs related to establishment of new management team	0.5	2.0
Costs related to buyout	5.3	2.7
Loss / gain on disposals of assets	1.3	0.3
Other special items, net	3.3	-0.4
	91.3	**44.7**

6 Fees paid to auditors appointed at the annual general meeting

Fee related to statutory audit	0.9	0.9
Fees for tax advisory services	1.6	0.3
Other assistance	2.8	0.2
	5.3	**1.4**

7 Financial income

Interest and similar income	0.2	0.6
Exchange rate adjustments, net	40.3	2.7
	40.5	**3.3**
Interest on financial assets measured at amortised cost	0.2	0.5

NOTES

	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
8	**Financial expenses**		
	Interest and similar expenses	62.2	29.4
	Amortisation of borrowing costs	7.9	4.0
		70.1	**33.4**
	Interest on financial liabilities measured at amortised cost	61.8	29.6

Borrowing costs held during the year amount s to DKK 0.0 million (2015/16: 53.3 million).

9	**Income tax**		
	Total tax for the year is specified as follows:		
	Tax on result of the year	6.5	43.0
	Tax on other comprehensive income*	2.5	-1.6
		9.0	41.4
	Income tax expense for the year is specified as follows:		
	Current tax	-16.8	-3.6
	Deferred tax	23.7	46.6
		6.9	**43.0**

* Relates to tax on gain/loss on cash flow hedges

Tax on the result for the year can be explained as follows:

	2016/17		2015/16	
	DKK million	%	DKK million	%
Result for the year:				
Calculated 22% tax of the result before tax	9.9	22.0	51.0	22.0
Adjustment of the tax rates in foreign subsidiaries relative to the 22%	0.4	0.1	1.1	0.5
Tax effect of:				
Non-deductible costs	-3.4	-7.0	-9.1	-3.9
	6.9	**15.1**	**43.0**	**18.6**
Effective tax rate	**15.1%**		**18.6%**	

Non-deductible costs mainly relates to non-deductible interest due to limitation in respect of the interest celling rules and 2015/16 is also impacted by non-deductible acquisition costs.

NOTES

10 Deferred tax

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Deferred tax 1 July 2016 (25 November 2015)	-8.1	0.0
Additions from business acquisitions	0.0	-54.6
Adjustments of deferred tax in profit and loss	23.7	46.6
Adjustments of deferred tax in other comprehensive income	2.8	-0.1
Deferred tax 30 June	**18.4**	**-8.1**
Deferred tax is recognised in the balance sheet as:		
Deferred tax asset	76.6	50.7
Deferred tax liability	-58.2	-58.8
Deferred tax 30 June	**18.4**	**-8.1**
Deferred tax is related to:		
Intangible assets	-57.9	-58.1
Property, plant and equipment	17.0	11.8
Trade receivables	0.0	0.0
Tax loss carry forward	66.0	43.8
Other receivables	-0.2	-0.3
Provisions and short term debt	8.4	11.6
Re-tax balance	-16.0	-15.2
Transactions on equity	1.1	-1.7
Deferred tax 30 June	**18.4**	**-8.1**

Deferred tax assets relate mainly to temporary differences on tangible assets and tax losses carried forward. Tax losses relates to the Danish joint taxation and is expected based on budgets to be used in the near future.

NOTES

11 Intangible assets

DKK million	Goodwill	Brands	Customer relationships	Leasehold rights	Licenses, rights and software	Development projects in progress	Total
Cost 1 July 2016	1,316.1	257.2	8.9	13.8	6.8	98.4	1,701.1
Additions during the year	0.0	0.0	0.0	1.5	0.8	83.1	85.4
Transfer	0.0	0.0	0.0	0.0	181.5	-181.5	0.0
Exchange differences	0.0	0.0	0.0	-0.4	0.0	0.0	-0.4
Cost 30 June 2017	**1,316.1**	**257.2**	**8.9**	**14.9**	**189.1**	**0.0**	**1,786.2**
Amortisation and impairment 1 July 2016	0.0	0.0	0.6	1.9	0.1	0.0	2.6
Amortisation	0.0	0.0	1.1	3.5	6.0	0.0	10.6
Exchange differences	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation and impairment 30 June 2017	**0.0**	**0.0**	**1.7**	**5.4**	**6.1**	**0.0**	**13.2**
Carrying amount 30 June 2017	**1,316.1**	**257.2**	**7.2**	**9.5**	**183.0**	**0.0**	**1,773.0**
Remaining amortisation period	**-**	**-**	**7 years**	**1-5 years**	**2-10 years**	**-**	
Cost 25 November 2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions from business acquisitions	1,316.1	257.2	8.9	9.1	0.1	51.9	1,643.3
Additions during the year	0.0	0.0	0.0	4.9	6.7	46.5	58.1
Exchange differences	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2
Cost 30 June 2016	**1,316.1**	**257.2**	**8.9**	**13.8**	**6.8**	**98.4**	**1,701.2**
Amortisation and impairment 25 November 2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.6	1.8	0.1	0.0	2.5
Amortisation and impairment 30 June 2016	**0.0**	**0.0**	**0.6**	**1.8**	**0.1**	**0.0**	**2.5**
Carrying amount 30 June 2016	**1,316.1**	**257.2**	**8.3**	**12.0**	**6.7**	**98.4**	**1,698.7**
Remaining amortisation period	**-**	**-**	**8 years**	**1-4 years**	**3-5 years**	**-**	

Except from goodwill and brand, all intangible assets have finite lives.

Development projects in progress relates to implementation of a new ERP platform, which has been amortised as from end of March 2017 over a 10 year period from that time.

NOTES

12 Impairment test

At 30 June 2017, the Executive Board completed the annual impairment testing of goodwill and brands with indefinite, useful lives.

The impairment tests are performed on a country by country basis, which is considered the lowest measurable cash-generating unit, and are based on the budgets and business plans approved by the Executive Board and the Board of Directors as well as other assumptions adjusted, as required, to comply with IAS 36.

In connection with the acquisition of TOP-TOY A/S on 1 January 2016 and the related purchase price allocation, goodwill was allocated to the respective countries. The value of brand (BR) was capitalised and allocated to Denmark entirely as the Danish entity owns the brand and the other Group entities pay a royalty to use the brand. At year-end, the carrying amount of goodwill in the Group is attributable to the following cash-generating units:

	Goodwill	
DKK million	**30 June 2017**	**30 June 2016**
Denmark	834	834
Sweden	144	144
Norway	162	162
Finland	131	131
Iceland	17	17
Germany	28	28
	1,316	1,316

At 30 June 2017, the carrying amount of brands with indefinite useful life was DKK 257 million (2016: DKK 257 million).

When performing impairment tests of cash-generating units, the recoverable amount calculated as the discounted value of the expected future cash flows (value-in-use) is compared to the carrying amount of each of the cash-generating units. For all cash-generating units the key parameters are revenue growth between 2% and 17% in the budget period and EBIT-margin of 3.7% and 7.6%. The cash flows covering the next 5 years are based on approved business plans and budgets. The cash flow projections for subsequent years (the terminal value) include assumptions on general expectations on growth, market and risks supported by internal market knowledge as well as macroeconomic sources. The terminal growth rates do not exceed the expected long-term average growth rate in the respective countries of operation including inflation.

The discount rate (WACC) for each country reflects the specific risks relating to the business and underlying cash flows for the respective countries.

The budget and forecast are based on specific future business entity initiatives for which the risks relating to key parameters have been assessed and recognised in estimated future free cash flows. The key parameters in the calculation of the value in use are revenue, earnings, working capital, capital expenditure, discount rate and the preconditions for the terminal value. Estimates are based on historical data and expectations on future changes in initiatives, markets and products. These expectations are based on a number of assumptions including development in markets such as online versus retail, ongoing working capital optimisation, product pricing as well as geographical expansions.

NOTES

12 Impairment test (continued)

The main assumptions are shown in the table below.

	Revenue (CAGR) 2017-2021	EBIT margin in the terminal period (%)	Growth in the terminal period (%)	WAAC before tax period (%)
	30 June 2017	30 June 2017	30 June 2017	30 June 2017
Denmark	12.8%	16.9%	2.0%	15.9%
Sweden	10.6%	3.0%	2.0%	13.0%
Norway	11.5%	3.0%	2.0%	14.5%
Finland	9.3%	3.0%	2.0%	12.5%
Iceland	4.2%	3.0%	2.0%	14.6%
Germany	4.7%	3.0%	2.0%	13.8%
	11.1%	7.6%	2.0%	15.2%

Based on the impairment tests, the Group did not have any impairments related to goodwill or brand as of 30 June 2017 or 30 June 2016.

Sensitivity analysis

The calculation of value in use of the cash-generating units are most sensitive to the assumptions for WACC and terminal growth. A reasonable possible change in these key assumptions, respectively, for the cash-generating units as set out below would cause the carrying amount to exceed its recoverable amount (assuming all other assumptions remaining constant):

	WACC before tax	Growth in the terminal period (%)
	30 June 2017	30 June 2017
Denmark	+2.25%	-2.0%*
Sweden	+3.50%	-2.0%*
Norway	+4.00%	-2.0%*
Finland	+3.75%	-2.0%*
Iceland	+0.10%	-0.1%
Germany	+0.10%	-0.1%

* No impairment with 0% growth in terminal period.

NOTES

13 Property, plant and equipment

DKK million	Leasehold improvements	Plant and Machinery	Total
Cost 1 July 2016	52.1	163.4	215.5
Additions during the year	16.4	18.8	35.2
Disposals during the year	-2.1	-5.9	-8.0
Exchange differences	-0.8	1.1	0.2
Transfer	1.4	5.5	6.9
Cost 30 June 2017	**67.0**	**182.8**	**249.8**
Depreciation and impairment 1 July 2016	4.4	20.8	25.2
Depreciation	10.8	41.1	51.9
Depreciation on disposals	-0.9	-4.7	-5.6
Exchange differences	0.0	0.0	0.0
Transfer	2.1	4.8	6.9
Depreciation and impairment 30 June 2017	**16.4**	**62.0**	**78.4**
Carrying amount 30 June 2017	**50.6**	**120.8**	**171.4**
Cost 25 November 2015	0.0	0.0	0.0
Additions from business acquisitions	40.0	149.6	189.6
Additions during the year	24.8	16.7	41.5
Disposals during the year	-11.4	-0.5	-11.9
Exchange differences	-1.3	-2.3	-3.6
Cost 30 June 2016	**52.1**	**163.5**	**215.6**
Depreciation and impairment 25 November 2015	0.0	0.0	0.0
Depreciation	5.2	21.1	26.3
Depreciation on disposals	-0.7	-0.1	-0.8
Exchange differences	-0.1	-0.2	-0.3
Depreciation and impairment 30 June 2016	**4.4**	**20.8**	**25.2**
Carrying amount 30 June 2016	**47.7**	**142.7**	**190.4**

NOTES

14 Investment in subsidiaries

Name and registered office	Voting right and ownership share	Country
TOP-TOY Holding III A/S, Vallensbæk Strand	100%	Denmark
TOP-TOY A/S, Vallensbæk Strand	100%	Denmark
TOP-TOY (Hong Kong) Ltd., Hong Kong	100%	Hong Kong
TOP-TOY Norge AS, Sarpsborg	100%	Norway
BR-Spielwaren GmbH, Hamburg	100%	Germany
TOP-TOY Iceland ehf, Reykjavik	100%	Iceland
Jannes Lek in liquidation, Haparanda	100%	Sweden
NORSTAR A/S, Vallensbæk Strand	100%	Denmark
NORSTAR AB in liquidation, Ängelholm	100%	Sweden
STARNOR AB, Ängelholm	100%	Sweden
NORSTAR AS in liquidation, Sarpsborg	100%	Norway
NORSTAR OY in liquidation, Espoo	100%	Finland

All subsidiaries are separate legal entities.

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
15 Inventory		
Finished goods	895.3	836.8
Value of inventories written down to fair value	78.2	52.9

At 30 June 2017 net write-downs amounted to DKK 45.2 million (30 June 2016: DKK 39.0 million). The net change in write-downs is recognised in the cost of goods sold negatively impacted by discontinued products in preparation of the ERP implementation in March 2017. As part of this effort DKK 11.5 million was expensed as a one-off write-down.

16 Trade and other receivables

Trade receivables	1.8	5.6
Receivables from shareholder	7.0	12.6
Derivatives	0.7	7.7
Other receivables	12.6	24.9
	22.1	50.8

17 Cash and cash equivalents

Cash	39.1	33.6
Credit institutions	-645.0	-397.7
	-605.9	-364.1

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 30 June 2017, the Group's undrawn, committed borrowing facilities totalled DKK 140.0 million (2015/16: DKK 402.3 million).

NOTES

18 Share capital

	Issued shares			
	Number of shares		Nominal value	
	2017/16	2016/15	2017/16	2016/15
1 July (25 November)	11,648,400	500,000	11,648,400	500,000
Share capital increase - 11 January 2016	-	8,126,020	-	8,126,020
Share capital increase - 12 January 2016	-	2,875,340	-	2,875,340
Share capital increase - 28 June 2016	-	147,040	-	147,040
Total share capital	**11,648,400**	**11,648,400**	**11,648,400**	**11,648,400**

The share capital consists of 11,648,400 shares of a nominal value of DKK 1, divided into 9,901,140 preferred shares (A-shares) and 1,747,260 ordinary shares (B-shares). All shares have equal voting rights. There are special economical rights apply to the different share classes.

19 Capital management

The primary objective of the Group's capital management is to maximise shareholder value.

In order to achieve this overall objective, the Group's capital management aims, e.g., at ensuring that it meets financial covenants connected with the interest-bearing loans and borrowings that define capital structure requirements. Failure to meet the financial covenants would permit the bank to call loans and borrowings.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing loans and borrowings, trade and other payables, less cash.

DKK million	30 June 2017	30 June 2016
Interest-bearing loans and borrowings	1,563.1	1,349.4
Trade and other payables	420.6	449.8
Less cash	-39.1	-33.6
Net debt	1,944.6	1,765.6
Equity	959.7	1,010.9
Total capital and net debt	2,904.3	2,776.5
Gearing ratio	**0.67**	**0.64**

NOTES

20 Provisions

DKK million	Restoration provision	Warranty provision	Other provisions	Total
Provisions 1 July 2016	16.7	4.3	14.5	35.5
Arising during the year	0.9	50.7	9.9	61.5
Utilised	-0.8	-51.4	-14.5	-66.7
Exchange differences	-0.2	0.0	0.0	-0.2
Provisions 30 June 2017	**16.6**	**3.6**	**9.9**	**30.1**
Distributed as follows in the balance sheet:				
Current	0.5	3.6	9.9	14.0
Non-current	16.1	0.0	0.0	16.1
	16.6	**3.6**	**9.9**	**30.1**

Warranty provision relates to any form for warranties on goods sold. The provision is expected to be used within one year. Restoration provision relates to restoration of leases upon termination which is based on historical information and management expectation. The expected costs are by nature uncertain. Other provision relate to tax and VAT cases. No provisions are discounted as the impact is insignificant.

21 Borrowings

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Credit institutions, non-current	834.5	900.4
Credit institutions, current	687.2	399,8
Total borrowings	**1,521.7**	**1,300.2**
Nominal value	1,563.1	1,349.4
Maturity of non-current and current borrowings, nominal value		
Less than one year	693.9	407.7
Between one and five years	173.4	200.4
More than five years	695.8	741.3
	1,563.1	**1,349.4**

NOTES

21 Borrowings (continued)

The Group has taken out the following interest-bearing loans and borrowing:

Interest-bearing loans and borrowings	Expiry	Floating rate	Nominal amount – 30 June 2017
Facility A	Expire up till 2022	3.5-4.7%	222.2
Facility B	Expire up till 2023	4.0-5.2%	695.8
Revolving facility	Expire up till 2022	2.8-3.5%	645.1
Total			1,563.1
Non-current			869.2
Current			693.9
Total			**1,563.1**

Interest-bearing loans and borrowings	Expiry	Floating rate	Nominal amount – 30 June 2016
Facility A	Expire up till 2022	3.5-4.7%	237.9
Facility B	Expire up till 2023	4.0-5.2%	713.8
Revolving facility	Expire up till 2022	2.8-3.5%	397.7
Total			1,349.4
Non-current			941.7
Current			407.7
Total			**1,349.4**

The nominal debt of DKK 918.0 million (2015/16: DKK 951.7 million) is with floating interest rate of which 67% (2015/16, 67%) is hedged to a fixed interest rate via interest rate swaps in accordance with Group policy. Currency risk is hedged by cash flow in underlying Group companies. The Group's loans from credit institutions are subject to a normal loan covenants. A waiver for loan covenants was required and agreed with the Lenders at 30 June 2017. The two shareholders, TT Holding I S.á.r.l and Odin DK Holding A/S have in September 2017 committed a loan facility of DKK 250 million to TOP-TOY A/S. The Group is in dialogue with the owners and Lenders about future loan covenants and finance structure. Management expects during the financial year 2017/2018 to come to a satisfactory arrangement.

Costs related to borrowings amounted to DKK 41.4 million (2015/16: DKK 49.3 million) at 30 June 2017 and are amortised until the expiry date of the loans. Amortisation in 2016/17 amounted to DKK 7.9 million (2015/16: DKK 4.0 million).

NOTES

22 Trade and other payables

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Trade payables	196.0	196.7
Holiday obligation	78.6	75.8
Other Payroll related debt	61.1	47.9
VAT	50.1	84.5
Loyalty club	26.5	39.6
Derivatives	5.1	0.6
Other payables	3.2	4.6
	420.6	**449.7**

Trade payables are non-interest-bearing.

23 Change in working capital

Change in inventory	-58.5	97.6
Change in receivables	12.2	124.3
Change in trade payables and other debt	-26.2	-351.3
Change in working capital, total	**-72.5**	**-129.4**

NOTES

24 Business combinations, January 2016

TOP-TOY A/S was acquired for cash consideration on 1 January 2016 and the Group was established. TOP-TOY A/S is 100% owned by TOP-TOY Holding III A/S which is a 100% owned subsidiary of TOP-TOY Holding II A/S. TOP-TOY is the leading retailer in toys and other children's products in the Nordic Region, with stores located in Denmark, Sweden, Norway, Finland, Iceland and North Germany.

Specification of recognised assets and liabilities on the date of acquisition.

DKK million	January 2016
Intangible assets	327.2
Property, plant and equipment	189.6
Deferred tax asset	12.2
Other non-current assets	7.5
Inventories	934.9
Trade and other receivables	159.2
Income tax receivable	22.3
Prepayments	51.6
Cash and cash equivalents	22.6
Deferred tax liabilities	-66.8
Provisions	-40.0
Trade and other payables	-820.1
Income tax payable	-64.7
Deferred income	-6.1
Net assets acquired	**729.4**
Goodwill	**1,316.1**
Consideration	**2,045.5**
Cash holdings from TOP-TOY A/S	-22.6
Cash consideration	**2,022.9**

Recognition of fair value of the identified net assets is based on available information at the acquisition date. In case of new information occurring, the recognition is changed within a one-year measurement period. Goodwill represents future expected earnings according to a growth plan in the Nordic countries. Goodwill is non-tax-deductible.

The cash consideration for TOP-TOY A/S and its subsidiaries was DKK 2,022.9 million. Acquisition cost amounts to DKK 33.3 million, which are recognised in the income statement as special items. The net assets are listed above.

The revenue for the ownership period 1 January – 30 June 2016 was DKK 1,259.3 million and for full year, it would be DKK 3,916.7 million. Gross profit of the ownership period was DKK 158.0 million compared to full year of DKK 815.0 million. Net result after tax of the ownership period in 2016 was DKK -133.0 million compared to full year of DKK 13.0 million.

NOTES

25 Financial risk and financial instruments

Risk management policy

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans, trade and other receivables and cash that derive directly from its operations.

There have not been any changes in the Group's risk management policy compared to 2015/16.

The Group is exposed to market risk, credit risk and liquidity risk.

It is the Group's policy not to trade in derivatives for speculative purposes.

Credit risk

The Group is exposed to credit risk from financial instruments and cash and cash equivalents.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The majority of the Group's sales are cash sales, thus the credit risk for trade receivables amounting to DKK 1.8 million (2015/16: DKK 5.6 million) is considered insignificant. The impairment on trade receivables is immaterial.

Cash and cash equivalents
At 30 June 2017, the Group has cash and cash equivalent of DKK 39.1 million (30 June 2016: DKK 33.6 million). Credit risk from balances with banks and financial institutions is managed by group management on a regular basis. The cash balances are concentrated at mainly counterparties rated AA.

Liquidity risk

The equity share was 31.5% (30 June 2016: 34.5%) at the end of June 2017. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, etc.

The Group considers the concentration of risk with respect to refinancing its debt as moderate.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

NOTES

25 Financial risk and financial instruments (continued)

Contractual maturities of financial liabilities:

DKK million	Carrying amount	Contractual maturity incl. interest: Total	<1 year	1 – 5 years	>5 years
30 June 2017					
Non-derivative financial instruments					
Credit institutions	1.563,1	1,950.9	750.5	399.2	801.2
Trade payables	196.0	196.0	196.0	0.0	0.0
Derivative financial instruments					
Derivatives	5.1	5.1	5.1	0.0	0.0
	1,764.2	2,152.0	951.6	399.2	801.2
30 June 2016					
Non-derivative financial instruments					
Credit institutions	1,349.4	1,729.4	452.1	423.8	853.5
Trade payables	196.7	196.7	196.7	0.0	0.0
Derivative financial instruments					
Derivatives	0.6	0.7	0.0	0.7	0.0
	1,546.7	1,926.8	648.8	424.5	853.5

NOTES

25 Financial risk and financial instruments (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and revolving credit facility with floating interest rates.

The Group enters into interest rate swaps to mitigate this risk, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Hence changes in the interest rates will not have any significant impact on profit or loss. Information on the Group's hedging of interest on loans is disclosed in note 21.

Foreign currency risk

The Group is exposed to foreign currency risks arising from its operating and financing activities, as the Group has sales, purchases and financing in foreign currencies. In accordance with the Group's risk management policy, the Group hedges foreign currency risks arising from: recognised and unrecognised transactions using forward exchange contracts.

Currency risks on items of the statement of financial position are monitored and hedged by using primarily financial instruments. The risk exposure is considered limited.

The group is exposed to the currencies: NOK, SEK, USD, HKD, ISK and EUR. The Group's most material exchange rate risk is the exposure to USD purchases, and SEK/NOK net inflows from stores in Sweden and Norway. The income statement is affected by changes in exchange rates.

The Group policy is to hedge between 50-75% of the expected outflow of USD 7-8 months before the season starts, and 90-100% five months before the season starts. The Group hedges up to 90% of the expected net cash inflow of SEK and NOK no later than five months before the season starts.

The Facility A & B loans are exposed to 60% in SEK and 40% in NOK. The loans are not hedged, since they correlate on long term basis with the net inflow in the currencies.

Please find below a table of impact on profit for the year and equity from change in the Group's primary currencies adjusted for hedge accounting:

		2016-17		2015-16	
DKK million	**Change in exchange rate**	**Profit before tax**	**Equity**	**Profit before tax**	**Equity**
USD	1%	0.2	0.2	0.0	0.0
USD	-1%	-0.2	-0.2	0.0	0.0
SEK	1%	-2.5	-1.9	-2.1	-1.9
SEK	-1%	2.5	1.9	2.1	1.9
NOK	1%	-2.8	-2.1	-1.3	-1.2
NOK	-1%	2.8	2.1	1.3	1.2

The analysis is based on monetary assets and liabilities as of end 2016/17 and 2015/16. The movements arise from monetary items (cash, borrowings and payables) and hedging instruments where the functional currency of the entity is different to the currency that the monetary items are denominated in.

NOTES

25 Financial risk and financial instruments (continued)

Categories of financial instruments

DKK million	2016/17	2015/16
Financial assets measured at amortised cost		
Trade and other receivables	21.4	43.1
Other non-current assets	7.2	7.5
Cash and cash equivalents	39.1	33.6
	67.7	**84.2**
Financial assets at fair value		
Derivatives	0.7	7.7
	0.7	**7.7**
Financial liabilities measured at amortised cost		
Credit institutions	1,521.7	1,300.2
Trade payables	196.0	196.7
Other payables	3.2	4.6
	1,720.9	**1,501.5**
Financial liabilities at fair value		
Derivatives	5.1	0.6
	5.1	**0.6**

Other receivables and other payables are excluding non-financial instruments such as VAT, Loyalty club, holiday obligation and other payroll etc.

The fair value of the assets and liabilities listed above is not materially different from the carrying amount except from interest-bearing loans and borrowings:

Interest-bearing loans and borrowings (fair value)	**1,563.1**	**1,349.4**

NOTES

25 Financial risk and financial instruments (continued)

Fair values

Financial instruments measured at fair value
Financial instruments measured at fair value are limited to derivative instruments. As described below, the fair value of derivatives is based on observable market data and valuation techniques (level 2). The financial instruments are measured at fair value on a recurring basis.

Financial instruments measured at amortised cost
The carrying amount of the Group's financial instruments, measured at amortised cost, are reasonable approximations of fair values.

Valuation techniques

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of other financial instruments:

Floating-rate borrowings are evaluated by the Group based on parameters such as interest rates and the Groups' individual creditworthiness. The fair value is estimated using a discounted cash flow model. The own non-performance risk at 30 June 2017 was assessed to be insignificant.

Derivative financial instruments with various counterparties are principally financial institutions with investment grade credit ratings. The applied valuation techniques are discounted cash flow models, which incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, and interest rate curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk at 30 June 2017 was assessed to be insignificant.

Methods and assumptions for calculating fair value
The methods applied and the assumptions used when calculating the fair value of the financial instruments is given for each class of financial instruments.

Hedge accounting and Interest rate Swaps

Interest rate swaps are valued using generally accepted valuation techniques based on relevant observable swap curves and exchange rates.

Both externally and internally calculated fair values are used based on discounted future cash flows. Where internally calculated fair values are used, these are reconciled quarterly with the externally calculated fair values.

The fair value of derivative financial instruments is calculated using valuation models, such as discounted cash flow models. The expected cash flows for the individual contract are based primarily on observable market data, such as interest yield curves and exchange rates.

NOTES

26 Leases

Operating leases

The Group leases spaces and cars under operating leases. The leasing period is typically between 3 and 10 years with the possibility of extending the contracts.

Non-cancellable operating lease payments are as follows:

DKK million	2016/17	2015/16
Less than one year	374.1	332.1
Between one and five years	737.7	776.0
More than five years	593.1	615.2
	1,704.9	**1,723.3**

For the year 2016/17, DKK 409.2 million was recognised (2015/16: DKK 206.2 million) in the income statement with regards to operating leases.

27 Collaterals and contingencies etc.

Contingent liabilities

The Group is party in a number of pending tax audits and lawsuits. In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 30 June 2017 the outcome of these tax audits and lawsuits is not expected to have further effect on the group's financial position.

Collaterals, pledges and securities

The Group is jointly liable for the Group's bank loans of DKK 918.0 million (2015/16: DKK 951.7 million) and the revolving facility of DKK 645.0 million (2015/16: DKK 397.7 million).

The Group has bank guarantees for DKK 17 million related to leasehold rights.

The Group has issued a share pledge over its shares and significant subsidiaries as security for the Group's loans under the Senior Facility Agreement.

NOTES

28 Related party disclosures

TOP-TOY Holding II A/S is subject to controlling influence by TT Holding I S.à.r.l., 23, rue Aldringen, L-1118 Luxembourg, which holds 73% of the share capital.

TOP-TOY Holding II A/S has registered the following shareholders who hold 5% or more of the share capital:

TT Holding I S.à.r.l., 23, rue Aldringen, L-1118 Luxembourg
Odin DK Holding A/S, Roskildevej 16, 4030 Tune

In 2015/16 and 2016/17 there were no transaction between the Group and TT Holding I S.á.r.l. except transactions related to capital increases. The Group has had transactions with Odin DK Holding A/S regarding rent of premises in 2016/17 amounting to DKK 19.5 million (2015/16 DKK 33.4 million) and minor corrections of the purchase price.

Executives

The Group's related parties with significant influence includes the Group's Board of Directors and executives in the parent company, including these employees' family members. Related parties furthermore include the companies, where the mentioned related parties have significant interest.

The remuneration to the Management & Board of Directors is disclosed in note 3.

29 Events after the reporting period

No events have occurred after the balance sheet date to this date which would influence the evaluation of these consolidated financial statements.

30 Impact of transition to IFRS

The financial statements for the year ended 30 June 2017 with comparative figures are the first the TOP-TOY Group has prepared in accordance with IFRS as endorsed by the EU. For periods up to and including the year ended 30 June 2016, TOP-TOY Group prepared its financial statements in accordance with the Danish Financial Statements Act. Accordingly, TOP-TOY Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 1 July 2016, together with the comparative period at and for the year ended 30 June 2016, as described in the summary of significant accounting policies. In preparing these financial statements TOP-TOY Group opening balance sheet was prepared at 1 July 2016, the date of transition to IFRS. This note explains the principal adjustments made by TOP-TOY Group in restating its financial statements prepared in accordance with the Danish Financial Statements Act, including the balance sheet at 30 June 2016 and the financial statements at and for the year ended 30 June 2016.

As described in note 1, the Group has in connection with its transition to IFRS chosen to early adopt IFRS 9 Financial instruments.

The impact from the implementation of this new standard has no impact on the figures.

NOTES

30 Impact of transition to IFRS (continued)

Balance sheet 25 November 2015

DKK million	DK GAAP	Effect of transition to IFRS	IFRS 25 November 2015
ASSETS			
Non-current assets			
Intangible assets	0.0	0.0	0.0
Property, plant and equipment	0.0	0.0	0.0
Deferred tax asset	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0
Total non-current assets	**0.0**	**0.0**	**0.0**
Current assets			
Inventories	0.0	0.0	0.0
Trade and other receivables	0.0	0.0	0.0
Income tax receivable	0.0	0.0	0.0
Prepayments	0.0	0.0	0.0
Cash and cash equivalents	0.5	0.0	0.5
Total current assets	**0.5**	**0.0**	**0.5**
TOTAL ASSETS	**0.5**	**0.0**	**0.5**

NOTES

30 Impact of transition to IFRS (continued)

Balance sheet 25 November 2015

DKK million	DK GAAP	Effect of transition to IFRS	IFRS 25 November 2015
EQUITY AND LIABILITIES			
Equity			
Share capital	0.5	0.0	0.5
Hedging reserve	0.0	0.0	0.0
Foreign currency translation reserve	0.0	0.0	0.0
Retained earnings	0.0	0.0	0.0
Proposed dividends	0.0	0.0	0.0
Total equity	**0.5**	**0.0**	**0.5**
Non-current liabilities			
Deferred tax liabilities	0.0	0.0	0.0
Provisions	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0
Total non-current liabilities	**0.0**	**0.0**	**0.0**
Current liabilities			
Provisions	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0
Trade and other payables	0.0	0.0	0.0
Income tax payable	0.0	0.0	0.0
Joint taxation payables	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0
Total current liabilities	**0.0**	**0.0**	**0.0**
TOTAL EQUITY AND LIABILITIES	**0.5**	**0.0**	**0.5**

NOTES

30 Impact of transition to IFRS (continued)

Balance sheet 25 November 2015

	DKK million	DK GAAP	Effect of transition to IFRS	IFRS 30 June 2016
	ASSETS			
	Non-current assets			
A, B	Intangible assets	1,690.6	8.1	1,698.7
C	Property, plant and equipment	193.7	-3.3	190.4
	Deferred tax asset	50.7	0.0	50.7
	Other non-current assets	7.5	0.0	7.5
	Total non-current assets	**1,942.5**	**4.8**	**1,947.3**
	Current assets			
	Inventories	836.8	0.0	836.8
	Trade and other receivables	50.8	0.0	50.8
	Income tax receivable	16.1	0.0	16.1
	Prepayments	43.5	0.0	43.5
	Cash and cash equivalents	33.6	0.0	33.6
	Total current assets	**980.8**	**0.0**	**980.8**
	TOTAL ASSETS	**2,923.3**	**4.8**	**2,928.1**

NOTES

30 Impact of transition to IFRS (continued)

Balance sheet 25 November 2015

	DKK million	DK GAAP	Effect of transition to IFRS	IFRS 30 June 2016
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	11.6	0.0	11.6
	Hedging reserve	5.5	0.0	5.5
C	Foreign currency translation reserve	0.0	-3.0	-3.0
	Retained earnings	990.4	6.4	996.8
	Proposed dividends	0.0	0.0	0.0
	Total equity	**1,007.5**	**3.4**	**1,010.9**
	Non-current liabilities			
	Deferred tax liabilities	57.4	1.4	58.8
E	Provisions	16.6	0.0	16.6
	Credit institutions	900.4	0.0	900.4
	Total non-current liabilities	**974.4**	**1.4**	**975.8**
	Current liabilities			
E	Provisions	18.9	0.0	18.9
	Credit institutions	399.8	0.0	399.8
	Trade and other payables	449.7	0.0	449.7
	Income tax payable	11.2	0.0	11.2
	Joint taxation payables	44.0	0.0	44.0
	Deferred income	17.8	0.0	17.8
	Total current liabilities	**941.4**	**0.0**	**941.4**
	TOTAL EQUITY AND LIABILITIES	**2,923.3**	**4.8**	**2,928.1**

NOTES

30 Impact of transition to IFRS (continued)

Income statement 25 November 2015 – 30 June 2016

	DKK million	DK GAAP	Effect of transition to IFRS	IFRS*
	Revenue	**1,259.3**	**0.0**	**1,259.3**
	Cost of sales	-624.5	0.0	-624.5
	Gross profit	**634.8**	**0.0**	**634.8**
A	Other external expenses	-435.3	-33.3	-468.6
	Employee expenses	-337.1	0.0	-337.1
B, D	Amortisation, depreciation and impairment losses	-72.2	43.4	-28.8
D	Other operating expenses	0.0	-1.8	-1.8
	Operating result	**-209.8**	**8.3**	**-201.5**
	Financial income	3.7	-0.4	3.3
C	Financial expenses	-33.4	0.0	-33.4
	Result before tax	**-239.5**	**7.9**	**-231.6**
B	Tax on result for the year	44.4	-1.4	43.0
	Result for the year	**-195.1**	**6.5**	**-188.6**

* Due to the transition to IFRS special items are reclassified in the income statement, which can be seen on page 38.

NOTES

30 Impact of transition to IFRS (continued)

Consolidated statement of comprehensive income

	DKK million	DK GAAP	Effect of transition to IFRS	IFRS
	Result for the year	**-195.1**	**6.5**	**-188.6**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
D	Exchange differences on translation of foreign entities	0.0	-3.0	-3.0
	Value adjustment of hedging instruments	7.1	0.0	7.1
	Income tax	-1.6	0.0	-1.6
	Other comprehensive income/(loss) for the year, net of tax	**5.5**	**-3.0**	**2.5**
	Total comprehensive income for the year, net of tax	**189.6**	**3.5**	**186.1**

Effect of transition

A) Acquisition costs has been capitalised as part of goodwill under the Danish Financial Statements Act but under IFRS the acquisition cost should be expensed in the income statement.

B) Amortisation of goodwill and brand under Danish Financial Statements Act is reversed under IFRS, as goodwill and brand is tested for impairment annually. Deferred tax on amortisation of brand under Danish Financial Statements Act is reversed under IFRS.

C) Currency translation of branch's and subsidiaries has been different between Danish Financial Statements Act and IFRS.

Reclassifications

Apart from changes in accounting policies, the following reclassifications and changes in format, including restatement of comparative figures for 2015/2016, have been made:

D) Gain and losses from disposal of assets have been under Danish Financial Statements Act been presented as "amortisation and depreciation" but is under IFRS presented as "other income and expenses"

E) Assets are presented as either non-current or current assets compared to fixed assets and non-fixed assets previously and provisions are included in current and non-current liabilities. Further a few reclassifications between balance sheets have been made with no impact on the income statement and equity.

NOTES

30 Impact of transition to IFRS (continued)

Cash flow statement

The transition from the Danish Financial Statements Act to IFRS has not had a material impact on the cash flow statement except from classification of acquisition costs, which has been part of the investment cash flow under Danish Financial Statements Act, but under IFRS part of the operating cash flow.

31 Standards issued but not yet effective

The IASB has released the following new standards and interpretations which may be material to the Group, however, not mandatory for the financial statements for the year ended 30 June 2017.

- IFRS 16 Leases
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
- IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- IFRIC 22 Foreign currency transaction and advance consideration
- IFRIC 23 Uncertainty over income tax treatments
- Parts of Annual improvements to IFRSs 2014-2016 cycle

The Group expects to adopt standards when they become effective.

As described in note 1, the Group has in connection with its transition to IFRS chosen to early adopt IFRS 9 Financial instruments.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is required to be applied on all sales contracts with customers. IFRS 15 is mandatory for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is currently in the process of carried out a preliminary impact assessment of the consequences of implementing IFRS 15. The Group adopt IFRS 15 when it becomes effective.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and will be effective for annual periods beginning on or after 1 January 2019. The standard will significantly change the accounting treatment of leases that are currently classified as operating leases. IFRS 16 requires that all leases – with few exceptions – are recognised in the balance sheet as an asset with a corresponding liability. Further, the income statements will be affected as the lease expense for all operating leases under IFRS 16 will be split into depreciations and interest expenses, which under the current IAS 17 all is recognised in other external costs. The Group is currently in the process of carried out a preliminary impact assessment of the consequences of implementing IFRS 16. The Group adopt IFRS 16 when it becomes effective.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

Note	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
	Other external costs	-1.3	-0.2
	Result before tax	**-1.3**	**-0.2**
4	Tax on result for the year	0.3	0.0
	Result of the year	**-1.0**	**-0.2**

STATEMENT OF COMPREHENSIVE INCOME

Note	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
	Result for the year	-1.0	-0.2
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods	0.0	0.0
	Other comprehensive income/(loss) for the year, net of tax	0.0	0.0
	Total comprehensive income for the year, net of tax	-1.0	-0.2

BALANCE SHEET

Note	DKK million	30 June 2017	30 June 2016	25 November 2015
	ASSETS			
	Non-current assets			
5	Investment in group enterprises	1,197.0	1,197.0	0.0
	Deferred tax asset	0.3	0.0	0.0
	Total non-current assets	**1,197.3**	**1,197.0**	**0.0**
	Current assets			
	Receivables from group enterprises	0.0	0.0	0.0
	Cash and cash equivalents	0.0	0.0	0.5
	Total current assets	**0.0**	**0.0**	**0.5**
	TOTAL ASSETS	**1,197.3**	**1,197.0**	**0.5**

BALANCE SHEET

Note	DKK million	30 June 2017	30 June 2016	25 November 2015
	LIABILITIES			
	Equity			
6	Share capital	11.6	11.6	0.5
	Retained earnings	1,184.3	1,185.3	0.0
	Proposed dividends	0.0	0.0	0.0
	Total equity	**1,195.9**	**1,196.9**	**0.5**
	Current liabilities			
	Trade payables	0.5	0.1	0.0
	Payables from group enterprises	0.9	0.0	0.0
4	Income tax payable	0.0	0.0	0.0
	Total current liabilities	**1.4**	**0.1**	**0.0**
	TOTAL EQUITY AND LIABILITIES	**1,197.3**	**1,197.0**	**0.5**

PARENT STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Retained earnings	Proposed dividend	Total equity
Equity 1 July 2016	**11.6**	**1,185.3**	**0.0**	**1,196.9**
Result for the year	0.0	-1.0	0.0	-1.0
Total other comprehensive income	0.0	0.0	0.0	0.0
Total comprehensive income for the year	0.0	-1.0	0.0	-1.0
Transactions with owners				
Dividend distributed	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	0.0	0.0	0.0
Equity 30 June 2017	**11.6**	**1,184.3**	**0.0**	**1,195.9**
Equity 25 November 2015	**0.5**	**0.0**	**0.0**	**0.5**
Result for the year	0.0	-0.2	0.0	-0.2
Total other comprehensive income	0.0	0.0	0.0	0.0
Total comprehensive income for the year	0.0	-0.2	0.0	0.3
Transactions with owners				
Issue of share capital	11.1	1,185.5	0.0	1,196.6
Total transactions with owners	11.1	1,185.5	0.0	1,196.6
Equity 30 June 2016	**11.6**	**1,185.3**	**0.0**	**1,196.9**

CASH FLOW STATEMENT

Note	DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
	Operating result before tax	-1.3	-0.2
	Cash flow from operating activities before changes in working capital		
	Change in payables from group companies	0.9	0.0
	Change in trade payables	0.4	0.2
	Cash flow from operations	0.0	0.0
	Cash flow from operating activities before tax	0.0	0.0
4	Income tax paid	0.0	0.0
	Cash flow from operating activities	**0.0**	**0.0**
	Acquisition of subsidiaries	0.0	-1,197.0
	Cash flow from investing activities	**0.0**	**-1,197.0**
	Proceeds from share issue	0.0	1,196.5
	Cash flow from financing activities	**0.0**	**1,196.5**
	Cash flows for the year	**0.0**	**-0.5**
	Cash and cash equivalents 1 July (25 November)	0.0	0.5
	Cash and cash equivalents 30 June	**0.0**	**0.0**

NOTES

1 Accounting policies

TOP-TOY Holding II A/S is the holding company of the TOP-TOY group with its principal activity to hold shares in subsidiaries.

The separate financial statements of the parent company have been included in the annual report as required by the Danish Financial Statements Act.

The separate financial statements for the parent company for 2016/17 are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and Danish disclosure requirements.

Basis of preparation

The parent company's financial statements have been presented in Danish kroner, rounded to the nearest DKK million.

The parent company's financial statements for the period 25 November 2015 – 30 June 2016 was prepared in accordance with the Danish Financial Statements Act. These financial statements for the year ended 30 June 2017 are the first year the parent company has prepared in accordance with IFRS. For information on how TOP-TOY Holding II A/S has adopted IFRS and the effect the transition has had on the separate financial statements, please refer to note 30.

The financial statements have been prepared on a historical cost basis.

Financial statements of the parent company

The accounting policies of the parent company are consistent with those applied in the consolidated financial statements, note 1 in the consolidated financial statements, with the following exceptions:

Investments in subsidiaries
Investments in subsidiaries are measured using the cost method in the parent company's financial statements. If an indication of impairment is identified, an impairment test is carried out as described in the accounting policies of the consolidated financial statements. If the carrying amount of investments exceeds the recoverable amount, a corresponding impairment loss is recognised. Impairment losses are recognised in the parent company's income statement as financial items.

Fees paid to auditors appointed at the annual general meeting
Pursuant to section 96(3) of the Danish Financial Statements Act, the Company has decided not to disclose audit fees as the Company is included in the consolidated financial statements of TOP-TOY Holding II A/S, which include consolidated disclosures.

2 Significant accounting judgements, estimates and assumptions

In connection with the preparation of the parent company financial statements, Management has made accounting estimates and judgements that affect the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period. Management continuously reassesses these estimates and judgements based on a number of other factors in the given circumstances.

Management assesses that, in respect of the financial reporting for the parent company, no accounting estimates or judgements are made when applying the parent company's accounting policies which are significant to the financial reporting apart from those disclosed in note 2 to the consolidated financial statements, including the assessment of the valuation of investment in subsidiaries, which outcome is based on the impairment tests prepared as part of the consolidated financial statement.

NOTES

3 Employee expenses

There are no employees in the parent company. The Board of Directors and the Executive Board of the Parent company receive only remuneration from the subsidiaries. Please refer to the note 3 at the Consolidated Financial Statements.

4 Income tax

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Total tax for the year is specified as follows:		
Income tax recognised in profit and loss	0.2	0.0
Tax on other comprehensive income	0.0	0.0
	0.2	**0.0**

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Income tax of the year is specified as follows:		
Current tax	0.0	0.0
Deferred tax	0.2	0.0
	0.2	**0.0**

Tax on the profit for the year can be explained as follows:

DKK million	2016/17 DKK million	2016/17 %	2015/16 DKK million	2015/16 %
Profit for the year:				
Calculated 22% tax of the profit before tax	0.2	22.0	0.0	22.0
Tax effect of:				
Non-taxable income	0.0	0.0	0.0	0.0
Non-deductible costs	0.0	0.0	0.0	0.0
	0.2	**22.0**	**0.0**	**22.0**
Effective tax rate	**22%**		**22%**	

NOTES

5 Investments in group enterprises

DKK million	1 July 2016 – 30 June 2017	25 November 2015 – 30 June 2016
Cost at 1 July (25 November)	1,197.0	0.0
Additions	0.0	1,197.0
Cost at 30 June	**1,197.0**	**1,197.0**
Impairment at 1 July (25 November)	0.0	0.0
Impairment	0.0	0.0
Impairment at 30 June	**0.0**	**0.0**
Carrying amount at 30 June	**1,197.0**	**1,197.0**

For more information on the acquisition of the subsidiary refer to note 24 in the consolidated financial statements.

For the list of subsidiaries, please refer to note 14 in the consolidated financial statements.

NOTES

6 Share capital

For information on share capital, please refer to note 18 in the consolidated financial statements.

7 Financial risk management objectives and policies

The Company has only investment in the subsidiary TOP-TOY Holding III A/S and does not have any significant receivables or debt. Risk related to currency, credit and liquidity is maintained on group level. Please refer to note 25 to the consolidated financial statements for further information on the Group's exposure to the financial risks.

8 Capital management

The primary objective of the Company's capital management is to maximise shareholder value which is maintained on group level. Please refer to note 19 to the consolidated financial statements for further information on the Group's capital management.

9 Related party disclosures

Related parties are described in note 28 to the consolidated financial statements. Remuneration to Board of Directors and Executive Board are listed in note 3 to the consolidated financial statements held by the subsidiaries. Further the Company has intercompany group balances re balance sheet. The Company does not have any other related party transactions.

10 Collaterals, pledges and contingencies etc.

The Company is jointly taxed with the Danish subsidiaries in the Group and operate as an administration company. The Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interests and royalties in the joint taxation unit with other Danish companies. At 30 June 2017, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 0 thousand. Any subsequent corrections of the taxable income subject to joint taxation amounted to taxes on dividends, etc., may entail that the companies' liability will increase.

TOP-TOY Holding II A/S is jointly and severally liable for the Group's bank loans of DKK 918.0 million (2015/16: DKK 951.7 million).

TOP-TOY Holding II A/S has issued a share pledge over its shares in TOP-TOY Holding III A/S and significant subsidiaries as security for loans under the Senior Facility Agreement.

11 Events after the reporting period

No events have occurred after the balance sheet date to this date which would influence the evaluation of the Parent Company financial statements.

12 Standards issued but not yet effective

For the note on standards issued but not yet effective, please refer to the note 31 in the consolidated financial statements. None of the standards or interpretations are expected to have an effect on the parent company.

13 Impact of transition to IFRS

The financial statements for the year ended 30 June 2017 with comparative figures are the first set of financial statements prepared in accordance with IFRS as endorsed by the EU. For periods up to and including the year ended 30 June 2017, TOP-TOY Holding II A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, TOP-TOY Holding II A/S has prepared financial statements which comply with IFRS applicable for periods ending on or after 30 June 2017, together with the comparative period at and for the year ended 30 June 2016, as described in the summary of significant accounting policies. In preparing these financial statements, TOP-TOY Holding II A/S opening balance sheet was prepared at 1 July 2016, the date of transition to IFRS. This note explains the principal adjustments made by TOP-TOY Holding II A/S in restating its financial statements prepared in accordance with the Danish Financial Statements Act, including the balance sheet at 30 June 2016 and the financial statements at and for the year ended 30 June 2017.

NOTES

13 Impact of transition to IFRS (continued)

Balance sheet 25 November 2015

DKK million	DK GAAP	Effect of transition to IFRS	IFRS 25 November 2015
ASSETS			
Non-current assets			
Investments in group enterprises	0.0	0.0	0.0
Deferred tax asset	0.0	0.0	0.0
Total non-current assets	**0.0**	**0.0**	**0.0**
Current assets			
Receivables from group enterprises	0.0	0.0	0.0
Cash and cash equivalents	0.5	0.0	0.5
Total current assets	**0.5**	**0.0**	**0.5**
TOTAL ASSETS	**0.5**	**0.0**	**0.5**
LIABILITIES			
Equity			
Share capital	0.5	0.0	0.5
Retained earnings	0.0	0.0	0.0
Proposed dividends	0.0	0.0	0.0
Total equity	**0.5**	**0.0**	**0.5**
Current liabilities			
Trade payables	0.0	0.0	0.0
Income tax payable	0.0	0.0	0.0
Total current liabilities	**0.0**	**0.0**	**0.0**
TOTAL EQUITY AND LIABILITIES	**0.5**	**0.0**	**0.5**

NOTES

13 Impact of transition to IFRS (continued)

Balance sheet 30 June 2016

	DKK million	DK GAAP	Effect of transition to IFRS	IFRS 30 June 2016
	ASSETS			
	Non-current assets			
A	Investments in group enterprises	1,007.6	189.4	1,197.0
	Deferred tax asset	0.0	0.0	0.0
	Total non-current assets	**1,007.6**	**189.4**	**1,197.0**
	Current assets			
	Receivables from group enterprises	0.0	0.0	0.0
	Total current assets	**0.0**	**0.0**	**0.0**
	TOTAL ASSETS	**1,007.6**	**189.4**	**1,197.0**
	LIABILITIES			
	Equity			
	Share capital	11.6	0.0	11.6
A	Retained earnings	995.9	189.4	1,185.3
	Proposed dividends	0.0	0.0	0.0
	Total equity	**1,007.5**	**189.4**	**1,196.9**
	Current liabilities			
	Trade payables	0.1	0.0	0.1
	Income tax payable	0.0	0.0	0.0
	Total current liabilities	**0.1**	**0.0**	**0.1**
	TOTAL EQUITY AND LIABILITIES	**1,007.6**	**189.4**	**1,197.0**

NOTES

13 Impact of transition to IFRS (continued)

Income statement 25 November – 30 June 2016

	DKK million	DK GAAP	Effect of transition to IFRS	IFRS 25 November 2015 - 30 June 2016
	Other external costs	-0.2	0.0	-0.2
	Operating result	-0.2	0.0	-0.2
A	Income from investment in subsidiary	-194.9	194.9	0.0
	Result before tax	**-195.1**	**194.9**	**-0.2**
	Tax on result for the year	0.0	0.0	0.0
	Result for the year	**-195.1**	**194.9**	**-0.2**

Statement of comprehensive income

Result for the year	**-195.1**	**194.9**	**-0.2**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods	0.0	0.0	0.0
Other comprehensive income/(loss) for the year, net of tax	**0.0**	**0.0**	**0.0**
Total comprehensive income for the year, net of tax	**-195.1**	**194.9**	**-0.2**

Effect of transition

A) Investment in subsidiary was recognised based on the equity method under Danish Financial Statements Act, but are under IFRS recognised at a cost.

Reclassifications

Apart from changes in accounting policies, the following reclassifications and changes in format, including restatement of comparative figures for 2015/2016, have been made:

B) Assets are presented as either non-current or current assets compared to fixed assets and non-fixed assets previously.

Cashflow statement

The transition from the Danish Financial Statements Act to IFRS has not had a material impact on the cash flow statement.

MANAGEMENT STATEMENT

MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have today discussed and approved the annual report of TOP-TOY Holding II A/S for the financial year 1 July 2016 – 30 June 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Danish disclosure requirements applying to reporting class C large enterprises.

It is our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 30 June 2017 and of the results of the Group's and parent company's operations and cash flows for the financial year 1 July 2016 – 30 June 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the parent company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Vallensbæk Strand, 24 November 2017

Executive Board:

Søren Torp Laursen	**Henning Andersen Bröchner**

Board of Directors:

Michael Hauge Sørensen **Chairman**	**Henrik Gjørup**	**Peter Gjørup**
John Albert Gustafsson	**Hans Frederik Steenbuch**	**Erik Carl Ragnarsson Lindgren**

INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITORS REPORT

To the shareholders of TOP-TOY Holding II A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of TOP-TOY Holding II A/S for the financial year 1 July 2016 – 30 June 2017, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of 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 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 July 2016 – 30 June 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the 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 misstatements of the Management's review.

Management's responsibilities for the consolidated financial statements and the 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 International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of 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.

INDEPENDENT AUDITORS REPORT

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 Parent Company 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 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 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 parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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 Group's and the Parent Company'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 Parent 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 conclusion is 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 Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note 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.

Copenhagen, 24 November 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant

Ole Becker
State Authorised
Public Accountant

ABOUT THIS REPORT

In our 2016/2017 report, we have integrated our financial statement and non-financial progress in one report for the first time. Previously, we published two separate reports: a financial report and our performance report.

Legal notices

Throughout this report, references are made to TOP-TOY, which consists of TOP-TOY Holding II A/S and its subsidiaries. The CVR number of TOP-TOY Holding II A/S is 37 25 47 03. and Vallensbæk Kommune is the registered office.

TOP-TOY is a registered trademark of TOP-TOY (Hong Kong) Ltd. BR and the Guardsman (workmark and devices) are registered trademarks of TOP-TOY A/S.

TOYS“R”US, BABIES”R”US, the TOYS“R”US & Star design and the Giraffe design are registered trademarks of Geoffrey, LLC. TOP-TOY A/S is a licensee of Geoffrey, LLC.

Throughout this report, references are made to EQT, which covers the private equity group EQT including EQT VII, which is the majority owner of TOP-TOY.

METHODOLOGY AND REPORTING FRAMEWORK

Scope

This report focuses on our financial and non-financial performance during the financial year from 1 July 2016 to 30 June 2017. As TOP-TOY Holding II A/S was established on the 25th of November 2015 and went into operation on the 1st of January 2016 last year’s financial data covers from the 1st of January 2016 until the end of financial year. Non-financial data from before the establishment of TOP-TOY Holding II A/S is included when it is comparable with the data from the 2016/2017 financial year.

Non-financial data

The report is based on quantitative and qualitative non-financial data collected from internal systems and key people across the organisation. Statements and data have been verified for correctness by responsible managers to ensure the report is an accurate reflection of TOP-TOY’s performance. We work continuously to improve our non-financial data collection and verification systems and become more data driven.

Non-financial data in the report complies with the statutory statement on corporate social responsibility by the Danish Financial Statements Act, section 99a and section 99b.

The report meets the criteria of the UN Global Compact, including the commitment to issue an annual Communication on Progress (COP) report. For an overview of the link between our business model, as communicated in this report, and the UN Global Compact principles, please visit TOP-TOY.com/sustainability.

Financial data

The financial data in this report covers TOP-TOY HOLDING II A/S and its subsidiaries. TOP-TOY presents its consolidated financial statements in accordance with IFRS as adopted by EU.

The report is supported by more extensive online information about our company, policies and performance. These are available at **www.top-toy.com**

LIST OF GROUP COMPANIES

Investment in group companies compromise the following at 30 June 2017.

Foreign branches

TOP-TOY A/S Danmark, filial Sverige, Sweden
TOP-TOY A/S, filial i Finland, Finland

Group companies

	Country	Votes and ownership
TOP-TOY Holding III A/S, Vallensbæk Strand	Denmark	100%
TOP-TOY A/S, Vallensbæk Strand	Denmark	100%
TOP-TOY (Hong Kong) Ltd., Hong Kong	Hong Kong	100%
TOP-TOY Norge AS, Sarpsborg	Norway	100%
BR-Spielwaren GmbH, Hamburg	Germany	100%
TOP-TOY Iceland ehf, Reykjavik	Iceland	100%
Jannes Lek AB in liquidation, Haparanda	Sweden	100%
NORSTAR A/S, Vallensbæk Strand	Denmark	100%
NORSTAR AB in liquidation, Ängelholm	Sweden	100%
STARNOR, Ängelholm	Sweden	100%
NORSTAR AS in liquidation, Sandefjord	Norway	100%
NORSTAR OY in liquidation, Espoo	Finland	100%

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For more information about TOP-TOY and our responsibility approach and our policies, visit: **www.top-toy.com**
Please forward any questions or comments to the Communications and Sustainability team at **com@top-toy.com**