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Mogens Jepsen Holding ApS

Frølichsvej 2, 2930 Klampenborg

Annual report

2018

Company reg. no. 27 52 45 40

The annual report has been submitted and approved by the general meeting on the 14 June 2019.

Mogens Jepsen
Chairman of the meeting

Contents

Notes to users of the English version of this document:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The managing director has today presented the annual report of Mogens Jepsen Holding ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

I consider the accounting policies used appropriate, and in my opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively at 31 December 2018, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2018.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Klampenborg, 14 June 2019

Managing Director

Mogens Jepsen

Independent auditor's report

To the shareholder of Mogens Jepsen Holding ApS

Opinion

We have audited the consolidated annual accounts and the annual accounts of Mogens Jepsen Holding ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2018 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 company's internal control.

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

- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts or the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts and the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Esbjerg, 14 June 2019

Martinsen
State Authorised Public Accountants
Company reg. no. 32 28 52 01

Lars Æbelø-Nielsen
State Authorised Public Accountant
mne33693

Company data

The company	Mogens Jepsen Holding ApS Frølichsvej 2 2930 Klampenborg	
	Company reg. no.	27 52 45 40
	Financial year:	1 January - 31 December
Managing Director	Mogens Jepsen	
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Edison Park 4 6715 Esbjerg N	
Subsidiaries	Molo A/S, Copenhagen Stars & Rebels A/S, Copenhagen Molo Republic ApS, Copenhagen Molo Kids Sweden AB, Stockholm Molo Kids Norway AS, Oslo Molo Kids Finland OY, Helsinki Molo Kids Benelux BV, Benelux Molo Kids Ltd., UK, London Molo Kids Belgium BVBA, Brussels Molo Kids Germany GmbH, Berlin Molo Kids France SA, Paris Molo Kids US Inc., New York Molo Hong Kong Inc., Hong Kong	

Consolidated financial highlights

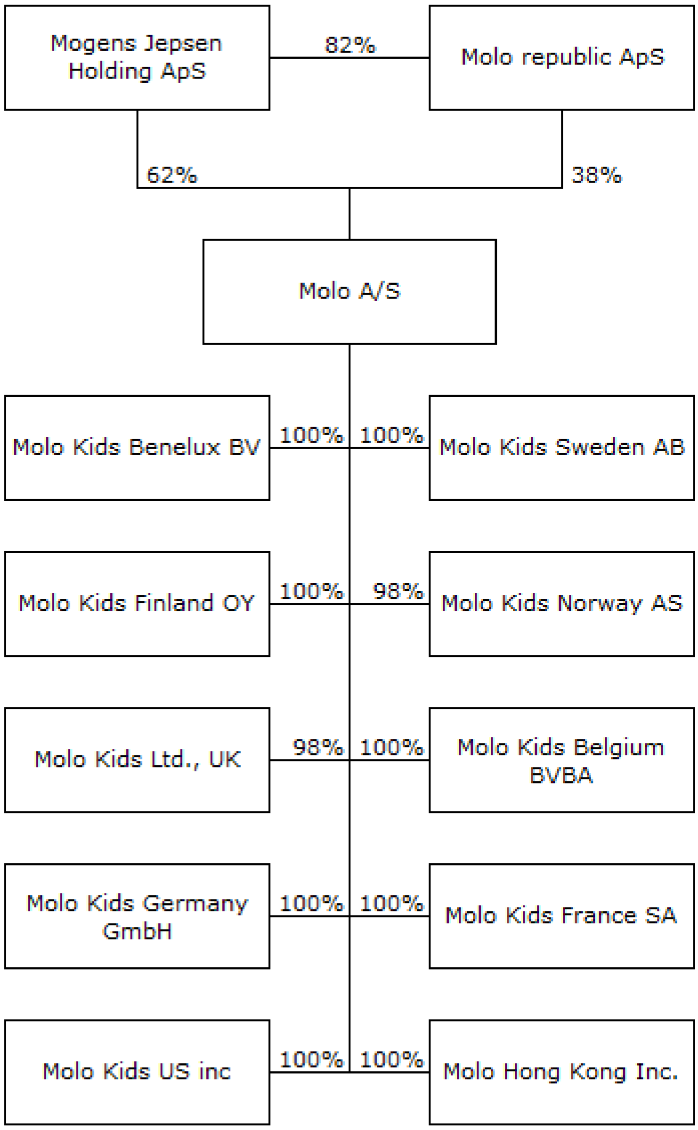
DKK in thousands.	2018	2017	2016	2015	2014
Profit and loss account:					
Gross profit	66.232	76.995	70.973	61.594	52.447
Results from operating activities	7.650	20.687	19.496	17.272	15.988
Net financials	-1.790	-2.704	-2.374	-1.687	-1.324
Results for the year	4.666	14.143	12.986	11.795	11.383
Balance sheet:					
Balance sheet sum	134.790	138.185	123.777	120.427	116.495
Equity	65.860	62.781	60.715	56.514	45.333
Cash flow:					
Operating activities	14.190	10.408	3.102	18.479	-15.999
Investment activities	-10.522	-6.550	-4.592	-4.665	-7.079
Financing activities	-7.012	-3.444	1.035	-2.640	3.023
Cash flow in total	-3.344	414	-455	11.174	-20.055
Employees:					
Average number of full time employees	98	116	102	87	58
Key figures in %:					
Solvency ration	48,9	45,4	49,1	46,9	38,9
Return on equity	7,1	22,9	22,2	23,2	33,2

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

Management's review

The principal activities of the group

The group consists of following companies per 31 December 2018:



The group's activities include design and production of children's clothing and related services.

Development in activities and financial matters

Molo's journey sprang out of curiosity and a drive to radically change the existing children's fashion world, which was, in 2003, less vibrant and colorful. Since its conception, Molo has seen its role as the brand that provides "favorites" for every child's closet.

Management's review

This concept has always been well accepted in the market place and has always given the company a competitive advantage, but disruption in and between the regular brick and mortar stores and e-commerce's has created a difficult market that is currently trying to find its way, and in this the company has made a calculated and cautious decision to select customers with whom the company continuously would want to work, a decision that has put pressure on the top line in 2018. Direct costs related to Molo A/S' decisions in 2018 is specified in note 1, special items.

The company however do believe that this is the right decision, and do see a bright future ahead, but certain changes in the organization, way of working etc. needs to be implemented to ensure that this can be done in an economic and financially sound and proven way. The company has already made some important decisions for which certain provisions has been booked in 2018, provisions that has negatively affected the 2018 result, but are needed for the company to ensure changes are correctly implemented and preparing the company for future growth.

On another note the company will in 2019 and 2020 see further positive effects on and from prior years investments in not only Global Organic Textile Standard ("GOTS"), but also its web-shop and online business, something that will intensify and become far more important in the years to come.

Management however do not consider this year's financial performance acceptable which is why a number of initiatives are already underway, and subsequently also 2019 will be difficult in terms of topline and profit, 2020 should once again bring the company back on track in terms of acceptable earnings.

Special risks

Exchange rate risks:
The company uses financial instruments to counter fluctuations in exchange rates.

Production cost/conditions:
It is expected that production costs in general will be intensified in the coming years. The group has initiated a number of initiatives to meet this development. The group has a restrictive control and management of its suppliers to minimize damage to the external enviroment.

Know how resources

The company does not use essential knowledge resources that are of importance to the future earnings.

The expected development

Management expects a very difficult 2019 with changes being implemented and pressure put on both topline and earnings, 2020 should return the company growing topline and increased earnings.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for Mogens Jepsen Holding ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

Derived financial instruments

At the first recognition, derived financial instruments are recognised at cost in the balance sheet. Afterwards they are measured at fair value. Positive and negative fair values of derived financial instruments are recognised under other debtors and other creditors respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the profit and loss account together with any changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging future cash flows are recognised under amounts owed or other debt in the equity.

If the future transaction results in the recognition of assets or liabilities, amounts which have been recognised in the equity previously, are transferred to the cost for the asset or the liability, respectively. If the future transaction results in income or costs, amounts which have been recognised in the equity currently, are transferred to the profit and loss account in the period in which the hedged item influenced the profit and loss account.

Accounting policies used

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Mogens Jepsen Holding ApS and those group enterprises of which Mogens Jepsen Holding ApS directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the pre-acquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

Goodwill and negative goodwill from acquirees may be adjusted until 12 months after the acquisition.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

Accounting policies used

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Other operating costs

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including losses on disposal of intangible and tangible fixed assets.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

Accounting policies used

The parent enterprise and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent enterprise acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Goodwill

Tradenarsm domain rights, other rights and goodwill is measured at cost with deduction of accumulated amortisation. Trademarks, domain rights and other rights is amortised on a straigth linebasis estimated to 10 years. Goodwill is amortised on a straight-line basis over the financial life, which the management have estimated is 7 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Other plants, operating assets, fixtures and furniture	*5-10 years*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Accounting policies used

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the group holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Accounting policies used

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Other securities and equity investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Accounting policies used

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Accounting policies used

Mogens Jepsen Holding ApS is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Mogens Jepsen Holding ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Other provisions

On the acquisition of enterprises, provisions for restructuring within the acquired enterprise is included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been approved and announced on the date of acquisition at the latest.

When it is likely that the total costs will exceed the total income of work in progress for the account of others, provisions are made for the total loss expected on the contract. Provisions are recognised as costs under production costs.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Liabilities relating to investment properties are measured at amortised cost.

Accounting policies used

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

Profit and loss account 1 January - 31 December

DKK in thousands.

Note		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Gross profit	**66.232**	**76.995**	**1.818**	**998**
2	Staff costs	-48.640	-50.704	0	0
3	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-8.340	-5.604	-984	-563
	Other operating costs	-1.602	0	0	0
	Operating profit	**7.650**	**20.687**	**834**	**435**
4	Income from equity investments in group enterprises	0	0	4.821	13.573
	Other financial income from group enterprises	0	0	162	256
	Other financial income	310	237	1	1
5	Other financial costs	-2.100	-2.941	-1.688	-1.192
	Results before tax	**5.860**	**17.983**	**4.130**	**13.073**
6	Tax on ordinary results	-1.194	-3.840	179	77
7	**Results for the year**	**4.666**	**14.143**	**4.309**	**13.150**
	The group's results are as follows:				
	Shareholders in Mogens Jepsen Holding ApS	4.309	13.150		
	Minority interests	357	993		
		4.666	**14.143**		

Balance sheet 31 December

DKK in thousands.

Note	**Assets**	Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Fixed assets				
8	Group goodwill	298	447	0	0
9	Goodwill	11.829	6.595	10.763	3.633
	Intangible fixed assets in total	12.127	7.042	10.763	3.633
10	Other plants, operating assets, and fixtures and furniture	7.978	10.729	0	0
	Tangible fixed assets in total	7.978	10.729	0	0
11	Equity investments in group enterprises	0	0	68.100	64.680
12	Other securities and equity investments	17	17	0	0
13	Deposits	2.027	1.997	0	0
	Financial fixed assets in total	2.044	2.014	68.100	64.680
	Fixed assets in total	**22.149**	**19.785**	**78.863**	**68.313**
	Current assets				
	Manufactured goods and trade goods	53.614	51.904	0	0
	Prepayments for goods	689	2.737	0	0
	Inventories in total	54.303	54.641	0	0
	Trade debtors	32.445	32.528	0	0
	Amounts owed by group enterprises	0	0	4.669	3.414
	Receivable corporate tax	0	831	0	1.450
	Tax receivables from group enterprises	0	0	2.684	609
	Other debtors	1.622	6	5	5
14	Accrued income and deferred expenses	9.404	11.579	0	0
	Debtors in total	43.471	44.944	7.358	5.478
	Available funds	14.867	18.815	813	8.707
	Current assets in total	**112.641**	**118.400**	**8.171**	**14.185**
	Assets in total	**134.790**	**138.185**	**87.034**	**82.498**

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

Note		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
	Equity				
15	Contributed capital	125	125	125	125
16	Reserves for net revaluation as per the equity method	0	0	59.193	57.642
17	Results brought forward	60.651	57.708	1.458	66
18	Proposed dividend for the financial year	108	0	108	0
	Equity before non-controlling interest.	60.884	57.833	60.884	57.833
	Minority interests	4.976	4.948	0	0
	Equity in total	**65.860**	**62.781**	**60.884**	**57.833**
	Provisions				
19	Provisions for deferred tax	2.261	3.224	410	198
20	Other provisions	0	0	101	95
	Provisions in total	**2.261**	**3.224**	**511**	**293**
	Liabilities				
21	Bank debts	6.700	9.075	0	0
22	Leasing liabilities	0	224	0	0
	Long-term liabilities in total	6.700	9.299	0	0
	Short-term part of long-term liabilities	3.899	4.830	0	250
	Bank debts	32.729	33.333	0	0
	Trade creditors	14.073	15.449	331	197
	Debt to group enterprises	0	0	21.257	20.879
	Corporate tax	907	0	440	0
	Tax payables to group enterprises	0	0	3	3
	Other debts	8.361	9.269	3.608	3.043
	Short-term liabilities in total	59.969	62.881	25.639	24.372
	Liabilities in total	**66.669**	**72.180**	**25.639**	**24.372**
	Equity and liabilities in total	**134.790**	**138.185**	**87.034**	**82.498**

Balance sheet 31 December

DKK in thousands.

Note	Equity and liabilities	Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
1	**Special items**				
23	**Mortgage and securities**				
24	**Contingencies**				
25	**Related parties**				

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Reserves for net revaluation as per the equity method	Results brought forward	Proposed dividend for the financial year	Minority interests	In total
Equity 1 January 2017	125	0	56.037	0	4.553	60.715
Share of results	0	0	9.887	0	0	9.887
Extraordinary dividend adopted during the financial year	0	0	3.263	0	0	3.263
Distributed extraordinary dividend adopted during the financial year.	0	0	-3.263	0	0	-3.263
Adjustments on financial instruments	0	0	-8.216	0	0	-8.216
Minority interests	0	0	0	0	395	395
Equity 1 January 2018	125	0	57.708	0	4.948	62.781
Share of results	0	0	938	108	0	1.046
Extraordinary dividend adopted during the financial year	0	0	3.263	0	0	3.263
Distributed extraordinary dividend adopted during the financial year.	0	0	-3.263	0	0	-3.263
Adjustment on financial instruments	0	0	2.005	0	0	2.005
Minority interests	0	0	0	0	28	28
	125	**0**	**60.651**	**108**	**4.976**	**65.860**

Statement of changes in equity of the parent enterprise

DKK in thousands.

	Contributed capital	Reserves for net revaluation as per the equity method	Results brought forward	Proposed dividend for the financial year	In total
Equity 1 January 2017	125	55.696	341	0	56.162
Share of results	0	1.946	7.941	0	9.887
Extraordinary dividend adopted during the financial year	0	0	3.263	0	3.263
Distributed extraordinary dividend adopted during the financial year.	0	0	-3.263	0	-3.263
Adjustments on financial instruments	0	0	-8.216	0	-8.216
Equity 1 January 2018	125	57.642	66	0	57.833
Share of results	0	1.551	-613	108	1.046
Extraordinary dividend adopted during the financial year	0	0	3.263	0	3.263
Distributed extraordinary dividend adopted during the financial year.	0	0	-3.263	0	-3.263
Adjustments on financial instruments	0	0	2.005	0	2.005
	125	**59.193**	**1.458**	**108**	**60.884**

Cash flow statement 1 January - 31 December

DKK in thousands.

Note		Group 2018	2017
	Results for the year	4.666	14.143
26	Adjustments	11.324	12.148
27	Change in working capital	3.286	-10.674
	Cash flow from operating activities before net financials	19.276	15.617
	Interest received and similar amounts	310	237
	Interest paid and similar amounts	-2.100	-2.941
	Cash flow from ordinary activities	17.486	12.913
	Corporate tax paid	-3.296	-2.505
	Cash flow from operating activities	**14.190**	**10.408**
	Purchase of intangible fixed assets	-8.377	-1.725
	Purchase of tangible fixed assets	-2.115	-4.346
	Deposits	-30	-479
	Cash flow from investment activities	**-10.522**	**-6.550**
	Raising of long-term debts	0	8.912
	Repayments of long-term debt	-2.780	-7.679
	Net cashflow from leasing arrangements	-750	-1.195
	Dividend paid	-3.482	-3.482
	Cash flow from financing activities	**-7.012**	**-3.444**
	Changes in available funds	**-3.344**	**414**
	Available funds opening balance	-14.518	-14.932
	Available funds closing balance	**-17.862**	**-14.518**

		2018	2017
	Available funds		
	Available funds	14.867	18.815
	Short-term bank debts	-32.729	-33.333
	Available funds closing balance	**-17.862**	**-14.518**

Notes

DKK in thousands.

1. Special items

Special items include significant income and expenses of a special nature in proportion to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any gains and losses related and which over time have a significant impact. Special items also include other significant amounts of non-recurring nature.

As mentioned in the management's review, the results for the year are affected by a number of factors that differ from what the management consider a part of the operating profit.

Special items for the year are specified below, showing where these are recognised in the income profit and loss account.

	Group 2018	2017
Costs:		
Writedown of fixed assets	2.233	0
Writedown of showrooms	259	0
Contingent liabilities of showrooms	1.343	0
	3.835	0
Special items are recognised in the following items in the annual accounts:		
Other operating costs	-1.602	0
Depreciation, amortisation and writedown	-2.233	0
Results of special items, net	**-3.835**	**0**

2. Staff costs

	2018	2017
Salaries and wages	44.402	46.286
Pension costs	1.895	1.871
Other costs for social security	2.343	2.547
	48.640	**50.704**
Average number of employees	98	116

Notes

DKK in thousands.

		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
3.	**Depreciation, amortisation and writedown relating to tangible and intangible fixed assets**				
	Amortisation of group goodwill	149	149	149	149
	Amortisation of concessions, patents and licences	0	0	835	414
	Amortisation of goodwill	3.364	1.535	0	0
	Depreciation on production plants and machinery	4.827	3.920	0	0
		8.340	**5.604**	**984**	**563**

		Parent enterprise 2018	Parent enterprise 2017
4.	**Income from equity investments in group enterprises**		
	Molo Republic ApS	3.652	4.546
	Molo A/S	1.175	9.033
	Stars & Rebels A/S	-6	-6
		4.821	**13.573**

		Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
5.	**Other financial costs**				
	Financial costs, group enterprises	0	0	896	632
	Other financial costs	2.100	2.941	792	560
		2.100	**2.941**	**1.688**	**1.192**

Notes

DKK in thousands.

	Group 2018	Group 2017	Parent enterprise 2018	Parent enterprise 2017
6. Tax on ordinary results				
Tax of the results for the year, parent company	2.157	3.385	-397	-132
Adjustment for the year of deferred tax	-963	455	212	55
Adjustment of tax for previous years	0	0	6	0
	1.194	**3.840**	**-179**	**-77**

	Parent enterprise 2018	Parent enterprise 2017
7. Proposed distribution of the results		
Extraordinary dividend adopted during the financial year	3.263	3.263
Reserves for net revaluation as per the equity method	1.551	1.946
Dividend for the financial year	108	0
Allocated to results brought forward	0	7.941
Allocated from results brought forward	-613	0
Distribution in total	**4.309**	**13.150**

	Group 31/12 2018	Group 31/12 2017
8. Group goodwill		
Cost opening balance	4.078	4.078
Cost closing balance	**4.078**	**4.078**
Amortisation and writedown opening balance	-3.631	-3.482
Amortisation and writedown for the year	-149	-149
Amortisation and writedown closing balance	**-3.780**	**-3.631**
Book value closing balance	**298**	**447**

Notes

DKK in thousands.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
9.	**Goodwill**				
	Cost opening balance	13.077	12.191	4.637	3.547
	Additions during the year	8.377	1.725	7.966	1.090
	Disposals during the year	-6.695	-839	0	0
	Cost closing balance	**14.759**	**13.077**	**12.603**	**4.637**
	Amortisation and writedown opening balance	-6.482	-5.786	-1.005	-590
	Amortisation and writedown for the year	-1.994	-1.535	-835	-414
	Depreciation, amortisation and writedown for the year, assets disposed of	5.546	839	0	0
	Amortisation and writedown closing balance	**-2.930**	**-6.482**	**-1.840**	**-1.004**
	Book value closing balance	**11.829**	**6.595**	**10.763**	**3.633**

		Group	
		31/12 2018	31/12 2017
10.	**Other plants, operating assets, and fixtures and furniture**		
	Cost opening balance	21.998	18.347
	Additions during the year	2.115	4.346
	Disposals during the year	-6.157	-695
	Cost closing balance	**17.956**	**21.998**
	Depreciation and writedown opening balance	-11.269	-8.044
	Writedown for the year	-3.939	-3.920
	Depreciation, amortisation and writedown for the year	5.230	695
	Depreciation and writedown closing balance	**-9.978**	**-11.269**
	Book value closing balance	**7.978**	**10.729**
	Leased assets are included with a book value of	224	786

Notes

DKK in thousands.

		Parent enterprise 31/12 2018	31/12 2017
11.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance opening balance	6.943	6.943
	Cost closing balance	**6.943**	**6.943**
	Revaluations, opening balance opening balance	58.238	56.144
	Results for the year before goodwill amortisation	4.821	13.573
	Dividend	-3.263	-3.263
	Adjustments in equity	2.005	-8.216
	Revaluation closing balance	**61.801**	**58.238**
	Amortisation of goodwill, opening balance opening balance	-596	-447
	Amortisation of goodwill for the year	-149	-149
	Depreciation on goodwill closing balance	**-745**	**-596**
	Transferred to provisions	101	95
	Set off against debtors and provisions for liabilities	**101**	**95**
	Book value closing balance	**68.100**	**64.680**

Group enterprises:

	Domicile	**Share of ownership**
Molo A/S	Copenhagen	62,0 %
Stars & Rebels A/S	Copenhagen	62,0 %
Molo Republic ApS	Copenhagen	82,2 %
Molo Kids Sweden AB	Stockholm	100 %
Molo Kids Norway AS	Oslo	98 %
Molo Kids Finland OY	Helsinki	100 %
Molo Kids Benelux BV	Benelux	100 %
Molo Kids Ltd., UK	London	98 %
Molo Kids Belgium BVBA	Brussels	100 %
Molo Kids Germany GmbH	Berlin	100 %
Molo Kids France SA	Paris	100 %
Molo Kids US Inc.	New York	100 %
Molo Hong Kong Inc.	Hong Kong	100 %

Notes

DKK in thousands.

		Group	
		31/12 2018	31/12 2017
12.	**Other securities and equity investments**		
	Cost opening balance	17	17
	Cost closing balance	**17**	**17**
	Book value closing balance	**17**	**17**
13.	**Deposits**		
	Cost opening balance	1.997	1.518
	Additions during the year	30	479
	Cost closing balance	**2.027**	**1.997**
	Book value closing balance	**2.027**	**1.997**

14. Accrued income and deferred expenses

Accrued income and derred expenses includes expenses to furture cloth collections, fairs and other things.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
15.	**Contributed capital**				
	Contributed capital opening balance	125	125	125	125
		125	**125**	**125**	**125**

		31/12 2018	31/12 2017
16.	**Reserves for net revaluation as per the equity method**		
	Reserves for net revaluation opening balance	57.642	55.696
	Share of results	1.551	1.946
		59.193	**57.642**

Notes

DKK in thousands.

		Group		Parent enterprise	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
17.	**Results brought forward**				
	Results brought forward opening balance	57.708	56.037	66	341
	Profit or loss for the year brought forward	938	9.887	-613	7.941
	Extraordinary dividend adopted during the financial year	3.263	3.263	3.263	3.263
	Distributed extraordinary dividend adopted during the financial year.	-3.263	-3.263	-3.263	-3.263
	Adjustments on financial instruments	2.005	-8.216	2.005	-8.216
		60.651	**57.708**	**1.458**	**66**
18.	**Proposed dividend for the financial year**				
	Dividend for the financial year	108	0	108	0
		108	**0**	**108**	**0**
19.	**Provisions for deferred tax**				
	Provisions for deferred tax opening balance	3.224	2.772	198	143
	Deferred tax of the results for the year	-963	452	212	55
		2.261	**3.224**	**410**	**198**
20.	**Other provisions**				
	Provisions for subsidiaries			101	95
				101	**95**

Notes

DKK in thousands.

	Group		Parent enterprise	
	31/12 2018	31/12 2017	31/12 2018	31/12 2017
21. Bank debts				
Bank debts in total	10.375	13.155	0	250
Share of amount due within 1 year	-3.675	-4.080	0	-250
	6.700	**9.075**	**0**	**0**
Share of liabilities due after 5 years	0	0	0	0

	Group	
	31/12 2018	31/12 2017
22. Leasing liabilities		
Leasing liabilities in total	224	974
Share of amount due within 1 year	-224	-750
	0	**224**
Share of liabilities due after 5 years	0	0

23. Mortgage and securities

As security for bank debts the group has provided a company charge of DKK 35.000 thousand and security in fixed assets, trade goods and receivables.

The group has total lease liabilites DKK 224 thousand on 31 December 2018. The groups leased assets totals DDK 224 thousands in other operating assets, fixtures and furniture.

24. Contingencies

Contingent liabilities

Mogens Jepsen Holding ApS has provided guarantees for the bank debts of the group enterprises. On 31 December 2017 the total bank debts of the group enterprises were DKK 32.729 thousands.

The company has provided guarantees to landlords. On 31 December 2018 the total guarantees were DKK 7.113 thousands.

Notes

DKK in thousands.

24. Contingencies (continued)

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

25. Related parties

Molo Kids UK Ltd. a subsidiary company of Molo A/S, has taken advantage of the exemption from audit as set out in section 479A of the Companies Act 2006.

	Group 2018	2017
26. Adjustments		
Depreciation and amortisation	8.340	5.604
Other financial income	-310	-237
Other financial costs	2.100	2.941
Tax on ordinary results	1.194	3.840
	11.324	**12.148**

27. Change in working capital		
Change in inventories	338	-7.079
Change in debtors	-189	-2.306
Change in trade creditors and other liabilities	3.137	-1.289
	3.286	**-10.674**

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Mogens Jepsen
Direktør
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2019-06-19 09:14:07Z
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Lars Æbelø-Nielsen
Statsautoriseret revisor
På vegne af: Martinsen Statsautoriseret Revisionspartnerselskab
Serienummer: CVR:32285201-RID:1255072680634
IP: 77.233.xxx.xxx
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NEM ID

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