


Mogens Jepsen Holding ApS
Frølichsvej 2, 2930 Klampenborg

Annual report

2016

Company reg. no. 27 52 45 40

The annual report have been submitted and approved by the general meeting on the 19 May 2017.


Mogens Jepsen
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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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 2016.

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 as on 31 December 2016, 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 2016.

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, 15 May 2017

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 2016, 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 2016 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 2016 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 and 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 or 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, 15 May 2017

Martinsen

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



Aage Brink Thomsen
State Authorised Public Accountant



Lars Æbelø-Nielsen
State Authorised Public Accountant

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

Consolidated financial highlights

DKK in thousands.	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Profit and loss account:					
Gross profit	70.973	61.594	52.447	40.906	27.136
Results from operating activities	19.496	17.272	15.988	12.927	7.008
Net financials	-2.374	-1.687	-1.324	-1.153	-987
Results for the year	12.986	11.795	11.383	8.644	4.535
Balance sheet:					
Balance sheet sum	123.777	120.427	116.495	73.826	55.288
Equity	60.715	56.514	45.333	23.223	19.300
Cash flow:					
Operating activities	3.102	18.479	-15.999	7.319	-677
Investment activities	-4.592	-4.665	-7.079	-9.331	-4.153
Financing activities	1.035	-2.640	3.023	2.045	-2.397
Cash flow in total	-455	11.174	-20.055	33	-7.227
Employees:					
Average number of full time employees	0	87	58	50	45
Key figures in %:					
Solvency ratio	49,1	46,9	38,9	31,5	34,9
Return on equity	22,2	23,2	33,2	40,7	27,6

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

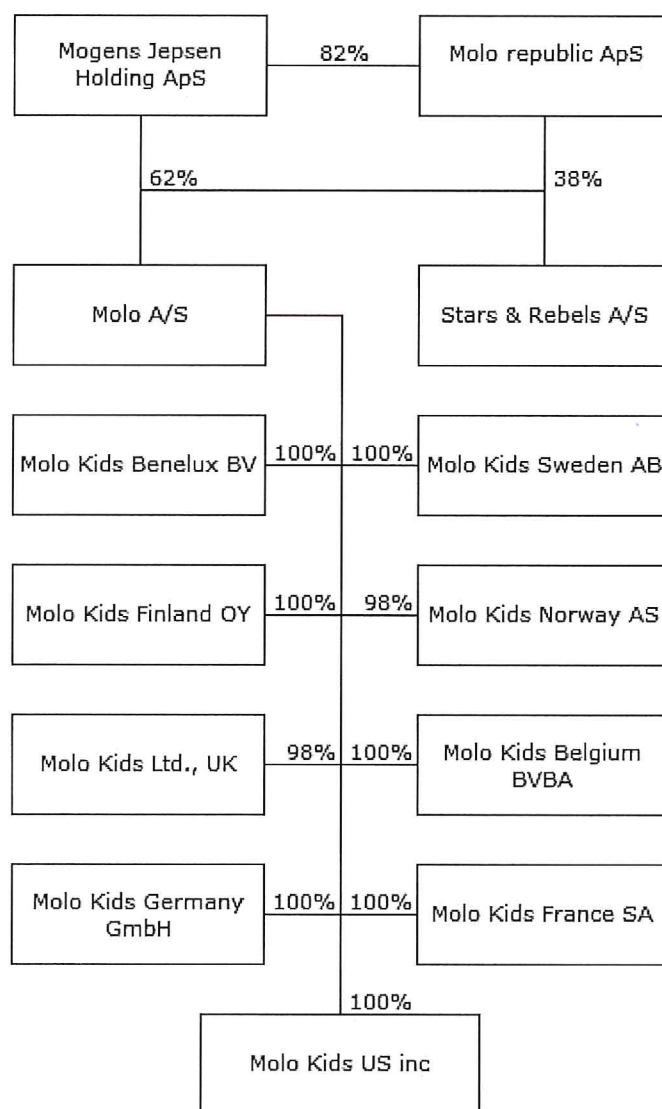
The key figures appearing from the survey have been calculated as follows:

Equity share	$\frac{\text{Equity, closing balance} \times 100}{\text{Assets in total, closing balance}}$
Return on equity	$\frac{\text{Results} \times 100}{\text{Average equity}}$

Management's review

The principal activities of the group

The Group consists of following companies per 31. december 2016:



The group activities consists of design and manufacturing of textiles for children and related activities.

Management's review

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 colourful. Since its conception, molo has seen its role as the brand that provides "favourites" for every child's closet.

This concept has taken the market by storm, and again in 2016, revenue has increased.

Molo sees a positive future potential, and has therefore chosen to invest actively in future growth. This year's financial performance is considered satisfactory.

Follow-up on previous forecasts

The company has met all its goals and budgets for the year.

Special risks

Exchange rate risks:

The group uses financial instruments to counter fluctuations in exchange rates.

Productions cost /-conditions:

It is expected that production costs in China 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 environment.

Know how resources

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

Research and development activities

The group does not carry out research and development activities beyond the normal level for the clothing industry.

The expected development

Management expects that growth and the positive trend in 2016 will continue in 2017.

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.

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.

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.

Accounting policies used

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

Trademarks, 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 straight line-basis 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:

Other plants, operating assets, fixtures and furniture	5-10 years
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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.

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.

Accounting policies used

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.

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.

Accounting policies used

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.

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.

Accounting policies used

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.

Financial instruments are measured at fair value at the balance sheet day. Financial instruments include foreign exchange contracts to hedge currency risks.

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.

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.

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".

Accounting policies used

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

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

By the acquisition of enterprises, provisions for restructurings within the acquired enterprise are included in the acquisition sum and thereby in the goodwill or the group goodwill to the extent they have been decided at the time 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.

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.

Accounting policies used

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		Parent enterprise	
	2016	2015	2016	2015
Gross profit	70.973	61.594	232	285
1 Staff costs	-46.212	-39.842	0	0
2 Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-5.265	-4.480	-464	-406
Operating profit	19.496	17.272	-232	-121
3 Income from equity investments in group enterprises	0	0	12.576	11.383
Other financial income from group enterprises	0	0	1.898	1.241
Other financial income	457	419	0	0
4 Other financial costs	-2.831	-2.106	-2.219	-1.476
Results before tax	17.122	15.585	12.023	11.027
5 Tax on ordinary results	-4.136	-3.790	53	-68
6 Results for the year	12.986	11.795	12.076	10.959
The group's results are as follows:				
Shareholders in Mogens Jepsen Holding ApS	12.076	10.959		
The minority interests' share of the results of the subsidiaries	910	836		
	12.986	11.795		

Balance sheet 31 December

DKK in thousands.

Assets	Group		Parent enterprise		
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Fixed assets					
7	Group goodwill	596	745	0	0
8	Goodwill, rights and trademarks	6.405	7.165	2.956	2.660
	Intangible fixed assets in total	<u>7.001</u>	<u>7.910</u>	<u>2.956</u>	<u>2.660</u>
9	Other plants, operating assets, and fixtures and furniture	10.303	10.705	0	0
	Tangible fixed assets in total	<u>10.303</u>	<u>10.705</u>	<u>0</u>	<u>0</u>
10	Equity investments in group enterprises	0	0	62.729	58.584
	Other securities and equity investments	17	17	0	0
	Deposits	1.518	1.006	0	0
	Financial fixed assets in total	<u>1.535</u>	<u>1.023</u>	<u>62.729</u>	<u>58.584</u>
	Fixed assets in total	<u>18.839</u>	<u>19.638</u>	<u>65.685</u>	<u>61.244</u>
Current assets					
	Manufactured goods and trade goods	45.032	33.049	0	0
	Prepayments for goods	2.530	3.136	0	0
	Inventories in total	<u>47.562</u>	<u>36.185</u>	<u>0</u>	<u>0</u>
	Trade debtors	27.409	33.312	0	0
	Amounts owed by group enterprises	0	0	2.205	1.044
	Receivable corporate tax	481	0	581	0
	Tax receivables from group enterprises	0	0	2	1.889
	Other debtors	9.931	15.122	324	0
11	Accrued income and deferred expenses	14.144	8.438	0	0
	Debtors in total	<u>51.965</u>	<u>56.872</u>	<u>3.112</u>	<u>2.933</u>
	Available funds	5.411	7.732	812	93
	Current assets in total	<u>104.938</u>	<u>100.789</u>	<u>3.924</u>	<u>3.026</u>
	Assets in total	<u>123.777</u>	<u>120.427</u>	<u>69.609</u>	<u>64.270</u>

Balance sheet 31 December

DKK in thousands.

Equity and liabilities

<u>Note</u>	Group		Parent enterprise	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Equity				
12	125	125	125	125
13	0	0	55.696	51.457
14	<u>56.037</u>	<u>52.149</u>	<u>341</u>	<u>693</u>
	56.162	52.274	56.162	52.275
	<u>4.553</u>	<u>4.240</u>	<u>0</u>	<u>0</u>
Equity in total	<u>60.715</u>	<u>56.514</u>	<u>56.162</u>	<u>52.275</u>
Provisions				
15	2.772	2.911	143	101
	<u>0</u>	<u>0</u>	<u>89</u>	<u>21</u>
Provisions in total	<u>2.772</u>	<u>2.911</u>	<u>232</u>	<u>122</u>
Liabilities				
16	8.843	5.527	250	1.250
17	<u>1.185</u>	<u>2.374</u>	<u>0</u>	<u>0</u>
	<u>10.028</u>	<u>7.901</u>	<u>250</u>	<u>1.250</u>
	7.180	4.790	1.000	1.000
	20.343	22.209	0	0
	11.819	18.189	227	273
	0	0	8.180	6.563
	0	1.498	0	1.543
	0	0	489	6
	<u>10.920</u>	<u>6.415</u>	<u>3.069</u>	<u>1.238</u>
	<u>50.262</u>	<u>53.101</u>	<u>12.965</u>	<u>10.623</u>
Liabilities in total	<u>60.290</u>	<u>61.002</u>	<u>13.215</u>	<u>11.873</u>
Equity and liabilities in total	<u>123.777</u>	<u>120.427</u>	<u>69.609</u>	<u>64.270</u>

18 Mortgage and securities**19 Contingencies**

Consolidated statement of changes in equity

DKK in thousands.

	Contributed capital	Results brought forward	Minority interests	In total
Equity opening balance	125	41.698	0	41.823
Profit or loss for the year brought forward	0	8.908	0	8.908
Extraordinary dividend adopted during the financial year	0	2.051	0	2.051
Distributed extraordinary dividend adopted during the financial year.	0	-2.051	0	-2.051
Adjustments on financial instruments	0	1.543	0	1.543
Minority interests	0	0	4.240	4.240
Equity opening balance	125	52.149	4.240	56.514
Profit or loss for the year brought forward	0	8.813	0	8.813
Extraordinary dividend adopted during the financial year	0	3.263	0	3.263
Distributed extraordinary dividend adopted during the financial year.	0	-3.263	0	-3.263
Adjustments on financial instruments	0	-4.925	0	-4.925
Minority interests	0	0	313	313
	125	56.037	4.553	60.715

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	In total
Equity opening balance	125	40.745	953	41.823
Share of results	0	10.712	0	10.712
Profit or loss for the year brought forward	0	0	-1.804	-1.804
Extraordinary dividend adopted during the financial year	0	0	2.051	2.051
Distributed extraordinary dividend adopted during the financial year.	0	0	-2.051	-2.051
Adjustments on financial instruments	0	0	1.544	1.544
Equity opening balance	125	51.457	693	52.275
Share of results	0	4.239	0	4.239
Profit or loss for the year brought forward	0	0	4.573	4.573
Extraordinary dividend adopted during the financial year	0	0	3.263	3.263
Distributed extraordinary dividend adopted during the financial year.	0	0	-3.263	-3.263
Adjustments on financial instruments	0	0	-4.925	-4.925
	125	55.696	341	56.162

Cash flow statement 1 January - 31 December

DKK in thousands.

<u>Note</u>	Group	
	<u>2016</u>	<u>2015</u>
Results for the year	12.986	11.795
20 Adjustments	11.775	9.957
21 Change in working capital	<u>-15.544</u>	<u>6.379</u>
Cash flow from operating activities before net financials	9.217	28.131
Interest received and similar amounts	455	419
Interest paid and similar amounts	<u>-2.831</u>	<u>-2.106</u>
Cash flow from ordinary activities	6.841	26.444
Corporate tax paid	<u>-3.739</u>	<u>-7.965</u>
Cash flow from operating activities	<u>3.102</u>	<u>18.479</u>
Purchase of intangible fixed assets	-612	-722
Purchase of tangible fixed assets	-3.468	-4.958
Deposits	<u>-512</u>	<u>1.015</u>
Cash flow from investment activities	<u>-4.592</u>	<u>-4.665</u>
Raising of long-term debts	9.513	2.800
Repayments of long-term debt	-3.622	-2.914
Net cash flow from leasing arrangements	-1.374	-338
Dividend paid	<u>-3.482</u>	<u>-2.188</u>
Cash flow from financing activities	<u>1.035</u>	<u>-2.640</u>
Changes in available funds	-455	11.174
Available funds opening balance	<u>-14.477</u>	<u>-25.651</u>
Available funds closing balance	<u>-14.932</u>	<u>-14.477</u>
Available funds		
Available funds	5.411	7.732
Short-term bank debts	<u>-20.343</u>	<u>-22.209</u>
Available funds closing balance	<u>-14.932</u>	<u>-14.477</u>

Notes

DKK in thousands.

	Group		Parent enterprise	
	2016	2015	2016	2015
1. Staff costs				
Salaries and wages	43.693	37.733	0	0
Pension costs	1.784	1.552	0	0
Other costs for social security	735	557	0	0
	46.212	39.842	0	0
Average number of employees	102	87	0	0
2. 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	315	257
Amortisation of goodwill	1.372	1.315	0	0
Depreciation on plants, operating assets, fixtures and furniture	3.744	3.016	0	0
	5.265	4.480	464	406
3. Income from equity investments in group enterprises				
Molo Republic ApS	0	0	4.166	3.807
Molo A/S	0	0	8.259	7.575
Stars & Rebels A/S	0	0	151	1
	0	0	12.576	11.383
4. Other financial costs				
Financial costs, group enterprises	0	0	362	267
Other financial costs	2.831	2.106	1.857	1.209
	2.831	2.106	2.219	1.476

Notes

DKK in thousands.

	Group		Parent enterprise	
	2016	2015	2016	2015
5. Tax on ordinary results				
Tax of the results for the year, parent company	3.182	2.784	-95	-81
Adjustment for the year of deferred tax	954	1.006	42	36
Adjustment of tax for previous years	0	0	0	113
	4.136	3.790	-53	68

	Parent enterprise	
	2016	2015
6. Proposed distribution of the results		
Extraordinary dividend adopted during the financial year	3.263	2.051
Reserves for net revaluation as per the equity method	4.239	10.712
Allocated to results brought forward	4.574	0
Allocated from results brought forward	0	-1.804
Distribution in total	12.076	10.959

	Group	
	31/12 2016	31/12 2015
7. Group goodwill		
Cost opening balance	4.078	4.078
Cost closing balance	4.078	4.078
Amortisation and writedown opening balance	-3.333	-3.184
Amortisation and writedown for the year	-149	-149
Amortisation and writedown closing balance	-3.482	-3.333
Book value closing balance	596	745

Notes

DKK in thousands.

	Group		Parent enterprise	
	31/12 2016	31/12 2015	31/12 2016	31/12 2015
8. Goodwill, rights and trademarks				
Cost opening balance	11.579	10.857	2.934	2.213
Additions during the year	612	722	612	722
Cost closing balance	12.191	11.579	3.546	2.935
Amortisation and writedown opening balance	-4.414	-3.100	-275	-18
Amortisation and writedown for the year	-1.372	-1.314	-315	-257
Amortisation and writedown closing balance	-5.786	-4.414	-590	-275
Book value closing balance	6.405	7.165	2.956	2.660

	Group	
	31/12 2016	31/12 2015
9. Other plants, operating assets, and fixtures and furniture		
Cost opening balance	21.418	16.623
Translation by use of the exchange rate valid on balance sheet date closing balance	-59	-163
Additions during the year	3.468	4.958
Disposals during the year	-6.480	0
Cost closing balance	18.347	21.418
Depreciation and writedown opening balance	-10.713	-7.812
Translation by use of the exchange rate valid on balance sheet date closing balance	0	116
Depreciation and writedown for the year	-3.634	-3.017
Depreciation, amortisation and writedown for the year	6.303	0
Depreciation and writedown closing balance	-8.044	-10.713
Book value closing balance	10.303	10.705
Leased assets are included with a book value of	2.324	3.512

Notes

DKK in thousands.

	Parent enterprise	
	31/12 2016	31/12 2015
10. Equity investments in group enterprises		
Acquisition sum, opening balance opening balance	6.942	6.942
Cost closing balance	6.942	6.942
Revaluations, opening balance opening balance	51.756	40.895
Results for the year before goodwill amortisation	12.519	11.369
Dividend	-3.263	-2.051
Adjustments in equity	-4.925	1.543
Revaluation closing balance	56.087	51.756
Amortisation of goodwill, opening balance opening balance	-297	-149
Amortisation of goodwill for the year	-91	-148
Depreciation on goodwill closing balance	-388	-297
Offsetting against debtors	0	162
Transferred to provisions	88	21
Set off against debtors and provisions for liabilities	88	183
Book value closing balance	62.729	58.584

The financial highlights for the enterprises according to the latest approved annual reports

	Share of ownership	Equity	Results for the year	Book value at Mogens Jepsen Holding ApS
Molo A/S, Copenhagen	62,0 %	66.590	13.320	41.286
Stars & Rebels A/S, Copenhagen	62,0 %	-142	152	0
Molo Republic ApS, Copenhagen	82,2 %	25.430	5.069	21.443
		91.878	18.541	62.729

11. Accrued income and deferred expenses

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

Notes

DKK in thousands.

	Group		Parent enterprise	
	<u>31/12 2016</u>	<u>31/12 2015</u>	<u>31/12 2016</u>	<u>31/12 2015</u>
12. Contributed capital				
Contributed capital opening balance	<u>125</u>	<u>125</u>	<u>125</u>	<u>125</u>
	<u>125</u>	<u>125</u>	<u>125</u>	<u>125</u>

	Parent enterprise	
	<u>31/12 2016</u>	<u>31/12 2015</u>
13. Reserves for net revaluation as per the equity method		
Reserves for net revaluation opening balance	51.457	40.745
Share of results	<u>4.239</u>	<u>10.712</u>
	<u>55.696</u>	<u>51.457</u>

	Group		Parent enterprise	
	<u>31/12 2016</u>	<u>31/12 2015</u>	<u>31/12 2016</u>	<u>31/12 2015</u>
14. Results brought forward				
Results brought forward opening balance	52.149	41.698	693	953
Profit or loss for the year brought forward	8.813	8.908	4.573	-1.804
Extraordinary dividend adopted during the financial year	3.263	2.051	3.263	2.051
Distributed extraordinary dividend adopted during the financial year.	-3.263	-2.051	-3.263	-2.051
Adjustments on financial instruments	<u>-4.925</u>	<u>1.543</u>	<u>-4.925</u>	<u>1.544</u>
	<u>56.037</u>	<u>52.149</u>	<u>341</u>	<u>693</u>

15. Provisions for deferred tax				
Provisions for deferred tax opening balance	2.772	2.911	101	65
Deferred tax of the results for the year	<u>0</u>	<u>0</u>	<u>42</u>	<u>36</u>
	<u>2.772</u>	<u>2.911</u>	<u>143</u>	<u>101</u>

Notes

DKK in thousands.

	Group		Parent enterprise	
	<u>31/12 2016</u>	<u>31/12 2015</u>	<u>31/12 2016</u>	<u>31/12 2015</u>
16. Bank debts				
Bank debts in total	15.039	9.148	1.250	2.250
Share of amount due within 1 year	<u>-6.196</u>	<u>-3.621</u>	<u>-1.000</u>	<u>-1.000</u>
	8.843	5.527	250	1.250
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

	Group	
	<u>31/12 2016</u>	<u>31/12 2015</u>
17. Leasing liabilities		
Leasing liabilities in total	2.169	3.543
Share of amount due within 1 year	<u>-984</u>	<u>-1.169</u>
	1.185	2.374
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>

18. 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 liabilities DKK 2.169 thousand on 31. December 2016. The group's leased assets total DKK 2.324 thousand in other operating assets, fixtures and furniture.

Notes

DKK in thousands.

19. Contingencies

Contingent liabilities

Mogens Jepsen Holding ApS has provided guarantees for the bank debts of the group enterprises. On 31 December 2016 the total bank debts of the group enterprises were DKK 20.342 thousands.

The group has provided guarantees to landlords. On 31 December 2016 the total guarantees are DKK 26.725 thousands.

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.

	Group	
	<u>2016</u>	<u>2015</u>
20. Adjustments		
Depreciation and amortisation	5.265	4.480
Income from equity investments in group enterprises	0	0
Other financial income	-457	-419
Other financial costs	2.831	2.106
Tax on ordinary results	4.136	3.790
	<u>11.775</u>	<u>9.957</u>
21. Change in working capital		
Change in inventories	-11.377	2.779
Change in debtors	230	-1.597
Change in trade creditors and other liabilities	-4.397	5.197
	<u>-15.544</u>	<u>6.379</u>