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Mos Mosh A/S
Ejlersvej 24
6000 Kolding
Business Registration No
32933491

Annual report 2018

The Annual General Meeting adopted the annual report on 16.03.2019

Chairman of the General Meeting

Name: Kim Hyldahl

Contents

Entity details

Entity
Mos Mosh A/S
Ejlersvej 24
6000 Kolding

Central Business Registration No (CVR): 32933491
Registered in: Kolding
Financial year: 01.01.2018 - 31.12.2018

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

Executive Board
Kim Hyldahl, CEO

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Mos Mosh A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kolding, 22.01.2019

Executive Board

Kim Hyldahl
CEO

Board of Directors

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

Independent auditor's report

To the shareholders of Mos Mosh A/S

Opinion

We have audited the financial statements of Mos Mosh A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Kolding, 22.01.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Suzette Demediuk Steen Nielsen
State Authorised Public Accountant
Identification No (MNE) mne32207

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000
Financial highlights			
Key figures			
Gross profit	114.791	74.725	43.963
Result of ordinary operations	99.223	62.182	32.390
Operating profit/loss	98.322	61.390	31.766
Net financials	250	(178)	(158)
Profit/loss for the year	76.812	47.675	24.382
Total assets	163.919	94.210	46.986
Investments in property, plant and equipment	1.597	761	591
Equity	108.043	56.231	13.138
Average invested capital incl goodwill	79.978	33.637	6.602
Net interest-bearing debt	74.482	38.930	17.942
Average numbers of employees	27	27	22
Ratios			
Return on invested capital incl goodwill (%)	123,0	182,5	481,2
Financial gearing (%)	0,7	0,7	1,4
Return on equity (%)	93,5	137,5	185,6
Equity ratio (%)	65,9	59,7	28,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on invested capital incl goodwill (%)	$\frac{\text{EBITA x 100}}{\text{Average invested capital incl goodwill}}$	The return generated by the entity on the investors' funds.
Financial gearing	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The entity's financial gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

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

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

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

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

Management commentary

Primary activities

The company's activity consists in development, manufacturing, sale and distribution of fashion clothing.

Development in activities and finances

The profit after tax for the year amounted to DKK 76.812k against a profit of DKK 47.675k last year. The management consider the resultat as very satisfactory.

Outlook

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

Particular risks

No special risks are deemed to exist.

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

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

Intellectual capital resources

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

Environmental performance

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

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

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK	2017 DKK
Gross profit		**114.790.739**	**74.725.454**
Staff costs	1	(15.566.819)	(12.543.333)
Depreciation, amortisation and impairment losses	2	(902.003)	(792.409)
Operating profit/loss		**98.321.917**	**61.389.712**
Other financial income	3	643.910	170.062
Other financial expenses	4	(394.349)	(347.679)
Profit/loss before tax		**98.571.478**	**61.212.095**
Tax on profit/loss for the year	5	(21.759.194)	(13.536.976)
Profit/loss for the year	6	**76.812.284**	**47.675.119**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Acquired trademarks		41.964	60.612
Goodwill		0	0
Intangible assets	7	**41.964**	**60.612**
Other fixtures and fittings, tools and equipment		2.134.102	1.492.927
Property, plant and equipment	8	**2.134.102**	**1.492.927**
Receivables from group enterprises		0	3.046.562
Other investments		1.050	1.050
Deposits		475.886	198.156
Fixed asset investments	9	**476.936**	**3.245.768**
Fixed assets		**2.653.002**	**4.799.307**
Manufactured goods and goods for resale		56.118.973	37.515.285
Prepayments for goods		7.736.583	2.095.508
Inventories	10	**63.855.556**	**39.610.793**
Trade receivables		21.466.363	13.460.497
Receivables from group enterprises		2.113.644	0
Deferred tax	11	131.814	100.582
Other receivables		470.104	470.940
Prepayments	12	1.178.780	875.542
Receivables		**25.360.705**	**14.907.561**
Cash		**72.049.677**	**34.892.635**
Current assets		**161.265.938**	**89.410.989**
Assets		**163.918.940**	**94.210.296**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital		500.000	500.000
Retained earnings		77.543.367	30.731.083
Proposed dividend		30.000.000	25.000.000
Equity		**108.043.367**	**56.231.083**
Prepayments received from customers		100.000	236.581
Trade payables		53.614.527	34.887.760
Payables to shareholders and management		97.847	107.710
Joint taxation contribution payable		318.035	991.212
Other payables		1.745.164	1.755.950
Current liabilities other than provisions		**55.875.573**	**37.979.213**
Liabilities other than provisions		**55.875.573**	**37.979.213**
Equity and liabilities		**163.918.940**	**94.210.296**
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Assets charged and collateral	15		
Group relations	16		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	30.731.083	25.000.000	56.231.083
Ordinary dividend paid	0	0	(25.000.000)	(25.000.000)
Profit/loss for the year	0	46.812.284	30.000.000	76.812.284
Equity end of year	**500.000**	**77.543.367**	**30.000.000**	**108.043.367**

Notes

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	12.988.652	10.959.810
Pension costs	1.511.066	693.389
Other social security costs	264.737	246.163
Other staff costs	802.364	643.971
	15.566.819	**12.543.333**
Average number of employees	**27**	**27**

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

	2018 DKK	2017 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	18.648	13.988
Depreciation of property, plant and equipment	881.142	778.421
Profit/loss from sale of intangible assets and property, plant and equipment	2.213	0
	902.003	**792.409**

	2018 DKK	2017 DKK
3. Other financial income		
Financial income arising from group enterprises	69.548	46.562
Other interest income	164.464	123.500
Exchange rate adjustments	409.898	0
	643.910	**170.062**

Notes

	2018 DKK	2017 DKK
4. Other financial expenses		
Financial expenses from group enterprises	0	26.191
Other interest expenses	219.801	73.303
Exchange rate adjustments	174.548	141.525
Other financial expenses	0	106.660
	394.349	**347.679**

	2018 DKK	2017 DKK
5. Tax on profit/loss for the year		
Current tax	21.790.426	13.307.458
Change in deferred tax	(30.841)	229.940
Adjustment concerning previous years	(391)	(422)
	21.759.194	**13.536.976**

	2018 DKK	2017 DKK
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	30.000.000	25.000.000
Retained earnings	46.812.284	22.675.119
	76.812.284	**47.675.119**

	Acquired trademarks DKK	Goodwill DKK
7. Intangible assets		
Cost beginning of year	114.600	40.000
Cost end of year	**114.600**	**40.000**
Amortisation and impairment losses beginning of year	(53.988)	(40.000)
Amortisation for the year	(18.648)	0
Amortisation and impairment losses end of year	**(72.636)**	**(40.000)**
Carrying amount end of year	**41.964**	**0**

Notes

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

	Receivables from group enterprises DKK	Other investments DKK	Deposits DKK
9. Fixed asset investments			
Cost beginning of year	3.046.562	1.050	198.156
Additions	0	0	277.730
Disposals	(3.046.562)	0	0
Cost end of year	**0**	**1.050**	**475.886**
Carrying amount end of year	**0**	**1.050**	**475.886**

10. Inventories

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

Notes

	2018 DKK	2017 DKK
11. Deferred tax		
Intangible assets	2.882	733
Property, plant and equipment	105.467	76.384
Fixed asset investments	23.465	23.465
	131.814	**100.582**

Changes during the year		
Beginning of year	100.582	
Recognised in the income statement	31.232	
End of year	**131.814**	

12. Prepayments

Prepayments relate to various prepaid items.

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

14. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Kate Acquisition ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

15. Assets charged and collateral

The Entity's bank has a company mortgage on DKK 8.000k nominal. The mortgage are secured by inventories and trade receivables. Carrying amount of mortgaged assets are DKK85.322k.

Notes

16. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Kate Acquisition ApS, Kolding.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Kate Acquisition ApS, Kolding.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

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

Revenue

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Accounting policies

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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

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

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

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 4 years.

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

Accounting policies

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

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

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

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	2-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity investments measured at cost. Unlisted equity investments are written down to any lower net realisable value.

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

Cost consists of purchase price plus delivery costs.

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

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other financial liabilities

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

Prepayments received from customers

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

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Cash flow statement

A cash flow statement has not been included in the annual report as it is included in the cash flow statement in consolidated accounts presented by the parent company.