



Mos Mosh A/S

Ejlersvej 24
6000 Kolding
CVR No. 32933491

Annual report 2020

The Annual General Meeting adopted the
annual report on 03.03.2021

Kim Hyldahl

Chairman of the General Meeting

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Entity details

Entity

Mos Mosh A/S

Ejlersvej 24

6000 Kolding

CVR No.: 32933491

Registered office: Kolding

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Hans-Christian Ohrt, chairman

Kim Hyldahl

David Skjødt, vice-chairman

Executive Board

Kim Hyldahl

Thomas Fogh Schwartz, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Egtved Allé 4

6000 Kolding

Statement by Management

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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, 26.01.2021

Executive Board

Kim Hyldahl

Thomas Fogh Schwartz
CEO

Board of Directors

Hans-Christian Ohrt
chairman

Kim Hyldahl

David Skjødt
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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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:

- 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.

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, 26.01.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Morten Gade Steinmetz

State Authorised Public Accountant
Identification No (MNE) mne34145

Lars Dam Østergaard

State Authorised Public Accountant
Identification No (MNE) mne34501

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	412,521	448,766	391,854	276,149	162,286
Gross profit/loss	107,952	130,242	114,791	74,725	43,963
Operating profit/loss	85,824	112,196	98,322	61,390	31,766
Net financials	(1,528)	(55)	250	(178)	(158)
Profit/loss for the year	65,720	87,400	76,812	47,675	24,382
Total assets	172,072	167,698	163,916	94,210	46,986
Investments in property, plant and equipment	1,398	1,699	1,597	761	0
Equity	127,163	105,443	108,043	56,231	13,138
Ratios					
Gross margin (%)	26.17	29.02	29.29	27.06	27.09
EBIT margin (%)	20.80	25.00	25.09	22.23	19.57
Net margin (%)	15.93	19.48	19.60	17.26	15.02
Return on equity (%)	56.51	81.88	93.52	137.45	371.16
Equity ratio (%)	73.90	62.88	65.91	59.69	27.96

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

Gross profit/loss * 100

Revenue

EBIT margin (%):

Operating profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

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

Development in activities and finances

The net revenue is DKK 412.521k, which is below the expectation going into 2020. The restrictions and lockdowns around Europe caused by the COVID 19 pandemic has affected the activities notably. In this way it was not possible to grow turnover and gross profit as expected before COVID-19.

The negative impact has however been less comprehensive for MOS MOSH than feared and we attribute this to a very close and mutual loyal relationship with our customers and the strength of our brand among the consumers.

In March 2020, we took a strategic initiative to support our customers through the first COVID-19 wave by providing extended payment terms and by giving extraordinary discounts. This strategic initiative has reduced our gross margin in 2020 but equivalently improved it at our customers.

The profit after tax for the year amounted to DKK 65.720k.
Given the situation, the management is overall satisfied with the results of 2020.

Outlook

Our orderbook is record high and our men's brand MOS MOSH Gallery has met our expectations and we see the reception in the market that we hope for, when introducing the brand in Autumn 2020.

Despite the uncertain situation, we expect a solid growth in 2021 but the result of 2021 is depending on the development of the COVID 19 pandemic.

Particular risks

No special risks are deemed to exist.

The majority of both our purchase and our sales are made in euro. This minimizes risk of fluctuation.

Trading is based on a thorough evaluation of creditworthiness which include the ability to achieve insurance coverage. The risk of loss on receivables is hereby controlled and limited.

Intellectual capital resources

The company's most critical resources include the skills and knowledge of the employees. Thus, the company continually strive to stay attractive for the employees.

Statutory report on corporate social responsibility

Introduction

At Mos Mosh we take our social responsibility seriously. It is an integrated part of how we are doing business from our headquarters in Kolding, and towards suppliers and business partners, who reside mainly in Europe. Our main business activities consist of development, manufacturing, sale and distribution of fashion clothing. The company has dedicated 34 dedicated employees in 2020.

We have established four principles guiding our work.

Fairness

The love for what we do and the respect for the people who are involved in our organization, is what makes Mos Mosh truly unique - all the way from production to final product. Our factories adhere to an ethical Code of Conduct, that ensures fair wages and working conditions for anyone involved in the production of our collections.

Responsibility

We source and use high quality fabrics and fibers including those which are considered to be less impactful on our environment. We do our best to stay in the loop regarding new, sustainable initiatives and opportunities and we understand the importance of being innovative and acting regarding a less impactful fashion future.

Lasting quality

We believe in good craftsmanship, lasting quality, and innovative designs that our customers can love for years to come. Perfect fits, luxurious fabrics and a love for the small details are what define our collections.

Sustainability

About 85 % of our garments are produced within Europe. This means we are able to meet high quality standards and legislation within the field of sustainability and ethics in the production compared to conventional means. Keeping our production close to us also means less resources spent in transportation context.

Principal risks and their management

Our company is committed to avoiding and addressing adverse impacts on the basic principles for social, environmental, and economic development that we cause, contribute to, or are linked to via our business relationships. As the principal risk areas, we have identified:

- the risk of human and labor rights not being fully protected in our supply chain,
 - the risk of a negative impact on the environment and climate especially in relation to our sourcing of cotton, which is our main resource material for our production.
 - the risk of our business partners not acting with sufficient integrity and avoiding contributing to bribery,
 - the risk of our contribution to negative impact on animal welfare in the materials which we source.
- In the sections below, we have outlined how we work to avoid and mitigate these risks.

Policies

Our policies are written down in our Code of Conduct which was established in February 2019. The policies are embedded in the way we work at Mos Mosh and apply to our suppliers through the Code of Conduct.

The Code of Conduct is based on the ten principles of the UN Global Compact and is aligned with the UN Guiding Principles of Business and Human Rights. The Code encompasses

- human rights/labor rights
- environment
- anti-corruption
- animal welfare

The main requirements to our suppliers in the Code of Conduct is to

- 1) Establish a policy covering the policy topics, integrate it in business processes and towards sub-suppliers,

- 2) Perform due diligence processes to prevent and mitigate possible adverse impacts, and
- 3) Provide access to remedy.

We see the Code of Conduct as a tool for cooperation and dialogue about improving systems to manage adverse impacts on the topics covered. We know that establishing the required processes outlined in this Code of Conduct requires both time and resources; both in our own operations and with our suppliers. However, we expect our suppliers to follow the code, and we have reserved the right to monitor and audit compliance.

Actions

Code of conduct implementation in the supplier relation

Our collaboration with suppliers of fabric, garments etc. to our clothing is characterized by long term relationships in which we rely on a selected number of suppliers. This means that the suppliers know our values well. Since the publication of our Code of Conduct, we have distributed it to our suppliers and all of them have signed it. Should we onboard new suppliers, they will be asked to sign the Code of Conduct as well. Our following up on compliance will be an integrated part of future supplier visits and dialogue.

Sustainable fibers

First of all, we believe that good quality and timeless pieces are the baseline for sustainable fashion. At Mos Mosh we create products that lives up to our customers' requirements in regard to quality and sustainability, while still meeting their need for fashionable items.

We have for a long time been using sustainable materials, and we are constantly searching for new sustainable fabric options when setting up our next collections. This means that we are using organic cotton, EcoVero, Lyocel and recycled polyester and polyamide, recycled postconsumer cotton, Responsible Down amongst other in our collections. We are furthermore working on increasing the share of 'more sustainable cotton' including Better Cotton, Organic Cotton and Recycled Cotton.

This means that we are increasing the number of styles containing better and more sustainable fibers. This year we have worked hard to be able to back this info with solid data and to categorize this data into a more transparent overview.

We have categorized the fibers we used into black, red, orange, yellow and green. Where black is fibers, that we are not using and the red and orange are fibers we wish to move away from. Most conventional fibers, meaning fibers, where we have not made an effort towards sustainability is placed in Orange and Red and then the more sustainable alternatives are categorized as yellow and green. Yellow is ok to use and for green – an extra effort has been made towards a more sustainable fiber. The categorization of the fibers is based on an environmental concern.

When we measure the number of sustainable fibers used currently, we know that:
55% of the fibers from everything we produced were made from fibers in the Green and Yellow part of our classification of sustainable fibers.

Our main leather supplier has the Certificate of LWG (leather working group) This certificate is specially inspected only for LEATHER TANNERIES. Our tannery is a Top Gold rated audited which contains the origin of animals, their environment, social complaint of the tannery and working conditions. We also use recyclable plastics in all our polybags from end 2019.

We want our customers to make sustainable choices as well. To make that easier for them, we have added text

and symbols on all sustainable products. Furthermore, we are adding a hangtag on all our sustainable products to shortly inform about the sustainable initiatives taken on that specific garment. We believe that by contributing with information to buyers and consumers, our initiatives will have a larger impact.

Results in 2020

We believe that the efforts done in 2020 has contributed to strengthening our work and profile as a sustainable company. Examples of what we have accomplished in 2020 are:

- A complete mapping of all our Tier 1 suppliers and their audits has been gathered
- We have gathered all data on our fiber consumption and grouped these according our sustainability assessment. Visualizing our sustainability measured on fiber consumption.
55% of our fiber consumption in 2020 was sustainable.
- We have held internal training to strengthen the knowledge of the sustainable parameters, such as fiber properties and environmental issues.
- A Q&A and small dictionary has been developed to improve internal and external communication in sustainability-
- A fiber strategi is completed, setting targets for 2023 and 2026 fiber consumption in relation to sustainability.
- Certification of GOTS, RWS and GRS has been initiated.
- 76% of our cotton sourced in 2020 was "more sustainable cotton". "More sustainable cotton" includes Better Cotton, Organic Cotton or Recycled Cotton.' This was an increase from approximately 25% in 2019.
- New washing houses from our main denim supplier's denim is completed.

Expectations for 2021

In general, we will strive to further develop, implement and professionalize our work in this field within our own company and towards suppliers. More specifically, we have set the following goals for 2021:

- A thorough strategy concerning sustainability will be completed. And communicated in different channels.
- 90% of our cotton sourced will be 'more sustainable cotton' by 2021,
- 69% sustainable fibers 2023 as a three-year target will also affect the sustainable fiber consumption in 2021.
- Certification GOTS, RWS and GRS will be completed, and a group of styles will be made in these with these certifications.
- A complete test and audit program will be implemented.
- We will be mapping our packing-material consumption and from that describe a strategy.

- We will map our CO2 emission.

Statutory report on the underrepresented gender

The company's Board of Directors consisted of 3 members, all male, in 2020. The board has set a target of having at least one female member of the board by end 2020 which has not been accomplished. The wish to have both gender represented in the Board of Directors is however still relevant and the intention is to achieve this by expanding the Board of Directors in 2021.

Since the company has less than 50 employees, we have chosen not to establish a policy for the underrepresented gender in the other management levels.

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 2020

	Notes	2020 DKK	2019 DKK
Revenue	1	412,520,526	450,571,998
Other operating income	2	661,766	0
Cost of sales		(286,229,628)	(298,057,534)
Other external expenses		(19,001,159)	(22,272,381)
Gross profit/loss		107,951,505	130,242,083
Staff costs	3	(20,385,792)	(16,603,952)
Depreciation, amortisation and impairment losses	4	(1,741,247)	(1,442,455)
Operating profit/loss		85,824,466	112,195,676
Other financial income	5	743,781	698,980
Other financial expenses	6	(2,272,221)	(753,712)
Profit/loss before tax		84,296,026	112,140,944
Tax on profit/loss for the year	7	(18,576,137)	(24,740,951)
Profit/loss for the year	8	65,719,889	87,399,993

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Acquired intangible assets		991,252	362,313
Acquired trademarks		0	23,316
Goodwill		0	0
Intangible assets	9	991,252	385,629
Other fixtures and fittings, tools and equipment		1,187,893	1,347,067
Leasehold improvements		1,240,358	1,062,458
Property, plant and equipment	10	2,428,251	2,409,525
Other investments		1,050	1,050
Deposits		524,708	478,786
Financial assets	11	525,758	479,836
Fixed assets		3,945,261	3,274,990
Manufactured goods and goods for resale		49,509,388	64,643,079
Prepayments for goods		5,866,465	11,222,992
Inventories	12	55,375,853	75,866,071
Trade receivables		22,076,627	24,118,332
Deferred tax	13	125,695	185,447
Other receivables		71,235	255,380
Joint taxation contribution receivable		2,037,615	0
Prepayments	14	378,962	1,295,065
Receivables		24,690,134	25,854,224
Cash		88,060,389	62,702,739
Current assets		168,126,376	164,423,034
Assets		172,071,637	167,698,024

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		500,000	500,000
Retained earnings		170,663,249	104,943,360
Proposed extraordinary dividend		(44,000,000)	0
Equity		127,163,249	105,443,360
Other payables		1,780,571	577,370
Non-current liabilities other than provisions	15	1,780,571	577,370
Prepayments received from customers		100,000	90,000
Trade payables		38,781,502	58,176,599
Payables to group enterprises		1,986,619	318,363
Joint taxation contribution payable		0	1,668,584
Other payables		2,259,696	1,423,748
Current liabilities other than provisions		43,127,817	61,677,294
Liabilities other than provisions		44,908,388	62,254,664
Equity and liabilities		172,071,637	167,698,024
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Group relations	19		

Statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	500,000	104,943,360	0	105,443,360
Extraordinary dividend paid	0	0	(44,000,000)	(44,000,000)
Profit/loss for the year	0	65,719,889	0	65,719,889
Equity end of year	500,000	170,663,249	(44,000,000)	127,163,249

Notes

1 Revenue

	2020 DKK
DACH area	190,733,312
Scandinavia area	126,826,902
Benelux area	39,761,701
Other countries	55,198,611
Total revenue by geographical market	412,520,526

2 Other operating income

Other operating income relates to salary compensation received as a result of the COVID19.

3 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	17,473,504	13,742,944
Pension costs	1,982,064	1,743,196
Other social security costs	304,246	249,127
Other staff costs	625,978	868,685
	20,385,792	16,603,952

Average number of full-time employees	34	31
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	Remuneration of management 2020 DKK	Remuneration of management 2019 DKK
Board of Directors	250,000	242,346
	250,000	242,346

Apart from staff cost a management fee of DKK 1,872k is paid to parent company Kate Acquisition for management services. This amount is recognized as other external expenses.

4 Depreciation, amortisation and impairment losses

	2020	2019
	DKK	DKK
Amortisation of intangible assets	361,783	18,648
Depreciation of property, plant and equipment	1,379,464	1,423,807
	1,741,247	1,442,455

5 Other financial income

	2020	2019
	DKK	DKK
Financial income from group enterprises	0	9,163
Other interest income	285,906	175,125
Exchange rate adjustments	457,875	514,692
	743,781	698,980

6 Other financial expenses

	2020	2019
	DKK	DKK
Other interest expenses	389,574	376,765
Exchange rate adjustments	1,882,647	376,947
	2,272,221	753,712

7 Tax on profit/loss for the year

	2020	2019
	DKK	DKK
Current tax	18,516,385	24,794,584
Change in deferred tax	59,752	(53,633)
	18,576,137	24,740,951

8 Proposed distribution of profit and loss

	2020	2019
	DKK	DKK
Extraordinary dividend distributed in the financial year	44,000,000	0
Retained earnings	21,719,889	87,399,993
	65,719,889	87,399,993

9 Intangible assets

	Acquired intangible assets DKK	Acquired trademarks DKK	Goodwill DKK
Cost beginning of year	362,313	114,600	40,000
Additions	967,406	0	0
Cost end of year	1,329,719	114,600	40,000
Amortisation and impairment losses beginning of year	0	(91,284)	(40,000)
Amortisation for the year	(338,467)	(23,316)	0
Amortisation and impairment losses end of year	(338,467)	(114,600)	(40,000)
Carrying amount end of year	991,252	0	0

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	4,795,510	2,139,396
Additions	633,550	764,640
Cost end of year	5,429,060	2,904,036
Depreciation and impairment losses beginning of year	(3,448,443)	(1,076,938)
Depreciation for the year	(792,724)	(586,740)
Depreciation and impairment losses end of year	(4,241,167)	(1,663,678)
Carrying amount end of year	1,187,893	1,240,358

11 Financial assets

	Other investments DKK	Deposits DKK
Cost beginning of year	1,050	478,786
Additions	0	45,922
Cost end of year	1,050	524,708
Carrying amount end of year	1,050	524,708

12 Inventories

	2020 DKK	2019 DKK
Manufactured goods and goods for resale	25.801.720	34.769.846
Manufactured goods along the way	23.707.669	29.873.233
Prepayments for goods	5.866.465	11.222.992
	55.375.853	75.866.071

13 Deferred tax

	2020	2019
	DKK	DKK
Intangible assets	(211,907)	(75,069)
Property, plant and equipment	314,137	237,051
Financial assets	23,465	23,465
Deferred tax	125,695	185,447

	2020	2019
	DKK	DKK
Changes during the year		
Beginning of year	185,447	131,814
Recognised in the income statement	(59,752)	53,633
End of year	125,695	185,447

Deferred tax consists of differences between accounting and tax values.

14 Prepayments

Prepayments relate to various prepaid items.

15 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Other payables	1,780,571
	1,780,571

16 Unrecognised rental and lease commitments

	2020	2019
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	6,088,829	6,988,162

17 Contingent liabilities

	2020	2019
	DKK	DKK
Other contingent liabilities	4,822,473	1,018,964
Contingent liabilities	4,822,473	1,018,964

Other contingent liabilities consists of letters of credit in Sydbank A/S.

The Entity participates in a Danish joint taxation arrangement where 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 jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18 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 DKK 77.453 k.

19 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 (large).

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

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and 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 or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and 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 or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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 group enterprises. 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 fair value of assets and liabilities arising from acquisitions. 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 has been 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. Useful lives are reassessed annually. The amortisation periods used are 4 years.

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

Intellectual property rights etc

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

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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. development process are recognised in cost based on time spent on each asset.

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
Leasehold improvements	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.

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date, and nlisted equity investments measured at the lower of cost and 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.

Receivables

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

Deferred tax

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

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for 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.

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.

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 Kate Acquisition ApS.