Grant Thornton

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Hobbii A/S

Fjeldhammervej 19, 2610 Rødovre

Company reg. no. 36 90 95 87

Annual report

1 July 2019 - 30 June 2020

The annual report was submitted and approved by the general meeting on the 29 October 2020.

Jens Reimer Olesen
Chairman of the meeting

Contents

Notes:

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

Management's report

Today, the board of directors and the managing director have presented the annual report of Hobbii A/S for the financial year 1 July 2019 - 30 June 2020 of Hobbii A/S.

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

We consider the accounting policies appropriate and, in our opinion, the consolidated financial statements and the financial statements provide a fair presentation of the assets, equity and liabilities, and the financial position, consolidated and for the company, respectively, at 30 June 2020, and of the result of the activities, consolidated and of the company, respectively, during the financial year 1 July 2019 – 30 June 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Rødovre, 29 October 2020

Managing Director

Jeppe Kallesøe Odefey

Board of directors

Jens Reimer Olesen	Morten Petersen	Jonas Reeh Petersen
Klavs Pedersen	Filip Domagala	

Independent auditor's report

To the shareholders of Hobbii A/S

Opinion

We have audited the consolidated financial statements and the financial statements of Hobbii A/S for the financial year 1 July 2019 to 30 June 2020, which comprise income statement, statement of financial position, statement of changes in equity and notes, including accounting policies, consolidated and of the company, respectively and consolidated statement af cash flows. The consolidated financial statements and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the financial statements present a fair view of the assets, equity and liabilities, and financial position, consolidated and of the company, respectively, at 30 June 2020 and of the results of the company's activities, consolidated and of the company, respectivelyand of consolidated cash flows , for the financial year 1 July 2019 - 30 June 2020 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 section "Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the consolidated financial statements and the financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the financial statements, 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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 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 and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's preparation of the consolidated financial statements and the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on 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 financial statements and 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and contents of the consolidated financial statements and the financial statements, including disclosures in notes, and whether the consolidated financial statements and the financial statements reflect the underlying transactions and events in a manner that presents a 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 financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary.

Independent auditor's report

Our opinion on the consolidated financial statements and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the consolidated financial statements or the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management commentary is consistent with the consolidated financial statements and the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 29 October 2020

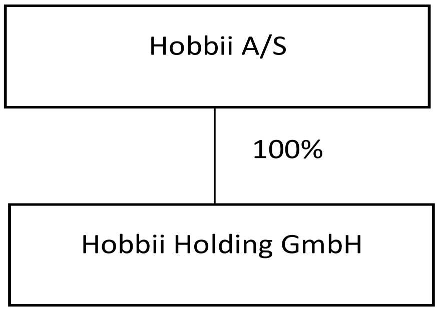
Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Jan Tønnesen	Casper Christiansen
State Authorised Public Accountant	State Authorised Public Accountant
mne9459	mne44100

Company information

The company	Hobbii A/S Fjeldhammervej 19 2610 Rødovre	
	Company reg. no.	36 90 95 87
	Established:	28 May 2015
	Domicile:	Rødovre
	Financial year:	1 July - 30 June
Board of directors	Jens Reimer Olesen Morten Petersen Jonas Reeh Petersen Klavs Pedersen Filip Domagala	
Managing Director	Jeppe Kallesøe Odefey	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Subsidiary	Hobbii Holding GmbH, Hamburg	

Group chart



Consolidated financial highlights

DKK in thousands.	2019/20	2018/19
Income statement:		
Gross profit	72.557	32.571
Profit from ordinary operating activities	20.054	5.084
Net financials	-3.375	-1.393
Net profit or loss for the year	13.114	2.941
Statement of financial position:		
Balance sheet total	77.599	36.980
Investments in property, plant and equip-ment	8.102	2.517
Equity	23.034	6.998
Cash flows:		
Operating activities	11.717	6.306
Investing activities	-11.453	-4.908
Financing activities	2.922	0
Total cash flows	3.186	1.399
Employees:		
Average number of full-time employees	121	67
Key figures in %:		
Acid test ratio	124,2	96,4
Solvency ratio	29,7	18,9

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

Management commentary

The principal activities of the group

The purpose of the group is to sell yarn and accessories for the knitting and crocheting community via ecommerce and retail stores.

Development in activities and financial matters

The group and parent companies gross profit for the year totals tDKK 72.557. Net profit for the year totals tDKK 13.114.

Overall, the strategic agenda of the group is being followed, in both commercial and operational aspects. The growth is according to the expectations, however positively impacted in the last quarter of the corona pandemic. Recently, a holding company in Germany has been established with the purpose of exploring further business opportunities in the market.

At the end of the year a new lease agreement was signed on a warehouse, enabling the continuous development of the group. The implementation is expected to commence during Q1 of the coming fiscal year.

Overall management is satisfied with the annual result and expect growth in the next financial year.

Risks

The corona pandemic has had a positive impact on ecommerce sales in the months of March, April, May and June. The retail stores have been negatively impacted as the Odense store was not allowed to open and significant precautions have been taken in the others, reducing sales. The impact of corona going forward is expected to be limited in terms of sales. The risk due to the opening of the retail stores, is closely monitored and has been catered for in the strategy.

Due to growth and corona, shortage in supply has been experienced from factories in Far East and Europe. This has impacted the result negatively and is expected to do the same in the following year.

Income statement 1 July - 30 June

All amounts in DKK.

		Group		Parent	
Note		2019/20	2018/19	2019/20	2018/19
	Gross profit	**72.557.122**	**32.571.427**	**72.557.122**	**32.571.427**
2	Staff costs	-49.379.493	-26.676.053	-49.379.493	-26.676.053
	Depreciation, amortisation, and impairment	-3.124.040	-811.522	-3.124.040	-811.522
	Operating profit	**20.053.589**	**5.083.852**	**20.053.589**	**5.083.852**
	Other financial income	1.040.751	54.556	1.040.751	54.556
3	Other financial costs	-4.415.799	-1.447.839	-4.415.799	-1.447.839
	Pre-tax net profit or loss	**16.678.541**	**3.690.569**	**16.678.541**	**3.690.569**
4	Tax on net profit or loss for the year	-3.564.739	-749.386	-3.564.739	-749.386
5	**Net profit or loss for the year**	**13.113.802**	**2.941.183**	**13.113.802**	**2.941.183**
	Break-down of the consolidated profit or loss:				
	Shareholders in Hobbii A/S	13.113.802	2.941.183		
		13.113.802	**2.941.183**		

Statement of financial position at 30 June

All amounts in DKK.

Assets

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Non-current assets				
6	Completed development projects, including patents and similar rights arising from development projects	3.936.793	162.137	3.936.793	162.137
7	Concessions, patents, licenses, trademarks, and similar rights acquired	106.716	0	106.716	0
8	Development projects in progress and prepayments for intangible assets	3.161.797	3.848.923	3.161.797	3.848.923
	Total intangible assets	7.205.306	4.011.060	7.205.306	4.011.060
9	Other fixtures and fittings, tools and equipment	6.884.303	810.235	6.884.303	810.235
10	Property, plant, and equipment under construction including pre-payments for property, plant, and equipment	0	1.114.303	0	1.114.303
11	Leasehold improvements	1.529.448	1.542.694	1.529.448	1.542.694
	Total property, plant, and equipment	8.413.751	3.467.232	8.413.751	3.467.232
12	Equity investments in group enterprises	0	0	186.315	0
13	Deposits	1.765.524	1.003.085	1.765.524	1.003.085
	Total investments	1.765.524	1.003.085	1.951.839	1.003.085
	Total non-current assets	**17.384.581**	**8.481.377**	**17.570.896**	**8.481.377**

Statement of financial position at 30 June

All amounts in DKK.

Assets

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Current assets				
	Manufactured goods and goods for resale	33.834.291	17.022.627	33.834.291	17.022.627
	Prepayments for goods	4.380.306	2.253.119	4.380.306	2.253.119
	Total inventories	38.214.597	19.275.746	38.214.597	19.275.746
	Trade receivables	3.569.443	3.955.987	3.569.443	3.955.987
	Income tax receivables	350.013	350.013	350.013	350.013
	Other receivables	353.698	167.764	353.698	167.764
14	Prepayments and accrued income	664.434	487.319	664.434	487.319
	Total receivables	4.937.588	4.961.083	4.937.588	4.961.083
	Cash on hand and demand deposits	17.061.737	4.261.801	17.061.737	4.261.801
	Total current assets	**60.213.922**	**28.498.630**	**60.213.922**	**28.498.630**
	Total assets	**77.598.503**	**36.980.007**	**77.784.818**	**36.980.007**

Statement of financial position at 30 June

All amounts in DKK.

Equity and liabilities

		Group		Parent	
Note		2020	2019	2020	2019
	Equity				
15	Contributed capital	1.000.000	62.500	1.000.000	62.500
	Reserve for development costs	5.536.901	3.128.627	5.536.901	3.128.627
	Retained earnings	16.496.929	3.806.714	16.496.929	3.806.714
	Equity before non-controlling interest.	23.033.830	6.997.841	23.033.830	6.997.841
	Total equity	**23.033.830**	**6.997.841**	**23.033.830**	**6.997.841**
	Provisions				
16	Provisions for deferred tax	1.798.583	415.386	1.798.583	415.386
	Total provisions	**1.798.583**	**415.386**	**1.798.583**	**415.386**

Statement of financial position at 30 June

All amounts in DKK.

Equity and liabilities

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Liabilities other than provisions				
	Income tax payable	2.181.542	0	2.181.542	0
	Other payables	2.113.435	0	2.113.435	0
17	Total long term liabilities other than provisions	4.294.977	0	4.294.977	0
	Bank loans	15.615.425	6.001.690	15.615.425	6.001.690
	Trade payables	25.110.235	21.400.449	25.110.235	21.400.449
	Debt to group enterprises	0	0	186.315	0
	Other payables	7.745.453	2.164.641	7.745.453	2.164.641
	Total short term liabilities other than provisions	48.471.113	29.566.780	48.657.428	29.566.780
	Total liabilities other than provisions	**52.766.090**	**29.566.780**	**52.952.405**	**29.566.780**
	Total equity and liabilities	**77.598.503**	**36.980.007**	**77.784.818**	**36.980.007**

1 Accounting policies
18 Charges and security
19 Contingencies

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital not paid	Reserve for development costs	Retained earnings	Total
Equity 1 July 2018	62.500	1.404.000	2.590.158	4.056.658
Profit or loss for the year brought forward	0	0	2.941.183	2.941.183
Transferred to reserve for development costs	0	1.724.627	-1.724.627	0
Equity 1 2019	62.500	3.128.627	3.806.714	6.997.841
Cash capital increase	663	0	0	663
Profit or loss for the year brought forward	0	0	13.113.802	13.113.802
Transferred from results brought forward	0	2.408.274	-2.408.274	0
Transferred from distributed reserves	936.837	0	-936.837	0
Share premium	0	0	2.921.649	2.921.649
Exchange rate adjustments	0	0	-125	-125
	1.000.000	**5.536.901**	**16.496.929**	**23.033.830**

Statement of changes in equity of the parent

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity 1 July 2018	62.500	1.404.000	2.590.158	4.056.658
Profit or loss for the year brought forward	0	0	2.941.183	2.941.183
Transferred from results brought forward	0	1.724.627	0	1.724.627
Transferred to reserve for development costs	0	0	-1.724.627	-1.724.627
Equity 1 July 2019	62.500	3.128.627	3.806.714	6.997.841
Cash capital increase	663	0	0	663
Profit or loss for the year brought forward	0	0	13.113.802	13.113.802
Transferred from results brought forward	0	2.408.274	0	2.408.274
Transferred from distributed reserves	936.837	0	0	936.837
Transferred to reserve for development costs	0	0	-2.408.274	-2.408.274
Transferred to contributed capital	0	0	-936.837	-936.837
Share premium	0	0	2.921.649	2.921.649
Exchange rate adjustments	0	0	-125	-125
	1.000.000	**5.536.901**	**16.496.929**	**23.033.830**

Statement of cash flows 1 July - 30 June

All amounts in DKK.

Note		Group 2019/20	2018/19
	Net profit or loss for the year	13.113.802	2.941.183
20	Adjustments	10.251.988	3.017.335
21	Change in working capital	-8.273.763	1.741.186
	Cash flows from operating activities before net financials	15.092.027	7.699.704
	Interest received, etc.	1.040.627	54.556
	Interest paid, etc.	-4.415.799	-1.447.839
	Cash flows from ordinary activities	11.716.855	6.306.421
	Cash flows from operating activities	**11.716.855**	**6.306.421**
	Purchase of intangible assets	-4.276.623	-2.554.588
	Purchase of tangible assets	-7.176.343	-2.517.356
	Sale of tangible assets	0	164.361
	Cash flows from investment activities	**-11.452.966**	**-4.907.583**
	Cash capital increase	2.922.312	0
	Cash flows from investment activities	**2.922.312**	**0**
	Change in cash and cash equivalents	**3.186.201**	**1.398.838**
	Cash and cash equivalents at 1 July 2019	-1.739.889	-3.138.726
	Cash and cash equivalents at 30 June 2020	**1.446.312**	**-1.739.888**

	2019/20	2018/19
Cash and cash equivalents		
Cash on hand and demand deposits	17.061.737	4.261.802
Short-term bank loans	-15.615.425	-6.001.690
Cash and cash equivalents at 30 June 2020	**1.446.312**	**-1.739.888**

Notes

1. Accounting policies

The annual report for Hobbii A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the group and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the group and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets and other nonmonetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

Notes

1. Accounting policies (continued)

If the foreign group enterprises and associates meet the criteria for independent entities, their income statements are translated using an average exchange rate for the period in question and the balance sheet items are translated using the closing rate. Differences arising from translating the equity of foreign group enterprises at the beginning of the year using the closing rate are recognised directly in equity. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Translation adjustment of balances with foreign group enterprises considered part of the total investment in group enterprises are recognised directly in equity. Likewise, foreign exchange gains and losses on loans and derivatives for the currency hedging of independent foreign group enterprises are recognised directly in equity.

The consolidated financial statements

The consolidated income statements comprise the parent company Hobbii A/S and those group enterprises of which Hobbii A/S directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control. According to the group overview, enterprises in which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not dominant, control are considered associates.
In the consolidation process, intercompany income and expenses, shareholding, intercompany balances and dividends, and realised and unrealised profit and loss derived from transactions among the consolidated enterprises will be eliminated.

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

Positive balances (goodwill) between cost and fair value of acquired identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible assets and, based on individual assessment, systematically amortised in the income statement over their remaining useful economic lives. Negative balances (negative goodwill) are recognised as income in the income statement on the date of acquisition providing the general requirements for recognition of income are met.

Non-controlling interests

The items of the group enterprises are fully recognised in the consolidated financial statement. The proportionate share of non-controlling interests as regards the profit and equity of the group enterprises are adjusted annually and presented as a separate item at the end of the income statement and as a separate item under equity, respectively.

Notes

1. Accounting policies (continued)

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of finished goods less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses 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 income statement with the amounts concerning the financial year.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Notes

1. Accounting policies (continued)

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisations directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 3 years.

Purchased rights

Purchased rights is measured at cost with deduction of accumulated amortisation. Purchased rights is amortised on a straight-line basis over the estimated financial life which is 5 years.

Property, plant, and equipment

Other equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less 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 carrying amount, the depreciation is discontinued.

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

The cost comprises acquisition cost and costs directly associated with 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 when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Notes

1. Accounting policies (continued)

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leasehold improvements

Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 5 years.

Investments

Equity in group enterprises

Equity in group enterprises recognised in the statement of financial position as a proportional share of the enterprise's equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprises with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent's share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

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

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Profit or loss in connection with the disposal of group enterprises are measured as the difference between the sales amount and the carrying amount of net assets at the time of sale, inclusive of remaining consolidated goodwill and expected costs of sale or liquidation. Profit and loss are recognised in the income statement under net financials.

For the acquisition of new group enterprises, the purchase 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 pre-determined restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of revaluations is taken into consideration.

Notes

1. Accounting policies (continued)

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 are amortised over their estimated useful economic life. The useful life is determined on the basis of management's experience in the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a longterm earnings potential. The carrying amount of goodwill is subject to impairment tests on a continuing basis and written down in the income statement in those cases when the carrying amount exceeds the expected future net income from the enterprise or the activity to which the goodwill is attached.

Deposits

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

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries 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 for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount 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 derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

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

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Notes

1. Accounting policies (continued)

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

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

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with 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 receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

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

Notes

1. Accounting policies (continued)

Statement of cash flows

The statement of cash flows shows group cash flows for the year divided into cash flows derived from operating activities, investment activities, and financing activities, respectively, changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year, respectively.

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit or loss for the year adjusted for noncash operating items, changes in the working capital, and income tax paid.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and associated costs. Furthermore, cash flows comprise borrowings, repayments of interest-bearing payables, and payments of dividend to the shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits less shortterm bank loans and shortterm financial instruments with a term of less than 3 months which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.

Notes

All amounts in DKK.

		Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
2.	**Staff costs**				
	Salaries and wages	47.536.381	25.744.093	47.536.381	25.744.093
	Pension costs	966.905	364.110	966.905	364.110
	Other costs for social security	876.207	567.850	876.207	567.850
		49.379.493	**26.676.053**	**49.379.493**	**26.676.053**
	Executive board and board of directors	3.508.090	2.516.429	3.508.090	2.516.429
	Average number of employees	121	67	121	67

The incentive program for the Executive Board and senior executives in the Group has the opportunity to subscribe for new shares up to 0.39% of the current share capital. The price for the redemption of the shares is determined in connection with the subscription of shares.

		Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
3.	**Other financial costs**				
	Other financial costs	4.415.799	1.447.839	4.415.799	1.447.839
		4.415.799	**1.447.839**	**4.415.799**	**1.447.839**

		Group 2019/20	Group 2018/19	Parent 2019/20	Parent 2018/19
4.	**Tax on net profit or loss for the year**				
	Tax of the results for the year, parent company	2.181.542	0	2.181.542	0
	Adjustment for the year of deferred tax	1.383.197	749.386	1.383.197	749.386
		3.564.739	**749.386**	**3.564.739**	**749.386**

Notes

All amounts in DKK.

		Parent 2019/20	Parent 2018/19
5.	**Proposed appropriation of net profit**		
	Transferred to retained earnings	13.113.802	2.941.183
	Total allocations and transfers	**13.113.802**	**2.941.183**

		Group		Parent	
		30/6 2020	30/6 2019	30/6 2020	30/6 2019
6.	**Completed development projects, including patents and similar rights arising from development projects**				
	Cost 1 July 2019	166.770	0	166.770	0
	Additions during the year	4.851.416	166.770	4.851.416	166.770
	Disposals during the year	-531.172	0	-531.172	0
	Cost 30 June 2020	**4.487.014**	**166.770**	**4.487.014**	**166.770**
	Amortisation and writedown 1 July 2019	-4.633	0	-4.633	0
	Amortisation for the year	-545.588	-4.633	-545.588	-4.633
	Amortisation and writedown 30 June 2020	**-550.221**	**-4.633**	**-550.221**	**-4.633**
	Carrying amount, 30 June 2020	**3.936.793**	**162.137**	**3.936.793**	**162.137**

Notes

All amounts in DKK.

		Group		Parent	
		30/6 2020	30/6 2019	30/6 2020	30/6 2019
7.	**Concessions, patents, licenses, trademarks, and similar rights acquired**				
	Additions during the year	112.333	0	112.333	0
	Cost 30 June 2020	**112.333**	**0**	**112.333**	**0**
	Amortisation for the year	-5.617	0	-5.617	0
	Amortisation and writedown 30 June 2020	**-5.617**	**0**	**-5.617**	**0**
	Carrying amount, 30 June 2020	**106.716**	**0**	**106.716**	**0**

		Group		Parent	
		30/6 2020	30/6 2019	30/6 2020	30/6 2019
8.	**Development projects in progress and prepayments for intangible assets**				
	Cost 1 July 2019	3.848.923	1.800.000	3.848.923	1.800.000
	Additions during the year	4.164.290	2.387.818	4.164.290	2.387.818
	Disposals during the year	-4.851.416	-338.895	-4.851.416	-338.895
	Cost 30 June 2020	**3.161.797**	**3.848.923**	**3.161.797**	**3.848.923**
	Carrying amount, 30 June 2020	**3.161.797**	**3.848.923**	**3.161.797**	**3.848.923**

Notes

All amounts in DKK.

		Group		Parent	
		30/6 2020	30/6 2019	30/6 2020	30/6 2019
9.	**Other fixtures and fittings, tools and equipment**				
	Cost 1 July 2019	1.145.337	443.557	1.145.337	443.557
	Additions during the year	7.610.196	765.014	7.610.196	765.014
	Disposals during the year	0	-63.234	0	-63.234
	Cost 30 June 2020	**8.755.533**	**1.145.337**	**8.755.533**	**1.145.337**
	Amortisation and writedown 1 July 2019	-335.102	-122.913	-335.102	-122.913
	Depreciation for the year	-1.536.128	-235.676	-1.536.128	-235.676
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	23.487	0	23.487
	Amortisation and writedown 30 June 2020	**-1.871.230**	**-335.102**	**-1.871.230**	**-335.102**
	Carrying amount, 30 June 2020	**6.884.303**	**810.235**	**6.884.303**	**810.235**

		Group		Parent	
		30/6 2020	30/6 2019	30/6 2020	30/6 2019
10.	**Property, plant, and equipment under construction including pre-payments for property, plant, and equipment**				
	Cost 1 July 2019	1.114.303	0	1.114.303	0
	Additions during the year	0	1.114.303	0	1.114.303
	Disposals during the year	-1.114.303	0	-1.114.303	0
	Cost 30 June 2020	**0**	**1.114.303**	**0**	**1.114.303**
	Carrying amount, 30 June 2020	**0**	**1.114.303**	**0**	**1.114.303**

Notes

All amounts in DKK.

		Group		Parent	
		30/6 2020	30/6 2019	30/6 2020	30/6 2019
11.	**Leasehold improvements**				
	Cost 1 July 2019	2.110.788	1.542.309	2.110.788	1.542.309
	Additions during the year	492.287	638.131	492.287	638.131
	Disposals during the year	0	-69.652	0	-69.652
	Cost 30 June 2020	**2.603.075**	**2.110.788**	**2.603.075**	**2.110.788**
	Depreciation and writedown 1 July 2019	-568.094	-215.170	-568.094	-215.170
	Depreciation for the year	-505.533	-377.302	-505.533	-377.302
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	24.378	0	24.378
	Depreciation and writedown 30 June 2020	**-1.073.627**	**-568.094**	**-1.073.627**	**-568.094**
	Carrying amount, 30 June 2020	**1.529.448**	**1.542.694**	**1.529.448**	**1.542.694**

		Parent	
		30/6 2020	30/6 2019
12.	**Equity investments in group enterprises**		
	Additions during the year	186.440	0
	Cost 30 June 2020	**186.440**	**0**
	Translation by use of the exchange rate valid on b	-125	0
	Revaluation 30 June 2020	**-125**	**0**
	Carrying amount, 30 June 2020	**186.315**	**0**

Group enterprises:

	Domicile	Equity interest
Hobbii Holding GmbH	Hamburg	100 %

Notes

All amounts in DKK.

		Group 30/6 2020	Group 30/6 2019	Parent 30/6 2020	Parent 30/6 2019
13.	**Deposits**				
	Cost 1 July 2019	1.003.085	1.003.085	1.003.085	1.003.085
	Additions during the year	762.439	0	762.439	0
	Cost 30 June 2020	**1.765.524**	**1.003.085**	**1.765.524**	**1.003.085**
	Carrying amount, 30 June 2020	**1.765.524**	**1.003.085**	**1.765.524**	**1.003.085**

14. Prepayments and accrued income

Payments consist of prepaid expenses, insurance, etc. concerning 2020/2021 and later.

		Group 30/6 2020	Group 30/6 2019	Parent 30/6 2020	Parent 30/6 2019
15.	**Contributed capital**				
	Contributed capital 1 July 2019	62.500	62.500	62.500	62.500
	Cash capital increase	663	0	663	0
	Transferred from distributed reserves	936.837	0	936.837	0
		1.000.000	**62.500**	**1.000.000**	**62.500**

The share capital consists of 1,000,000 shares, each with a nominal value of DKK 1.

Notes

All amounts in DKK.

	Group 30/6 2020	Group 30/6 2019	Parent 30/6 2020	Parent 30/6 2019
16. Provisions for deferred tax				
Provisions for deferred tax 1 July 2019	415.386	-334.000	415.386	-334.000
Deferred tax of the results for the year	1.383.197	749.386	1.383.197	749.386
	1.798.583	**415.386**	**1.798.583**	**415.386**
The following items are subject to deferred tax:				
Intangible assets	1.563.985	864.344	1.563.985	864.344
Property, plant, and equipment	234.598	148.575	234.598	148.575
Losses carried forward from previous years	0	-597.533	0	-597.533
	1.798.583	**415.386**	**1.798.583**	**415.386**

17. Liabilities other than provision

Group and parent

	Total payables 30 Jun 2020	**Current portion of long term payables**	**Long term payables 30 Jun 2020**	**Outstanding payables after 5 years**
Income tax payable	2.181.542	0	2.181.542	0
Other payables	2.113.435	0	2.113.435	0
	4.294.977	**0**	**4.294.977**	**0**

18. Charges and security

The company has provided a guarentee to Valhøj K/S for a total of 678 tDKK.

For security for the company's bank loans, the company has paid tDKK 1,100 into a hedge account.

Notes

All amounts in DKK.

18. Charges and security (continued)

For bank loans, tDKK 15,615, the company has provided security in company assets representing a nominal value of tDKK 24,800. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Intangible assets	7.205
Tangible assets	8.226
Inventories	36.039
Trade receivables	5.980

19. Contingencies

Contingent liabilities

The company has entered into lease agreements with a term of between 3-120 months authorizing commitment of tDKK 69,612.

20. Adjustments

Depreciation, amortisation, and impairment	3.312.201	874.666
Other financial income	-1.040.751	-54.556
Other financial costs	4.415.799	1.447.839
Tax on net profit or loss for the year	2.181.542	749.386
Deferred tax	1.383.197	0
	10.251.988	**3.017.335**

21. Change in working capital

Change in inventories	-18.938.851	-3.563.012
Change in receivables	-738.944	-3.246.421
Change in trade payables and other payables	11.404.032	8.550.619
	-8.273.763	**1.741.186**

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