martinsen
Rådgivning & Revision

Morilo Holding ApS

Frølichsvej 2, 2930 Klampenborg

Annual report

1 January - 31 December 2020

Company reg. no. 40 77 65 24

The annual report has been submitted and approved by the general meeting on the 14 May 2021.

Mogens Jepsen
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- *To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.*
- *Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.*

Management's report

The executive board has today presented the annual report of Morilo Holding ApS for the financial year 1 January to 31 December 2020.

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

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively at 31 December 2020, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2020.

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

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

Klampenborg, 5 May 2021

Executive board

Mogens Jepsen	Rikke Bundgaard Jepsen

Independent auditor's report

To the shareholder of Morilo Holding ApS

Opinion

We have audited the consolidated annual accounts and the annual accounts of Morilo Holding ApS for the financial year 1 January to 31 December 2020, which comprise accounting policies, profit and loss account, balance sheet, statement of changes in equity and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2020 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 31 December 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 below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and annual accounts that give a true and 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 annual accounts that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

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

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

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

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

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

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

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

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

Independent auditor's report

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management's review

Management is responsible for the management's review.

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

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

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

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

Esbjerg, 5 May 2021

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

Lars Æbelø-Nielsen
State Authorised Public Accountant
mne33693

Company information

The company	Morilo Holding ApS Frølichsvej 2 2930 Klampenborg	
	Company reg. no.	40 77 65 24
	Established:	*10 September 2019*
	Domicile:	*Klampenborg*
	Financial year:	*1 January - 31 December*
Executive board	Mogens Jepsen Rikke Bundgaard Jepsen	
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Edison Park 4 6715 Esbjerg N	
Subsidiaries	Molo A/S, Copenhagen Mogens Jepsen Holding ApS, Copenhagen Molo Republic ApS, Copenhagen Molo Kids Sweden AB, Stockholm Molo Kids Norway AS, Oslo Molo Kids Finland OY, Helsinki Molo Kids Benelux BV, Benelux Molo Kids Ltd., UK, London Molo Kids Belgium BVBA, Brussels Molo Kids Germany GmbH, Berlin Molo Kids France SA, Paris Molo Kids US Inc., New York Molo Hong Kong Inc., Hong Kong	

Consolidated financial highlights

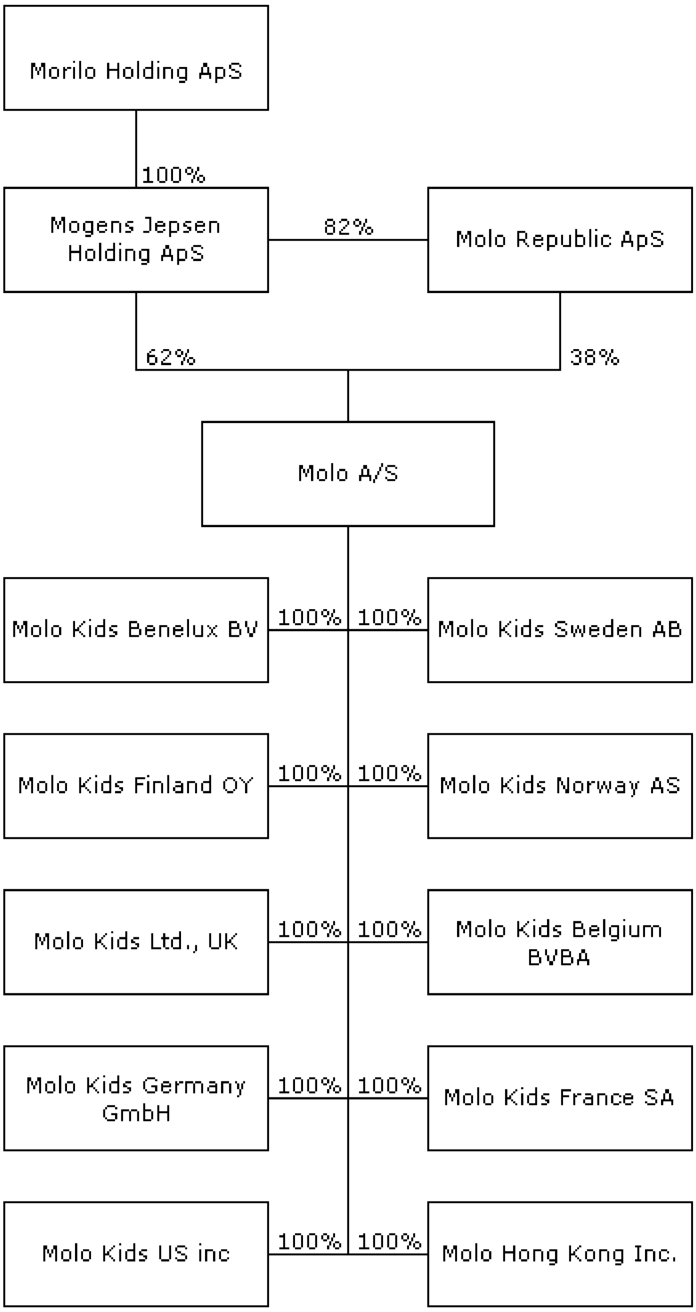
DKK in thousands.	2020	2019	2018	2017	2016
Income statement:					
Gross profit	32.218	52.687	66.232	76.995	70.973
Profit from operating activities	-14.736	1.910	7.650	20.687	19.496
Net financials	-1.725	-191	-1.790	-2.704	-2.374
Net profit or loss for the year	-15.129	1.412	4.666	14.143	12.986
Statement of financial position:					
Balance sheet total	105.333	128.483	134.790	138.185	123.777
Equity	49.358	64.850	65.860	62.781	60.715
Cash flows:					
Operating activities	1.419	6.918	14.190	10.408	3.102
Investing activities	381	-3.912	-10.522	-6.550	-4.592
Financing activities	-3.651	-4.085	-7.012	-3.444	1.035
Total cash flows	-1.851	-1.079	-3.344	414	-455
Employees:					
Average number of full-time employees	97	102	98	116	102
Key figures in %:					
Return on equity	-26,5	2,2	7,1	22,9	22,2
Solvency ration	47,6	50,5	48,9	45,4	49,1

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 group consists of following companies per 31 December 2020:



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

Development in activities and financial matters

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

Management commentary

This concept has always been well accepted in the market place and has always given the company a competitive advantage, but a disruption in and between the regular brick and mortar stores and e-commerce’s continue to create a difficult market that is still trying to find its way, and in an effort to try and navigate the company has made a calculated and cautious decision to select customers with whom the company will continue to work, a decision that continues to put pressure on the top line.

It goes without saying that 2020 turned out to be a very difficult year, a year that was totally disrupted by the Corona virus. Especially Molo's own retail division has been under massive pressure due to long forced lock-down periods or very low footfalls in Denmark, Sweden, France, Germany and Hong Kong. These retail challenges will continue into the first half of 2021, after which a significant improvement is expected. On the other hand, our own webshop and especially our wholesale division is seeing very positive sales results for the coming seasons.

Long term the company is confident that we have made the right decision in terms of customers and way of working, but further changes in the organization, way of working etc. needs to be implemented to ensure that this can be done in an economic and financially sound and proven way.

Separately the company during 2020 decided to close a couple of showrooms, in line with the changed customer portfolio and way of working, and also terminated the leases for a couple of retail stores that were loss making, whereby this will only positively affect the company in the financial year 2022.

On a positive note, the company continue to see very notable positive effects on and from prior years investments in sustainability with approximately 75-80% of all garments now being eco-friendly

Management do not consider this year's financial performance acceptable and have initiated or already implemented a number of initiatives that are already underway. Subsequently, also 2021 with the uncertainty around Corona will be difficult in terms of topline and profit, and the company now estimate that 2022 is the year where the company once again is back on track in terms of acceptable earnings.

Follow-up on previous forecasts
Primarily due to the Corona epidemic, the company did not meet its forecast for the year in terms of topline and earnings and Management do not consider neither topline nor earnings achieved for the year acceptable.

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

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

Management commentary

Know how resources

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

The expected development

Before Corona expectation for 2020 was encouraging, now however Management expects a very difficult 2020 with changes being implementes and pressure put on both topline and earnings, 2021 should return the company to growing topline and increased earnings.

Events subsequent to the financial year

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

Accounting policies

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

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

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

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

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

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

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

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.

Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.
Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

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.

Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

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

Changes in the fair value of derived financial instruments classified as hedging of future cash flows are recognised in other receivables or other payables, and in equity.

If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or costs, amounts recognised in equity on a continuing basis are transferred to the income statement for the period in which the hedged item affected the income statement.

The consolidated financial statements

The consolidated income statements comprise the parent company Morilo Holding ApS and those group enterprises of which Morilo Holding ApS directly or indirectly owns more than 50 % of the voting rights or in other ways exercise control.

Accounting policies

Consolidation policies

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

Non-controlling interests

Non-controlling interests constitute a share of the group's total equity. By distribution of net profit, profit or loss for the year is distributed on the share attributable to the non-controlling interests and the share attributable to the parent's shareholders respectively.

Income statement

Gross profit

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

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

Other 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.

Accounting policies

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

Staff costs

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

Depreciation, amortisation and writedown

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

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement of the parent as a proportional share of the group enterprises' post-tax profit or loss.

Tax of the results for the year

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

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

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

Accounting policies

The balance sheet

Intangible assets

Goodwill

Trademarks domain rights, other rights and goodwill is measured at cost with deduction of accumulated amortisation. Trademarks, domain rights and other rights is amortised on a straigth linebasis estimated to 10 years. Goodwill is amortised on a straight-line basis over the financial life, which the management have estimated is 3-10 years

Tangible fixed assets

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

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

If the amortisation period or the residual value is changed, the effect on amortisation will, in 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, the useful lives of each individual components differing.

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

	Useful life
Other fixtures and fittings, tools and equipment	3-10 years

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 property, land, and 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.

Accounting policies

Leases

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the group holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

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

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

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Accounting policies

Equity investments in group enterprises with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

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.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Other securities and equity investments

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

Deposits

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

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.

Debtors

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

Accounting policies

Accrued income and deferred expenses

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

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

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

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

Dividend

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

Income tax and deferred tax

As administration company, Morilo Holding ApS is liable to the tax authorities for the subsidiaries' corporate income taxes.

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Accounting policies

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

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

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

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

Liabilities other than provisions relating to investment properties are measured at amortised cost.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Statement of cash flows

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

Accounting policies

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

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 include changes in the size or the composition of the group's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand with deduction of short-term bank debts and short-term securities with a maturity less than 3 months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

Income statement 1 January - 31 December

DKK thousand.

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Gross profit	**32.218**	**52.687**	**-40**	**-41**
2	*Staff costs*	-42.042	-46.249	0	0
3	*Depreciation, amortisation and writedown relating to tangible and intangible fixed assets*	-4.912	-4.528	0	0
	Operating profit	**-14.736**	**1.910**	**-40**	**-41**
4	*Income from equity investments in group enterprises*	0	0	-14.213	1.200
	Other financial income	271	2.375	0	0
	Other financial costs	-1.996	-2.566	0	0
	Results before tax	**-16.461**	**1.719**	**-14.253**	**1.159**
5	*Tax on ordinary results*	1.332	-307	9	9
6	***Net profit or loss for the year***	**-15.129**	**1.412**	**-14.244**	**1.168**
	Break-down of the consolidated profit or loss:				
	Shareholders in Morilo Holding ApS	-14.244	1.168		
	Minority interests	-885	244		
		-15.129	**1.412**		

Statement of financial position at 31 December

DKK thousand.

Note	*Assets*	*Group* 2020	2019	*Parent* 2020	2019
	Non-current assets				
7	*Group goodwill*	0	149	0	0
8	*Goodwill*	8.637	10.402	0	0
	Total intangible assets	8.637	10.551	0	0
9	*Other plants, operating assets, and fixtures and furniture*	4.899	7.161	0	0
	Total property, plant, and equipment	4.899	7.161	0	0
10	*Equity investments in group enterprises*	0	0	45.391	59.941
11	*Other securities and equity investments*	0	17	0	0
12	*Deposits*	2.465	3.552	0	0
	Total investments	2.465	3.569	45.391	59.941
	Total non-current assets	**16.001**	**21.281**	**45.391**	**59.941**
	Current assets				
	Manufactured goods and trade goods	53.811	51.894	0	0
	Prepayments for goods	1.558	2.089	0	0
	Total inventories	55.369	53.983	0	0
	Trade debtors	18.734	33.646	0	0
13	*Deferred tax assets*	6	0	18	9
14	*Receivable corporate tax*	556	717	0	0
	Other debtors	84	883	0	0
15	*Accrued income and deferred expenses*	592	5.241	0	0
	Total receivables	19.972	40.487	18	9
	Available funds	13.991	12.732	772	0
	Total current assets	**89.332**	**107.202**	**790**	**9**
	Total assets	**105.333**	**128.483**	**46.181**	**59.950**

Statement of financial position at 31 December

DKK thousand.

Equity and liabilities

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
	Equity				
16	*Contributed capital*	40	40	40	40
17	*Results brought forward*	45.181	59.761	45.181	59.869
18	*Proposed dividend for the financial year*	0	108	0	0
	Equity before non-controlling interest.	45.221	59.909	45.221	59.909
19	*Minority interests*	4.137	4.941	0	0
	Total equity	**49.358**	**64.850**	**45.221**	**59.909**
	Provisions				
	Provisions for deferred tax	0	791	0	0
	Total provisions	**0**	**791**	**0**	**0**
	Liabilities other than provisions				
	Bank debts	0	1.875	0	0
	Other payables	0	847	0	0
20	*Total long term liabilities other than provisions*	0	2.722	0	0

Statement of financial position 31 December

DKK thousand.

Equity and liabilities

Note		Group 2020	Group 2019	Parent 2020	Parent 2019
20	*Current portion of long term payables*	1.912	3.688	0	0
21	*Bank debts*	34.783	31.673	0	0
22	*Trade creditors*	10.178	17.601	80	40
	Debt to group enterprises	0	0	881	0
	Other debts	9.102	7.158	-1	1
	Total short term liabilities other than provisions	55.975	60.120	960	41
	Total liabilities other than provisions	**55.975**	**62.842**	**960**	**41**
	Total equity and liabilities	**105.333**	**128.483**	**46.181**	**59.950**

1 ***Special items***
23 ***Charges and security***
24 ***Contingencies***
25 ***Related parties***

Consolidated statement of changes in equity

DKK thousand.

	Contributed capital not paid	*Retained earnings*	*Proposed dividend for the financial year*	*Non-controlling interests*	*Total*
Equity 1 january 2020	40	59.761	108	4.941	64.850
Equity 1 2020	40	59.761	108	4.941	64.850
Profit or loss for the year brought forward	0	-14.245	0	0	-14.245
Adjustments on financial instruments	0	-335	0	0	-335
Dividend paid	0	0	-108	0	-108
Minority interests	0	0	0	-804	-804
	40	**45.181**	**0**	**4.137**	**49.358**

Statement of changes in equity of the parent

DKK thousand.

	Contributed capital	*Retained earnings*	*Proposed dividend for the financial year*	*Total*
Equity 1 January 2019	40	0	0	40
Profit or loss for the year brought forward	0	1.168	0	1.168
Transferred from share premium	0	60.736	0	60.736
Adjustments on financial instruments	0	-2.035	0	-2.035
Equity 1 January 2020	40	59.869	0	59.909
Distributed dividend	0	0	108	108
Profit or loss for the year brought forward	0	-14.352	-108	-14.460
Extraordinary dividend adopted during the financial year	0	108	0	108
Distributed extraordinary dividend adopted during the financial year.	0	-108	0	-108
Adjustments on financial instruments	0	-336	0	-336
	40	**45.181**	**0**	**45.221**

Statement of cash flows 1 January - 31 December

DKK thousand.

Note		Group 2020	2019
	Results for the year	-15.129	1.412
26	*Adjustments*	5.248	3.395
27	*Change in working capital*	12.253	3.526
	Cash flow from operating activities before net financials	2.372	8.333
	Interest received and similar amounts	271	2.375
	Interest paid and similar amounts	-1.996	-2.566
	Cash flow from ordinary activities	647	8.142
	Corporate tax paid	772	-1.224
	Cash flow from operating activities	**1.419**	**6.918**
	Purchase of intangible fixed assets	0	-136
	Purchase of tangible fixed assets	-723	-2.417
	Sale of tangible fixed assets	0	166
	Purchase of financial fixed assets	0	-1.525
	Sale of financial fixed assets	1.104	0
	Cash flow from investment activities	**381**	**-3.912**
	Raising of long-term debts	0	848
	Repayments of long-term debt	-3.651	-4.825
	Dividend paid	0	-108
	Cash flow from financing activities	**-3.651**	**-4.085**
	Changes in available funds	**-1.851**	**-1.079**
	Available funds opening balance	-18.941	-17.862
	Available funds end of period	**-20.792**	**-18.941**
	Available funds		
	Available funds	13.991	12.732
	Short-term bank debts	-34.783	-31.673
	Available funds end of period	**-20.792**	**-18.941**

Notes

DKK thousand.

1. Special items

COVID-19 compensation are included in other operating income which is classified in the gross profit with 4.422.628 kr.

	Group 2020	2019
2. *Staff costs*		
Salaries and wages	37.870	41.965
Pension costs	2.057	2.019
Other costs for social security	2.115	2.265
	42.042	**46.249**
Average number of employees	97	102

	2020	2019
3. *Depreciation, amortisation and writedown relating to tangible and intangible fixed assets*		
Amortisation of group goodwill	149	149
Amortisation of goodwill	1.765	1.562
Depreciation on production plants and machinery	2.998	2.817
	4.912	**4.528**

Notes

DKK thousand.

4. *Income from equity investments in group enterprises*

Molo A/S	-14.213	1.200
	-14.213	**1.200**

5. *Tax on ordinary results*

	Group 2020	2019	*Parent* 2020	2019
Tax of the results for the year, parent company	-150	788	0	0
Adjustment for the year of deferred tax	-1.182	-481	-9	-9
	-1.332	**307**	**-9**	**-9**

6. *Proposed distribution of the results*

	Parent 2020	2019
Extraordinary dividend adopted during the financial year	108	0
Allocated to results brought forward	0	1.168
Allocated from results brought forward	-14.352	0
Distribution in total	**-14.244**	**1.168**

7. *Group goodwill*

	Group 31/12 2020	31/12 2019
Cost opening balance	4.078	4.078
Cost end of period	**4.078**	**4.078**
Amortisation and writedown opening balance	-3.929	-3.780
Amortisation and writedown for the year	-149	-149
Amortisation and writedown end of period	**-4.078**	**-3.929**
Carrying amount, end of period	**0**	**149**

Notes

DKK thousand.

8. *Goodwill*

Cost opening balance	14.894	14.759
Additions during the year	0	135
Cost end of period	**14.894**	**14.894**
Amortisation and writedown opening balance	-4.492	-2.930
Amortisation and writedown for the year	-1.765	-1.562
Amortisation and writedown end of period	**-6.257**	**-4.492**
Carrying amount, end of period	**8.637**	**10.402**

9. *Other plants, operating assets, and fixtures and furniture*

Cost opening balance	15.181	17.956
Additions during the year	723	2.417
Disposals during the year	-1.464	-5.192
Cost end of period	**14.440**	**15.181**
Depreciation and writedown opening balance	-8.020	-9.978
Writedown for the year	-2.840	-2.705
Depreciation, amortisation and writedown for the year	1.339	4.663
Other adjustment	-20	0
Depreciation and writedown end of period	**-9.541**	**-8.020**
Carrying amount, end of period	**4.899**	**7.161**
Lease assets are recognised at a carrying amount of	34	89

Notes

DKK thousand.

		Parent 31/12 2020	Parent 31/12 2019
10.	***Equity investments in group enterprises***		
	Acquisition sum, opening balance opening balance	60.776	60.776
	Cost end of period	**60.776**	**60.776**
	Revaluations, opening balance opening balance	-835	0
	Results for the year before goodwill amortisation	-14.213	1.200
	Adjustments in equity	-337	-2.035
	Revaluation end of period	**-15.385**	**-835**
	Book value end of period	**45.391**	**59.941**

Group enterprises:

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

		Group 31/12 2020	Group 31/12 2019
11.	***Other securities and equity investments***		
	Cost opening balance	0	17
	Cost end of period	**0**	**17**
	Book value end of period	**0**	**17**

Notes

DKK thousand.

		Group 31/12 2020	Group 31/12 2019
12.	***Deposits***		
	Cost opening balance	3.552	2.027
	Additions during the year	-1.087	1.525
	Cost end of period	**2.465**	**3.552**
	Book value end of period	**2.465**	**3.552**

		Group 31/12 2020	Group 31/12 2019	Parent 31/12 2020	Parent 31/12 2019
13.	***Deferred tax assets***				
	Deferred tax assets opening balance	6	0	9	0
	Deferred tax of the results for the year	0	0	9	9
		6	**0**	**18**	**9**
14.	***Receivable corporate tax***				
	Calculated corporate tax for the present year	556	717	0	0
		556	**717**	**0**	**0**

15. ***Accrued income and deferred expenses***

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

		Group 31/12 2020	Group 31/12 2019	Parent 31/12 2020	Parent 31/12 2019
16.	***Contributed capital***				
	Contributed capital opening balance	40	40	40	40
		40	**40**	**40**	**40**

Notes

DKK thousand.

	Group 31/12 2020	Group 31/12 2019	Parent 31/12 2020	Parent 31/12 2019
17. *Results brought forward*				
Results brought forward opening balance	59.761	60.736	59.869	0
Profit or loss for the year brought forward	-14.245	1.060	-14.352	1.168
Extraordinary dividend adopted during the financial year	0	0	108	0
Distributed extraordinary dividend adopted during the financial year.	0	0	-108	0
Transferred from share premium	0	0	0	60.736
Adjustments on financial instruments	-335	-2.035	-336	-2.035
	45.181	**59.761**	**45.181**	**59.869**
18. *Proposed dividend for the financial year*				
Dividend opening balance	0	108	0	0
Distributed dividend	0	-108	108	0
Dividend for the financial year	0	108	-108	0
	0	**108**	**0**	**0**
19. *Minority interests*				
Minority interests opening balance	4.941	4.976	0	0
Share of the results for the year	-804	-35	0	0
	4.137	**4.941**	**0**	**0**

20. *Liabilities other than provision*

Group	*Total payables 31 Dec 2020*	*Current portion of long term payables*	*Long term payables 31 Dec 2020*	*Outstanding payables after 5 years*
Convertible and profit-sharing debt instruments	1.912	1.912	0	0
	1.912	**1.912**	**0**	**0**

Notes

DKK thousand.

21. *Bank debts*

Bank overdraft	34.783	31.673	0	0
	34.783	**31.673**	**0**	**0**

22. *Trade creditors*

Trade debtors	10.178	17.601	0	0
Provisions for auditor, solicitor, etc.	0	0	80	40
	10.178	**17.601**	**80**	**40**

Notes

DKK thousand.

23. Charges and security

The group has total lease liabilites DKK 455 thousand on 31 December 2020. The groups leased assets totals DKK 34 thousand.

As security for bank debts the group has provided a company charge of DKK ('000) 35.000 and security in fixed assets, trade goods and receivables. This security comprises the below assets, stating the book values:

Inventories	*DKK ('000) 54.561*
Trade debtors	*DKK ('000) 19.558*
Operating assets and fixtures	*DKK ('000) 4.517*
Goodwill	*DKK ('000) 574*

24. Contingencies

Contingent liabilities

The company has provided letter of credits to landlords. On 31 December 2020 the total amounts to DKK 2.176 thousand.

For bank commitment, has Mogens Jepsen Holding ApS provided security in company bank deposit, the book value DKK ('000) 1.250.

For the security of debt of the subsidiaries to bank, the parent company has provided a securety (credit quarantee). At the balance sheet day the total debt of subsidiaries to bank amounts to DKK ('000) 5.550.

The group has made a rent agreement for shop facilities pending to the year 2024. The overall residual rent agreement aggregate approx. DKK ('000) 9.701.

Joint taxation

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

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

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Notes

DKK thousand.

24. Contingencies (continued)

Joint taxation (continued)

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

25. Related parties

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

	Group 2020	2019
26. Adjustments		
Depreciation and amortisation	4.912	4.528
Other financial income	-271	-2.375
Other financial costs	1.996	2.566
Tax on ordinary results	-1.332	307
Other adjustments	-57	-1.631
	5.248	**3.395**

27. Change in working capital		
Change in inventories	172	320
Change in debtors	20.396	3.701
Change in trade creditors and other liabilities	-7.884	2.114
Change in financial instruments	-431	-2.609
	12.253	**3.526**

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Mogens Jepsen
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Rikke Bundgaard Jepsen
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