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Hårklinikken ApS

Amaliegade 42, 1256 København K

Company reg. no. 25 63 59 14

Annual report

1 January - 31 December 2015

The annual report has been submitted and approved by the general meeting on the 3 June 2016.

Lars Skjøth
Chairman of the meeting

Notes:

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

Contents

Management's report

The board of directors and the managing director have today presented the annual report of Hårklinikken ApS for the financial year 1 January to 31 December 2015.

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 annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

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

The annual report is recommended for approval by the general meeting.

Copenhagen, 3 June 2016

Managing Director

Lene Wang Kristensen

Board of directors

Lars Skjøth Chairman	Mette Marie Louise Skjøth

To the shareholder of Hårklinikken ApS

Report on the annual accounts

We have audited the annual accounts of Hårklinikken ApS for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as it determines necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Copenhagen, 3 June 2016

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
CVR-nr. 15 91 56 41

Elan Schapiro
State Authorised Public Accountant

Company data

The company	Hårklinikken ApS Amaliegade 42 1256 København K	
	Company reg. no.:	25 63 59 14
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December 15th financial year
Board of directors	Lars Skjøth, Chairman Mette Marie Louise Skjøth	
Managing Director	Lene Wang Kristensen	
Auditors	Christensen Kjærulff, Statsautoriseret Revisionsaktieselskab	
Parent company	Skjøth Holding ApS	
Subsidiary	Hårklinikken GmbH, Germany	

The principal activities of the company

The principal activities are treatment of hair loss and scalp diseases, including sales and marketing of hair and scalp products in Denmark.

Development in activities and financial matters

The gross profit for the year is TDKK 5.670 against TDKK 6.494 last year. The results from ordinary activities after tax are TDKK 121 against TDKK 1.238 last year. The management considers the results satisfactory.

The development of the company's activities and financial matters are shown in the following profit and loss account and the balance sheet. The management considers the results satisfactory.

Turnover on products has once again increased in 2015. The management expects a continuing increase in product sales in 2016, partly due to their focus on detail.

Hårklinikken ApS continues to be the market leader in the field of treatment of hair loss and scalp diseases. Hårklinikken ApS is considered as second to none ambassadors in the field.

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.

Profit and loss account 1 January - 31 December

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

Note		2015	2014
	Gross profit	**5.669.927**	**6.494**
1	Staff costs	-5.432.932	-4.984
	Depreciation and writedown relating to tangible fixed assets	-17.782	-17
	Operating profit	**219.213**	**1.493**
	Income from equity investments in group enterprises	-111.842	46
	Other financial income from group enterprises	126.681	138
	Other financial income	23.147	4
2	Other financial costs	-19.971	-44
	Results before tax	**237.228**	**1.637**
3	Tax on ordinary results	-116.633	-399
	Results for the year	**120.595**	**1.238**
	Proposed distribution of the results:		
	Allocated to results brought forward	120.595	1.238
	Distribution in total	**120.595**	**1.238**

Balance sheet 31 December

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

Note	Assets	2015	2014
	Fixed assets		
4	Other plants, operating assets, and fixtures and furniture	33.914	15
5	Decoration rented premises	11.024	24
	Tangible fixed assets in total	44.938	39
6	Equity investments in group enterprises	1	0
	Deposits	260.886	292
	Financial fixed assets in total	260.887	292
	Fixed assets in total	**305.825**	**331**
	Current assets		
	Manufactured goods and trade goods	697.631	545
	Inventories in total	697.631	545
	Trade debtors	37.891	109
	Amounts owed by group enterprises	3.670.797	2.684
	Deferred tax assets	2.872	9
	Other debtors	93.618	361
	Debtors in total	3.805.178	3.163
	Other securities and equity investments	18.102	18
	Securities in total	18.102	18
	Cash funds	966.975	1.212
	Current assets in total	**5.487.886**	**4.938**
	Assets in total	**5.793.711**	**5.269**

Balance sheet 31 December

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

Equity and liabilities

Note		2015	2014
	Equity		
7	Contributed capital	125.000	125
8	Results brought forward	1.913.303	1.793
	Equity in total	**2.038.303**	**1.918**
	Liabilities		
	Prepayments received from customers	147.247	105
	Trade creditors	2.123.114	1.541
	Corporate tax	110.121	394
	Other debts	1.374.926	1.311
	Short-term liabilities in total	3.755.408	3.351
	Liabilities in total	**3.755.408**	**3.351**
	Equity and liabilities in total	**5.793.711**	**5.269**

9 Mortgage and securities

10 Contingencies

Notes

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

		2015	2014
1.	**Staff costs**		
	Salaries and wages	4.813.652	4.279
	Pension costs	317.519	303
	Other costs for social security	36.900	35
	Other staff costs	264.861	367
		5.432.932	**4.984**
	Average number of employees	11	11
2.	**Other financial costs**		
	Other financial costs	19.971	44
		19.971	**44**
3.	**Tax on ordinary results**		
	Tax of the results for the year, parent company	110.121	394
	Adjustment for the year of deferred tax	6.512	5
		116.633	**399**
4.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2015	537.369	537
	Additions during the year	24.085	0
	Cost 31 December 2015	**561.454**	**537**
	Amortisation and writedown 1 January 2015	-522.755	-518
	Depreciation for the year	-4.785	-4
	Amortisation and writedown 31 December 2015	**-527.540**	**-522**
	Book value 31 December 2015	**33.914**	**15**

Notes

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

		31/12 2015	31/12 2014
5.	**Decoration rented premises**		
	Cost 1 January 2015	129.964	130
	Cost 31 December 2015	**129.964**	**130**
	Depreciation and writedown 1 January 2015	-105.943	-93
	Depreciation for the year	-12.997	-13
	Depreciation and writedown 31 December 2015	**-118.940**	**-106**
	Book value 31 December 2015	**11.024**	**24**
6.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2015	7	0
	Cost 31 December 2015	**7**	**0**
	Revaluations, opening balance 1 January 2015	-3.353.434	-3.399
	Results for the year before goodwill amortisation	-111.842	46
	Revaluation 31 December 2015	**-3.465.276**	**-3.353**
	Offsetting against debtors	3.465.270	3.353
	Set off against debtors and provisions for liabilities	**3.465.270**	**3.353**
	Book value 31 December 2015	**1**	**0**

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

	Share of ownership	Equity	Results for the year	Book value at Hårklinikken ApS
Hårklinikken GmbH, Germany	100 %	-3.465.270	-103.327	1

		31/12 2015	31/12 2014
7.	**Contributed capital**		
	Contributed capital 1 January 2015	125.000	125
		125.000	**125**

Notes

Amounts concerning 2015: DKK.
Amounts concerning 2014: DKK in thousands.

		31/12 2015	31/12 2014
8.	**Results brought forward**		
	Results brought forward 1 January 2015	1.792.708	555
	Profit or loss for the year brought forward	120.595	1.238
		1.913.303	**1.793**

9. Mortgage and securities

For bank debts for the group, the company has provided security in Hårklinikken ApS' goodwill and leasehold rights at a total amount of DKK 7.000 thousand.

Moreover, the company has provided guarantees for the parent company, Skjøth Holding ApS' bank debt at a total amount of DKK 2.978 thousand.

10. Contingencies

Contingent liabilities

The contingent liability covers rent for leases in Copenhagen and Aarhus, and amounts to DKK 431 thousand at 31 December 2015.

In addition, the company has provided payment guarantees on leases, DKK 154 thousand.

Joint taxation

Skjøth Holding ApS being the administration company, the company is subject to the International scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

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

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

The annual report for Hårklinikken ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

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

Assets are recognised in the balance sheet when the company 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 company 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.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, 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 and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

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, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

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

The company is subject to the international legislation concerning compulsory joint taxation with the group enterprises.

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

The balance sheet

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 expected residual value after the end of the useful life of the asset.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

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

Decoration rented premises	10 years
Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

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

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the take over of new group enterprises and associated enterprises, the acquisition method is applied, by which the taken over companies' assets and liabilities are measured at fair value at the time of take over. Provisions are made for covering costs in connection with decided restructuring projects in the taken over enterprise in connection with the take-over. The tax effect of the revaluation carried out is taken into consideration, cf. the below description of goodwill.

Positive differences (goodwill) between the acquisition value and the fair value of the assets and liabilities taken over, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over the estimated financial life. The financial life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategically taken over companies with a strong market position and a long range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

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

Debtors

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

Securities and equity investments

Securities and equity investments recognised as current assets are measured at fair value on the balance sheet date.

Equity - 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.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Hårklinikken ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

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

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

Liabilities

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