

STATE OF ART SCANDINAVIA A/S

BOESKÆRVEJ 11, 7100 VEJLE

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2016

The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 6 June 2017

Albert Westerman

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

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COMPANY DETAILS

Company	State Of Art Scandinavia A/S
	Boeskærvej 11
	7100 Vejle
	CVR no.: 30 73 19 13
	Established: 19 July 2007
Board of Directors	Registered Office: Vejle
	Financial Year: 1 January - 31 December
Board of Executives	Albert Westerman, Chairman
	Johannes Kuijf
	Martijn Mateman
Auditor	
Auditor	BDO Statsautoriseret revisionsaktieselskab
	Roms Hule 4, 1. sal
	7100 Vejle

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of State Of Art Scandinavia A/S for the year 1 January - 31 December 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the the Company's financial position at 31 December 2016 and of the results of the the Company's operations for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Vejle, 16 May 2017

Board of Executives

Martijn Mateman

Board of Directors

Albert Westerman
Chairman

Johannes Kuijf

Martijn Mateman

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of State Of Art Scandinavia A/S

Opinion

We have audited the Financial Statements of State Of Art Scandinavia A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the 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 in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Vejle, 16 May 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-nr. 20 22 26 70

Allan Lund
State Authorised Public Accountant

MANAGEMENT'S REVIEW

Principal activities

The company's activities is sale and distribution of fashion clothes in Scandinavia.

Significant events after the end of the financial year

No events have occurred after the financial year-end, which could significantly affect the company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2016 DKK	2015 DKK
GROSS PROFIT.....		58.542	1.154.488
Staff costs.....	1	-1.257.939	-783.620
Depreciation, amortisation and impairment.....		-125.927	-82.040
OPERATING LOSS.....		-1.325.324	288.828
Result of equity investments in group and associates.....		96.999	96.701
Other financial income.....		3.593	4.600
Other financial expenses.....		-56.192	-51.937
PROFIT BEFORE TAX.....		-1.280.924	338.192
Tax on profit/loss for the year.....	2	299.500	-39.636
PROFIT FOR THE YEAR.....		-981.424	298.556
PROPOSED DISTRIBUTION OF PROFIT			
Allocation to reserve for net revaluation according to equity valuation.....		76.332	96.701
Accumulated profit.....		-1.057.756	201.855
TOTAL.....		-981.424	298.556

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2016 DKK	2015 DKK
Leasehold improvements.....		343.697	127.132
Tangible fixed assets.....	3	343.697	127.132
Equity investments in group enterprises.....		1.896.265	1.722.934
Rent deposit and other receivables.....		143.063	108.379
Fixed asset investments.....	4	2.039.328	1.831.313
FIXED ASSETS.....		2.383.025	1.958.445
Trade receivables.....		217.178	213.371
Receivables from group enterprises.....		236.416	21.332
Deferred tax assets.....		304.000	4.500
Other receivables.....		84.000	37.322
Corporation tax receivable.....		49.000	161.242
Prepayments and accrued income.....		173.793	132.276
Receivables.....		1.064.387	570.043
Cash and cash equivalents.....		1.803.582	3.440.555
CURRENT ASSETS.....		2.867.969	4.010.598
ASSETS.....		5.250.994	5.969.043

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2016 DKK	2015 DKK
Share capital.....		500.000	500.000
Reserve for net revaluation according to equity vauation.....		1.773.535	1.600.203
Retained profit.....		2.462.014	3.540.437
EQUITY.....	5	4.735.549	5.640.640
Trade payables.....		158.544	124.577
Payables to group enterprises.....		84.000	37.560
Other liabilities.....		272.901	166.266
Current liabilities.....		515.445	328.403
LIABILITIES.....		515.445	328.403
EQUITY AND LIABILITIES.....		5.250.994	5.969.043
 Contingencies etc.	 6		

NOTES

	2016 DKK	2015 DKK	Note
Staff costs			1
Average number of employees 1 (2015: 1)			
Wages and salaries.....	1.150.346	707.280	
Pensions.....	100.758	59.600	
Social security costs.....	6.835	11.207	
Other staff costs.....	0	5.533	
	1.257.939	783.620	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year.....	0	70.758	
Adjustment of tax in previous years.....	0	-31.067	
Adjustment of deferred tax.....	-299.500	-55	
	-299.500	39.636	
Tangible fixed assets			3
		Leasehold improvements	
Cost at 1 January 2016.....		503.373	
Additions.....		342.491	
Cost at 31 December 2016.....		845.864	
Depreciation and impairment losses at 1 January 2016.....		376.244	
Depreciation for the year.....		125.923	
Depreciation and impairment losses at 31 December 2016.....		502.167	
Carrying amount at 31 December 2016.....		343.697	
Fixed asset investments			4
	Equity investments in group enterprises	Rent deposit and other receivables	
Cost at 1 January 2016.....	122.731	108.379	
Additions.....	0	34.684	
Cost at 31 December 2016.....	122.731	143.063	
Revaluation at 1 January 2016.....	1.600.203		
Exchange adjustment.....	76.332		
Revaluation and impairment losses for the year.....	96.999		
Revaluation at 31 December 2016.....	1.773.534		
Carrying amount at 31 December 2016.....	1.896.265	143.063	

NOTES

Note

Investments in subsidiaries (DKK)

Name and registered office	Ownership
State of Art Norway AS, Oslo, Norway.....	100 %
State of Art Sweden AB, Stockholm, Sweden.....	100 %

Equity

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	Share capital	Reserve for net revaluation according to equity va	Retained profit	Total
Equity at 1 January 2016.....	500.000	1.600.204	3.519.770	5.619.974
Foreign exchange adjustments.....		96.999		96.999
Proposed distribution of profit.....		76.332	-1.057.756	-981.424
Equity at 31 December 2016.....	500.000	1.773.535	2.462.014	4.735.549

Contingencies etc.

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Rent payments are DKK 266.336.

Payments under operating leases concerning cars are DKK 283.623.

ACCOUNTING POLICIES

The annual report of State Of Art Scandinavia A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B with additional choice of rules relating to reporting class C.

The Annual Report is prepared consistently with the accounting principles used last year.

Consolidated financial statements

The group comply with the exemption clause of the § 110 for financial reporting for smaller groups in the Danish Financial Statements Act and therefore consolidated financial statements have not been prepared.

INCOME STATEMENT

Net revenue

The net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include costs relating to distribution, sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are included in staff costs.

Investments in subsidiaries

The proportional share of results of subsidiaries after full elimination of intercompany profits/losses and deduction of amortised goodwill is recognised in the company's income statement.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, realised and unrealised gains and losses arising from debt and transactions in foreign currencies as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets

Leasehold improvements and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-downs.

The depreciation base is cost less estimated residual value after end of useful life.

ACCOUNTING POLICIES

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plants, fixtures and equipment.....	2 - 5 years	0 %
Leasehold improvements.....	5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Investments in subsidiary enterprises are measured in the parent company balance sheet under the equity method.

Investments in subsidiary enterprises are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated in accordance with the acquisition method.

Net revaluation of investments in subsidiary enterprises is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value. The acquisition method is used on purchase of subsidiary enterprises, see description above under consolidated financial statements.

Subsidiary enterprises with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the parent company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds accounts receivable, the residual amount is recognised under provision for liabilities to the extent that the parent company has a legal or actual liability to cover the subsidiary's deficit.

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

ACCOUNTING POLICIES

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivable or payable is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.