Puori ApS

Amaliegade 22, 2., 1256 København K

Company reg. no. 32 56 67 31

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 23 May 2018.

Gregers Oliver Amdrup Andersen
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Puori ApS for the financial year 1 January to 31 December 2017.

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 as on 31 December 2017, and of the results of the activities, consolidated and of the company respectively in the financial year 1 January to 31 December 2017.

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.

København K, 4 May 2018

Managing Director

Gregers Oliver Amdrup Andersen

Hans-Julius Heslet

Board of directors

Brian Petersen
Chairman

Gregers Oliver Amdrup Andersen

Hans-Julius Heslet

Independent auditor's report

To the shareholders of Puori ApS

Opinion

We have audited the consolidated annual accounts and the annual accounts of Puori ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes, consolidated and for the company respectively. 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 2017 and of the results of the company's operations, consolidated and for the company respectively for the financial year 1 January to 31 December 2017 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 annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts 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, the 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 the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the 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

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts 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 annual accounts 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 and 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 annual accounts or 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.

Copenhagen, 4 May 2018

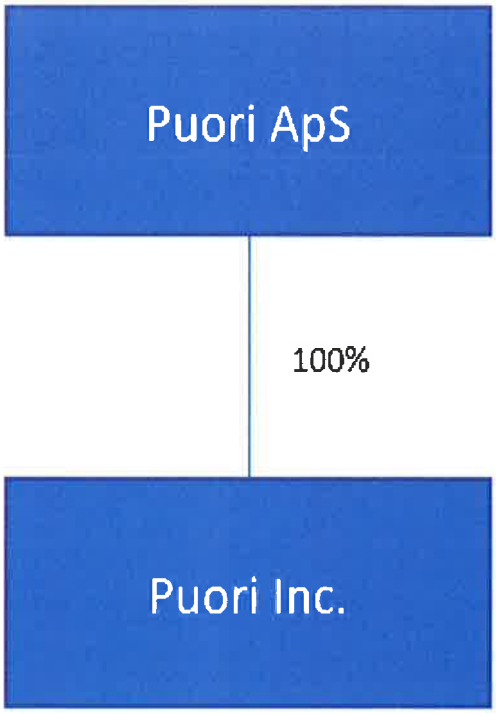
Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin
State Authorised Public Accountant
MNE-nr. 30140

Company data

The company	Puori ApS Amaliegade 22, 2. 1256 København K	
	Company reg. no.	32 56 67 31
	Established:	12 November 2009
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Board of directors	Brian Petersen Gregers Oliver Amdrup Andersen Hans-Julius Heslet	
Managing Director	Gregers Oliver Amdrup Andersen Hans-Julius Heslet	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Subsidiary	Puori Inc., California	

Group chart



Management's review

The principal activities of the group

Puori is specialized in nutritional supplements on the basis of a core of scientific research. Our production is a unique implementation of technology, innovation and sustainability and our products are designed to improve health and athletic performance.

The Puori group consists of two entities, Puori ApS in Denmark and the wholly owned subsidiary Puori Inc., registered Delaware company, in California, USA.

In 2017, Puori launched 6 new products on the market. The total product portfolio now consists of 12 products. Our sales channels are e-commerce and wholesale and our main markets are European countries and the United States.

Development in activities and financial matters

In 2017 the overall activity level has been lower due to the large rebranding process that the company has undertaken.

The rebranding included a change of the company name to Puori, a change of the overall graphic identity of the company as well as repositioning of product to be able to reach out to a larger customer base.

During the year, it was also decided to change the activities of the offices in the US and Denmark respectively. Consequently, the office in the US was changed to become a pure sales office. At the same time the handling of all online sales activities was moved to Denmark. To fully support this strategy and to enable close cooperation, everyone in the management team is now situated in Denmark.

Management believes, that the rebranding has had a negative impact on the financial for 2017 as the rebranding process has been very time consuming and also due to the fact it takes time for customers to get used to the new name. However, longer term we expect to see a positive impact from the rebranding.

The rebranding activities made during 2017 have been very time consuming, costly and resulted in a negative financial result for 2017. Taking this into consideration, we are satisfied with the result for 2017.

Management's review

Financial matters

Since 2015 Puori has invested substantial resources in developing new products, which together with the rebranding of the company, will give us the opportunity to broaden our segments and markets in the future.

These initiatives have resulted in a need for additional external financing on top of the credit facility in Danske Bank, and the long-term loan received from Vækstfonden.

In 2017 we managed to raise additional capital contribution of DKK 7.1 million. Of this amount, DKK 3.4 million was a cash investment and the remaining DKK 3.7 million was conversion of debt. In addition, the long-term loan from Vækstfonden was increased by DKK 2.5 million in 2017.

During the summer of 2017 cost saving initiatives were made to create a better balance between revenue and expenses in the company. In total, we have managed to reduce costs (opex) by DKK 5.9 million, equivalent to a 20% reduction.

The expected development

During 2018 Puori expect to gain the full benefits from the rebranding that has taken place in 2017. Pouri will focus on continuous promotion and marketing of existing products in the main markets, being the US and Europe.

We are confident that the current strategy and the current financing fully supports the activities in 2018. Overall the activity level for 2018 is expected to be higher than in 2017, leading to increased profitability.

One of our latest product developments, Puori PW1, Pure Organic Whey protein was included in a large US consumer survey, testing more than 130 different protein powders. The test was carried out by a US Non-Profit company called the ”Clean label project” and was covered by every major media outlet in US with our product ranking #1. We have seen a big uptake in sales of PW1 and we expect a significant growth in demand in 2018.

With our rebranding and major product development carried out in 2016 & 2017, we can now financially support all our investing activities and focus them solely on sales & marketing activities. Though recent media & product exposure gives us a strong opportunity to further scale sales, especially US retail & e-commerce. We have been approached by many professional investors in US & EU, and if we can find the right partner with the right network & ressources, to help us grow faster, then we will take them on in 2018.

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 presented in the annual report for 2017.

Profit and loss account 1 January - 31 December

All amounts in DKK.

		Group		Parent enterprise	
Note		2017	2016	2017	2016
	Gross profit	**4.807.555**	**11.271.786**	**3.995.774**	**8.224.050**
3	Staff costs	-14.184.827	-14.627.987	-9.435.506	-7.853.371
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-748.811	-940.723	-707.365	-894.697
	Research and development costs	-131.625	0	-131.625	0
	Operating profit	**-10.257.708**	**-4.296.924**	**-6.278.722**	**-524.018**
	Income from equity investments in group enterprises	0	0	-2.982.923	-3.926.806
	Other financial income	32.926	40.386	17.809	38.657
	Other financial costs	-2.268.622	-728.113	-2.267.727	-728.113
	Results before tax	**-12.493.404**	**-4.984.651**	**-11.511.563**	**-5.140.280**
	Tax on ordinary results	1.568.895	129.607	587.054	285.236
	Results for the year	**-10.924.509**	**-4.855.044**	**-10.924.509**	**-4.855.044**

Proposed distribution of the results:		
Allocated to reserve for development expenditure	437.058	1.239.475
Allocated from results brought forward	-11.361.567	-6.094.519
Distribution in total	**-10.924.509**	**-4.855.044**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
	Fixed assets				
4	Completed development projects, including patents and similar rights arising from development projects	2.523.679	846.805	2.523.679	846.805
	Acquired concessions, patents, licenses, trademarks and similar rights	452.684	597.152	452.684	597.152
5	Development projects in progress and prepayments for intangible fixed assets	583.567	2.065.702	583.567	2.065.702
	Intangible fixed assets in total	3.559.930	3.509.659	3.559.930	3.509.659
	Other plants, operating assets, and fixtures and furniture	61.595	136.079	61.595	58.315
	Tangible fixed assets in total	61.595	136.079	61.595	58.315
	Deposits	501.849	619.967	455.291	455.291
	Financial fixed assets in total	501.849	619.967	455.291	455.291
	Fixed assets in total	**4.123.374**	**4.265.705**	**4.076.816**	**4.023.265**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
	Current assets				
	Raw materials and consumables	1.541.791	4.696.761	1.541.791	4.696.761
	Manufactured goods and trade goods	4.818.141	4.660.717	4.818.141	4.660.717
	Inventories in total	6.359.932	9.357.478	6.359.932	9.357.478
	Trade debtors	5.194.511	2.951.587	4.659.426	2.268.714
	Amounts owed by group enterprises	0	0	1.678.783	821.812
	Deferred tax assets	907.746	0	0	0
	Receivable corporate tax	215.376	402.109	193.879	377.685
	Other debtors	92.051	89.941	53.849	89.942
	Accrued income and deferred expenses	132.630	837.607	132.630	837.607
	Debtors in total	6.542.314	4.281.244	6.718.567	4.395.760
	Available funds	642.084	671.696	240.663	430.448
	Current assets in total	**13.544.330**	**14.310.418**	**13.319.162**	**14.183.686**
	Assets in total	**17.667.704**	**18.576.123**	**17.395.978**	**18.206.951**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
	Equity				
	Contributed capital	190.712	167.350	190.712	167.350
	Reserve for development expenditure	0	0	1.676.533	1.239.475
	Results brought forward	-2.682.278	524.193	-4.358.811	-715.282
	Equity in total	**-2.491.566**	**691.543**	**-2.491.566**	**691.543**
	Provisions				
	Provisions for deferred tax	0	543.993	0	543.993
	Provisions in total	**0**	**543.993**	**0**	**543.993**
	Liabilities				
6	Convertible and profit-sharing debt instruments	17.500	2.140.000	17.500	2.140.000
7	Other debts	7.004.097	4.951.522	7.004.097	4.951.522
	Long-term liabilities in total	7.021.597	7.091.522	7.021.597	7.091.522
	Bank debts	6.908.314	6.790.502	6.835.585	6.674.843
	Trade creditors	4.320.679	2.354.135	4.156.883	2.160.677
	Other debts	1.908.680	1.104.428	1.873.479	1.044.373
	Short-term liabilities in total	13.137.673	10.249.065	12.865.947	9.879.893
	Liabilities in total	**20.159.270**	**17.340.587**	**19.887.544**	**16.971.415**
	Equity and liabilities in total	**17.667.704**	**18.576.123**	**17.395.978**	**18.206.951**

1 **Financing**
2 **Special items**
8 **Mortgage and securities**
9 **Contingencies**

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development expenditure	Results brought forward	In total
Equity 1 January 2016	167.350	0	3.851.548	4.018.898
Profit or loss for the year brought forward	0	0	-3.327.355	-3.327.355
Equity 1 January 2017	167.350	0	524.193	691.543
Cash capital increase	23.362	0	0	23.362
Profit or loss for the year brought forward	0	0	-10.924.509	-10.924.509
Currency adjustment	0	0	675.545	675.545
Share premium account	0	0	7.042.493	7.042.493
	190.712	**0**	**-2.682.278**	**-2.491.566**

Statement of changes in equity of the parent enterprise

All amounts in DKK.

	Contributed capital	Reserve for development expenditure	Results brought forward	In total
Equity 1 January 2016	167.350	0	5.444.198	5.611.548
Profit or loss for the year brought forward	0	0	-6.094.519	-6.094.519
Allocated result for development expenditure	0	1.239.475	0	1.239.475
Currency adjustment	0	0	-64.961	-64.961
Equity 1 January 2017	167.350	1.239.475	-715.282	691.543
Cash capital increase	23.362	0	0	23.362
Profit or loss for the year brought forward	0	0	-11.361.567	-11.361.567
Allocated result for development expenditure	0	437.058	0	437.058
Currency adjustment	0	0	675.545	675.545
Share premium account	0	0	7.042.493	7.042.493
	190.712	**1.676.533**	**-4.358.811**	**-2.491.566**

Accounting policies used

The annual report for Puori ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C 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 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.

Translation of foreign currency

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.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Puori ApS and those group enterprises of which Puori ApS directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

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

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

Accounting policies used

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the pre-acquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

Goodwill and negative goodwill from acquirees may be adjusted until 12 months after the acquisition.

Gains or losses from the disposal or termination of group enterprises or associated enterprises are recognised as the difference between the sales price or the termination sum and the book value of the net assets at the sales date and expected costs of sale or termination.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods, 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.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

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.

Accounting policies used

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.

Research and development costs

Research and development costs comprise costs, salaries and wages and depreciation directly or indirectly attributable to the consolidated research and development activities.

Research costs are recognised in the profit and loss account in the year they are incurred. Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical utilisation, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that a connection between the costs incurred and future earnings exists. Lack of official approvals, customer approvals and other uncertainties will often imply that the requirements for recognition as an asset are not met and that development costs therefore are expensed as incurred.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises and associated 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.

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

Accounting policies used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 5 years.

Purchased rights

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

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.

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:

	Useful life
Other plants, operating assets, fixtures and furniture	*3-5 years*

Accounting policies used

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 and associated enterprises

Equity investments in group enterprises and associated 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 and associated 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 and associated enterprises.

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 cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

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.

Accounting policies used

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.

Accrued income and deferred expenses

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

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

Dividend

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

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.

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.

Liabilities

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Accounting policies used

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

Notes

All amounts in DKK.

1. Financing

During the past year, the company has been through a development phase with focus on development of new products and rebranding. The new product launches will in 2018 create an increased turnover. The focus will be a few main markets for the group.
The group budget shows a positive trend through 2018 and a positive yearly result after taxes. This is supported by the financial Q1 2018 reporting.

In 2018, the group budget shows that there will not be needed more cash compared with the maximum credit facility as at balance sheet day.

Based on the above, it is the management's opinion that the financial report can be presented on the assumption of going concern.

2. Special items

Special items for the year are specified below, showing where these are recognised in the loss account. Amounts are showed in tDKK.

	Group 2017	Parent enterprise 2017
Costs:		
Rebranding costs (Design, Launch & Relabelling)	2.500	2.000
Temporary saleries related to rebranding	400	400
Writedown of inventories as a result of rebranding	350	350
Writedown of inventories due to inreased intern quality assurance	650	287
	3.900	3.037
Special items are recognised in the following items in the annual accounts:		
Gross profit	-3.500	-2.637
Staff costs	-400	-400

Notes

All amounts in DKK.

	Group 2017	Group 2016	Parent enterprise 2017	Parent enterprise 2016
3. Staff costs				
Salaries and wages	14.006.130	14.188.805	9.256.809	7.414.189
Pension costs	43.417	295.165	43.417	295.165
Other costs for social security	135.280	144.017	135.280	144.017
	14.184.827	**14.627.987**	**9.435.506**	**7.853.371**
Average number of employees	33	28	19	18

4. Completed development projects, including patents and similar rights arising from development projects

Completed development projects

Completed development projects comprise the development of nutritional supplements based on a core of scientific research. The total product portfolio consists of 12 products of which 6 products was launched and put on market in 2017. The products are depreciated over a period of 5 years.

The completed development projects are essential for maintenance of the turnover.

The management has not identified indication of impairment in proportion to the book value.

5. Development projects in progress and prepayments for intangible fixed assets

In-progress development projects

In-progress development projects comprise development of nutritional supplements based on a core of scientific research. Costs are in all material aspects comprising internal costs in the shape of wages and salaries registered in the enterprise's bookkeeping.

The book value as of 31 December 2017 is tDKK 584. The development of the nutritional supplements is expected to be completed in 2019 and 2020 and then marketing and sale can be commenced if desired by the management. Puori has made market analyzes before start of development that showed good results.

The new nutritional supplements is expected to entail considerable advantages and thereby also a significant increase in the level of activity and the upcoming results for the enterprise.

Notes

All amounts in DKK.

		Group 31/12 2017	Group 31/12 2016	Parent enterprise 31/12 2017	Parent enterprise 31/12 2016
6.	**Convertible and profit-sharing debt instruments**				
	Convertible and profit-sharing debt instruments	17.500	2.140.000	17.500	2.140.000
		17.500	**2.140.000**	**17.500**	**2.140.000**
7.	**Other debts**				
	Other debts in total	7.274.810	4.951.522	7.274.810	4.951.522
	Share of amount due within 1 year	-270.713	0	-270.713	0
	Other debts in total	**7.004.097**	**4.951.522**	**7.004.097**	**4.951.522**

Notes

All amounts in DKK.

8. Mortgage and securities

For bank debts, tDKK 6.836, the company has provided security in company assets representing a nominal value of tDKK 7.500. This security comprises the below assets, stating the book values:

Intangible fixed assets	tDKK 3.560
Inventories	tDKK 6.360
Trade debtors	tDKK 4.659
Tangible fixed assets	tDKK 62

9. Contingencies

Contingent assets

The group company has an unrecognized deferred tax asset of tDKK 1.142.

Contingent liabilities

The company has entered into an irrevoable rent contract until 1 April with a total rental obligation of tDKK 66.

The company has entered into an irrevoable rent contract until 1 September 2019 with a total rental obligation of tDKK 1.267

The company has entered into lease agreements with a leasingperiod between 4 and 24 months with a total obligation of tDKK 319.