
Inspirit Denmark ApS

Kronprinsensgade 3, 4., DK-1114 København K

Annual Report for 1 January - 31 December 2016

CVR No 34 35 38 59

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
15/6 2017

Martin Ohrt
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	7
Balance Sheet 31 December	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Inspirit Denmark ApS for the financial year 1 January - 31 December 2016.

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

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

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 15 June 2017

Executive Board

Yoanna Choleva

Board of Directors

Yoanna Choleva

Independent Auditor's Report

To the Shareholder of Inspirit Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the 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.

We have audited the Financial Statements of Inspirit Denmark ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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.

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 Financials Statements Act.

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

Management's Responsibilities 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.

Independent Auditor's Report

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 Responsibilities for the Audit of 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.
- 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.

Independent Auditor's Report

- 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.

Hellerup, 15 June 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lasse Hartlev

statsautoriseret revisor

Company Information

The Company

Inspirit Denmark ApS
Kronprinsensgade 3, 4.
DK-1114 København K

CVR No: 34 35 38 59

Financial period: 1 January - 31 December

Municipality of reg. office: København

Board of Directors

Yoanna Choleva

Executive Board

Yoanna Choleva

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Financial Statements of Inspirit Denmark ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The Company's main activity comprise of sale of health caring products and adaption of the Breathox concept to the Scandinavian market.

Development in the year

The income statement of the Company for 2016 shows a loss of DKK 1,042,605, and at 31 December 2016 the balance sheet of the Company shows negative equity of DKK 2,388,231.

Research and development

No salaries have been paid to management for the initial 4 years and consulting costs to our world class research and development partners have been minimized by using personal networks and a lean, frugal spending policy. To be prudent, none of these investments have been activated in our financial statements.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Gross profit/loss		-420.107	-325.124
Staff expenses	2	-440.695	-169.360
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-143.292	-103.773
Profit/loss before financial income and expenses		-1.004.094	-598.257
Financial income		0	4
Financial expenses		-144.971	-47.629
Profit/loss before tax		-1.149.065	-645.882
Tax on profit/loss for the year		106.460	-63.837
Net profit/loss for the year		-1.042.605	-709.719

Distribution of profit

Proposed distribution of profit

Retained earnings		-1.042.605	-709.719
		-1.042.605	-709.719

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Completed development projects		1.362.558	422.711
Intangible assets	3	1.362.558	422.711
Other fixtures and fittings, tools and equipment		60.595	65.790
Property, plant and equipment in progress		0	19.000
Property, plant and equipment	4	60.595	84.790
Deposits		68.781	68.617
Fixed asset investments		68.781	68.617
Fixed assets		1.491.934	576.118
Trade receivables		0	34.700
Other receivables		61.790	106.580
Receivables		61.790	141.280
Cash at bank and in hand		329.553	636.660
Currents assets		391.343	777.940
Assets		1.883.277	1.354.058

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2016</u> DKK	<u>2015</u> DKK
Share capital		80.000	80.000
Retained earnings		<u>-2.468.231</u>	<u>-1.425.626</u>
Equity		<u>-2.388.231</u>	<u>-1.345.626</u>
Payables to group enterprises		<u>864.806</u>	<u>968.466</u>
Long-term debt	5	<u>864.806</u>	<u>968.466</u>
Credit institutions		19.449	25.629
Trade payables		23.208	227.039
Payables to owners and Management		28.557	10.331
Other payables		<u>3.335.488</u>	<u>1.468.219</u>
Short-term debt		<u>3.406.702</u>	<u>1.731.218</u>
Debt		<u>4.271.508</u>	<u>2.699.684</u>
Liabilities and equity		<u>1.883.277</u>	<u>1.354.058</u>
Going concern	1		
Contingent assets, liabilities and other financial obligations	6		
Accounting Policies	7		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	80.000	-1.425.626	-1.345.626
Net profit/loss for the year	0	-1.042.605	-1.042.605
Equity at 31 December	80.000	-2.468.231	-2.388.231

Notes to the Financial Statements

1 Going concern

The Company has pr. 10 January 2017 received credit facilities amounting to TDKK 6,000. This give the Company the necessary ability to pay short term liabilities when due.

The credit facility is valid until 31 December 2018.

	<u>2016</u> DKK	<u>2015</u> DKK
2 Staff expenses		
Wages and salaries	436.782	169.000
Other social security expenses	<u>3.913</u>	<u>360</u>
	<u>440.695</u>	<u>169.360</u>
 Average number of employees	 <u>1</u>	 <u>1</u>

3 Intangible assets

	<u>Completed development projects</u> DKK
Cost at 1 January	579.653
Additions for the year	1.098.545
Disposals for the year	<u>-39.600</u>
Cost at 31 December	<u>1.638.598</u>
 Impairment losses and amortisation at 1 January	 156.943
Amortisation for the year	<u>119.097</u>
Impairment losses and amortisation at 31 December	<u>276.040</u>
 Carrying amount at 31 December	 <u>1.362.558</u>
 Amortised over	 <u>5 years</u>

Development projects relate to product development of Breathox.

Notes to the Financial Statements

4 Property, plant and equipment

	Other fixtures and fittings, tools and equipment <u>DKK</u>	Property, plant and equipment in progress <u>DKK</u>
Cost at 1 January	77.781	19.000
Transfers for the year	<u>19.000</u>	<u>-19.000</u>
Cost at 31 December	<u>96.781</u>	<u>0</u>
Impairment losses and depreciation at 1 January	11.991	0
Depreciation for the year	<u>24.195</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>36.186</u>	<u>0</u>
Carrying amount at 31 December	<u>60.595</u>	<u>0</u>
Depreciated over	<u>3-5 years</u>	

5 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2016</u> DKK	<u>2015</u> DKK
Payables to group enterprises		
Between 1 and 5 years	<u>864.806</u>	<u>968.466</u>
Long-term part	864.806	968.466
Within 1 year	<u>0</u>	<u>0</u>
	<u>864.806</u>	<u>968.466</u>

6 Contingent assets, liabilities and other financial obligations

The Company has a lease agreement with a notice period of 3 months, amounting to TDKK 35.

There is no other contingent liabilities or guarantees.

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Inspirit Denmark ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

7 Accounting Policies (continued)

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the enterprise.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

7 Accounting Policies (continued)

Balance Sheet

Intangible assets

Intangible assets comprise of development projects. Only direct Capex expenses has been capitalized.

Completed development projects are depreciated over 5 years, which is the expected useful lives of the projects.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

7 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.