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PERSONLIGT ENGAGEMENT

STATSAUTORISERET  
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# Hairclinic Group ApS

c/o Hårklinikken ApS, Amaliegade 42, 1256 København K

Company reg. no. 35 39 70 51

## Annual report

1 January - 31 December 2016

The annual report has been submitted and approved by the general meeting on the 15 June 2017.

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Mette Marie Louise 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 %.



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## **Management's report**

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The executive board has today presented the annual report of Hairclinic Group ApS for the financial year 1 January to 31 December 2016.

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 2016 and of the company's results of its activities in the financial year 1 January to 31 December 2016.

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, 12 June 2017

### **Executive board**

Lars Skjøth

Mette Marie Louise Skjøth



## **Independent auditor's report**

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### **To the shareholder of Hairclinic Group ApS**

#### **Opinion**

We have audited the annual accounts of Hairclinic Group ApS for the financial year 1 January to 31 December 2016, 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.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January to 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 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 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 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. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating 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 annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether 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 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:



## **Independent auditor's report**

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- Identify and assess the risks of material misstatement in 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 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 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 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 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 annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.



## **Independent auditor's report**

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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 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, 12 June 2017

**Christensen Kjarulff**

Company reg. no. 15 91 56 41

Elan Schapiro  
State Authorised Public Accountant



## Company data

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### **The company**

Hairclinic Group ApS  
c/o Hårklinikken ApS  
Amaliegade 42  
1256 København K

Company reg. no. 35 39 70 51  
Established: 5 July 2013  
Domicile: Copenhagen  
Financial year: 1 January - 31 December  
3rd financial year

### **Executive board**

Lars Skjøth  
Mette Marie Louise Skjøth

### **Auditors**

Christensen Kjærulff  
Statsautoriseret Revisionsaktieselskab

### **Parent company**

EMKL Holding ApS

### **Subsidiaries**

HK Koncept og Produkt ApS, Copenhagen  
Hårklinikken LLC, USA



## **Management's review**

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### **The principal activities of the company**

The principal activities of the company are, directly and indirectly as a holding company, trading and industry, financing and investment as well as other activities related thereto.

The company is the parent company of HK Koncept og Produkt ApS. HK Koncept og produkt ApS' principal activities are to hold and develop recipes, concepts, trademarks and intangible rights, as well as production, licensing and sales of products, trademarks and rights and other activities related thereto.

### **Development in activities and financial matters**

The gross loss for the year is TDKK -18 against TDKK -13 last year. The results from ordinary activities after tax are TDKK -12.312 against TDKK -6.094 last year. The management consider 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.

### **Special risks**

The Company's equity is negative, TDKK 27.001 at 31 December 2016. Equity is expected to be restored over the years by dividend payments from group enterprises. In this connection, the company's main creditor has issued a letter of subordination for the company's debt TDKK 206.970 for the benefit of other creditors.





## Profit and loss account 1 January - 31 December

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Gross loss</b>	<b>-18.150</b>	<b>-13</b>
Other financial income from group enterprises	79.175	49
1 Other financial costs	<u>-8.207.925</u>	<u>-7.849</u>
<b>Results before tax</b>	<b>-8.146.900</b>	<b>-7.813</b>
2 Tax on ordinary results	<u>-4.165.446</u>	<u>1.719</u>
<b>Results for the year</b>	<b><u>-12.312.346</u></b>	<b><u>-6.094</u></b>
<b>Proposed distribution of the results:</b>		
Allocated from results brought forward	<u>-12.312.346</u>	<u>-6.094</u>
<b>Distribution in total</b>	<b><u>-12.312.346</u></b>	<b><u>-6.094</u></b>



## Balance sheet 31 December

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

<b>Assets</b>			
<u>Note</u>		<u>2016</u>	<u>2015</u>
<b>Fixed assets</b>			
3	Equity investments in group enterprises	<u>180.681.641</u>	<u>180.682</u>
	Financial fixed assets in total	<u>180.681.641</u>	<u>180.682</u>
	<b>Fixed assets in total</b>	<b><u>180.681.641</u></b>	<b><u>180.682</u></b>
<b>Current assets</b>			
	Amounts owed by group enterprises	2.100.386	1.941
	Deferred tax assets	<u>0</u>	<u>4.166</u>
	Debtors in total	<u>2.100.386</u>	<u>6.107</u>
	<b>Current assets in total</b>	<b><u>2.100.386</u></b>	<b><u>6.107</u></b>
	<b>Assets in total</b>	<b><u>182.782.027</u></b>	<b><u>186.789</u></b>



## Balance sheet 31 December

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

<u>Note</u>	<u>2016</u>	<u>2015</u>	
<b>Equity and liabilities</b>			
<b>Equity</b>			
4	Contributed capital	80.000	80
5	Results brought forward	-27.080.744	-14.769
	<b>Equity in total</b>	<b>-27.000.744</b>	<b>-14.689</b>
<b>Liabilities</b>			
	Debt to group enterprises	2.786.534	3.220
	Long-term liabilities in total	2.786.534	3.220
	Trade creditors	26.625	23
	Other debts	206.969.612	198.235
	Short-term liabilities in total	206.996.237	198.258
	<b>Liabilities in total</b>	<b>209.782.771</b>	<b>201.478</b>
	<b>Equity and liabilities in total</b>	<b>182.782.027</b>	<b>186.789</b>
6	<b>Mortgage and securities</b>		
7	<b>Contingencies</b>		



## Notes

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

	<u>2016</u>	<u>2015</u>		
<b>1. Other financial costs</b>				
Financial costs, group enterprises	111.055	88		
Other financial costs	<u>8.096.870</u>	<u>7.761</u>		
	<b><u>8.207.925</u></b>	<b><u>7.849</u></b>		
<b>2. Tax on ordinary results</b>				
Adjustment for the year of deferred tax	-1.792.318	-1.719		
Reduction of corporation tax from xx % to xx %	<u>5.957.764</u>	<u>0</u>		
	<b><u>4.165.446</u></b>	<b><u>-1.719</u></b>		
<b>3. Equity investments in group enterprises</b>				
Acquisition sum, opening balance 1 January 2016	180.681.641	180.080		
Additions during the year	<u>0</u>	<u>602</u>		
<b>Cost 31 December 2016</b>	<b><u>180.681.641</u></b>	<b><u>180.682</u></b>		
Revaluations, opening balance 1 January 2016	<u>0</u>	<u>0</u>		
<b>Writedown 31 December 2016</b>	<b><u>0</u></b>	<b><u>0</u></b>		
<b>Book value 31 December 2016</b>	<b><u>180.681.641</u></b>	<b><u>180.682</u></b>		
<b>The financial highlights for the enterprises according to the latest approved annual reports</b>				
	<b>Share of ownership</b>	<b>Equity</b>	<b>Results for the year</b>	<b>Book value at Hairclinic Group ApS</b>
HK Koncept og Produkt ApS, Copenhagen	100 %	144.408.765	-17.803.705	180.080.000
Harklinikken LLC, USA	90 %	<u>-2.121.405</u>	<u>-8.065.321</u>	<u>601.641</u>
		<b><u>142.287.360</u></b>	<b><u>-25.869.026</u></b>	<b><u>180.681.641</u></b>
<b>4. Contributed capital</b>				
Contributed capital 1 January 2016			<u>80.000</u>	<u>80</u>
			<b><u>80.000</u></b>	<b><u>80</u></b>



## Notes

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

	<u>31/12 2016</u>	<u>31/12 2015</u>
<b>5. Results brought forward</b>		
Results brought forward 1 January 2016	-14.768.398	-8.675
Profit or loss for the year brought forward	<u>-12.312.346</u>	<u>-6.094</u>
	<b><u>-27.080.744</u></b>	<b><u>-14.769</u></b>

## 6. Mortgage and securities

For bank debts, net T.DKK 1.124, in Skjøth Holding ApS and Hårklinikken ApS the company has provided security in company assets of group enterprise, HK Koncept & Produkt ApS.

## 7. Contingencies

### Contingent assets

The company has not recognised deferred tax asset of tDKK 5.958 corresponding to tDKK 27.081 in tax loss carryforwards. The tax asset is not recognised in the balance sheet, as uncertainty exists about the measurement of the net realizable value of the asset as a result of uncertainty about the time-scale for the carryforward of tax losses.

### Joint taxation

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

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

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



## **Accounting policies used**

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The annual report for Hairclinic Group 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.

### **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.

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.



## **Accounting policies used**

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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 profit and loss account**

#### **Gross loss**

The gross loss comprises costs for administration.

#### **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.

#### **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 Danish legislation concerning compulsory joint taxation with the Danish 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).



## **Accounting policies used**

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### The balance sheet

#### **Financial fixed assets**

##### **Equity investments in group enterprises**

Equity investments in group enterprises are measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

##### **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.

##### **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.

According to the rules of joint taxation, Hairclinic Group 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.

##### **Liabilities**

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