



# 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 2015

The annual report has been submitted and approved by the general meeting on the 9 June 2016.

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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 2015.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

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

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

Copenhagen, 6 June 2016

### **Executive board**

Lars Skjøth

Mette Marie Louise Skjøth



## **The independent auditor's reports**

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

#### **Report on the annual accounts**

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

#### **The management's responsibility for the annual accounts**

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

#### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

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

The audit has not resulted in any qualification.



## **The independent auditor's reports**

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### **Opinion**

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

### **Statement on the management's review**

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

Copenhagen, 6 June 2016

### **Christensen Kjaerulff**

Statsautoriseret Revisionsaktieselskab  
CVR-nr. 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

### **Executive board**

Lars Skjøth  
Mette Marie Louise Skjøth

### **Auditors**

Christensen Kjørulff, 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 -13 against TDKK -10 last year. The results from ordinary activities after tax are TDKK -6.094 against TDKK -8.675 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.

The management's purpose in relation to the foundation of the company in 2013 was to place the acquired IP rights in a group structure that is attractive to investors. Given that the treatment solution, acquired by the subsidiary, HK Koncept og Produkt ApS, is unique and leading globally in a very large and growing market and the interest shown, especially from competing enterprises in the cosmetics and pharmaceutical industries, the management has great expectations to the potential.

In 2015, HK Koncept og Produkt ApS achieved a substantial growth in sales of products for Hårklinikken, both in Dubai, the US and Denmark. It is among other things a consequence of the introduction of new innovative products and launching a new design. The management expect significant growth in product sales in 2016 and 2017, when several new products are being launched. Especially, the US market seems to expand, and the cooperation with the Icelandic company, Bioeffect will start to affect the sales. In the financial year, the company has acquired the US subsidiary, Harklinikken LLC.

### **Special risks**

#### **Price risks**

The company's equity is negative, TDKK 14.688 at 31 December 2015. 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 198.233 for the benefit of other creditors.

### **Events subsequent to the financial year**

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.



## **Profit and loss account**

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Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

<u>Note</u>	<u>1/1 2015 - 31/12 2015</u>	<u>5/7 2013 - 31/12 2014</u>
<b>Gross loss</b>	<b>-13.000</b>	<b>-10</b>
Other financial income from group enterprises	49.737	21
1 Other financial costs	<u>-7.849.072</u>	<u>-11.133</u>
<b>Results before tax</b>	<b>-7.812.335</b>	<b>-11.122</b>
2 Tax on ordinary results	<u>1.718.714</u>	<u>2.447</u>
<b>Results for the year</b>	<b><u>-6.093.621</u></b>	<b><u>-8.675</u></b>
<b>Proposed distribution of the results:</b>		
Allocated from results brought forward	<u>-6.093.621</u>	<u>-8.675</u>
<b>Distribution in total</b>	<b><u>-6.093.621</u></b>	<b><u>-8.675</u></b>





## Balance sheet 31 December

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Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Fixed assets</b>		
3 Equity investments in group enterprises	180.681.641	180.080
Financial fixed assets in total	<u>180.681.641</u>	<u>180.080</u>
<b>Fixed assets in total</b>	<b><u>180.681.641</u></b>	<b><u>180.080</u></b>
<b>Current assets</b>		
Amounts owed by group enterprises	1.940.612	1.221
Deferred tax assets	4.165.446	2.447
Debtors in total	<u>6.106.058</u>	<u>3.668</u>
<b>Current assets in total</b>	<b><u>6.106.058</u></b>	<b><u>3.668</u></b>
<b>Assets in total</b>	<b><u>186.787.699</u></b>	<b><u>183.748</u></b>



## Balance sheet 31 December

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Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

<u>Note</u>	<u>2015</u>	<u>2014</u>	
<b>Equity and liabilities</b>			
<b>Equity</b>			
4	Contributed capital	80.000	80
5	Results brought forward	-14.768.398	-8.675
	<b>Equity in total</b>	<b>-14.688.398</b>	<b>-8.595</b>
<b>Liabilities</b>			
	Debt to group enterprises	3.219.763	1.221
	Long-term liabilities in total	3.219.763	1.221
	Trade creditors	23.000	10
	Other debts	198.233.334	191.112
	Short-term liabilities in total	198.256.334	191.122
	<b>Liabilities in total</b>	<b>201.476.097</b>	<b>192.343</b>
	<b>Equity and liabilities in total</b>	<b>186.787.699</b>	<b>183.748</b>

6 Mortgage and securities

7 Contingencies



## Notes

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Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

	1/1 2015 - 31/12 2015	5/7 2013 - 31/12 2014
<b>1. Other financial costs</b>		
Financial costs, group enterprises	87.839	21
Other financial costs	7.761.233	11.112
	<b>7.849.072</b>	<b>11.133</b>
<b>2. Tax on ordinary results</b>		
Adjustment for the year of deferred tax	-1.718.714	-2.447
	<b>-1.718.714</b>	<b>-2.447</b>
<b>3. Equity investments in group enterprises</b>		
Acquisition sum, opening balance 1 January 2015	180.080.000	0
Additions during the year	601.641	180.080
<b>Cost 31 December 2015</b>	<b>180.681.641</b>	<b>180.080</b>
<b>Book value 31 December 2015</b>	<b>180.681.641</b>	<b>180.080</b>

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

	Share of ownership	Equity	Results for the year	Book value at Hairclinic Group ApS
HK Koncept og Produkt ApS, Copenhagen	100 %	162.212.470	-906.265	180.080.000
Harklinikken LLC, USA	85 %	-8.250.062	-4.876.282	601.641
		<b>153.962.408</b>	<b>-5.782.547</b>	<b>180.681.641</b>

<b>4. Contributed capital</b>		
Contributed capital 1 January 2015	80.000	80
	<b>80.000</b>	<b>80</b>



## Notes

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Amounts concerning 2015: DKK.

Amounts concerning 2014: DKK in thousands.

	<u>31/12 2015</u>	<u>31/12 2014</u>
<b>5. Results brought forward</b>		
Results brought forward 1 January 2015	-8.674.777	0
Profit or loss for the year brought forward	<u>-6.093.621</u>	<u>-8.675</u>
	<u><b>-14.768.398</b></u>	<u><b>-8.675</b></u>

### 6. Mortgage and securities

For bank debts, net TDKK 2.302, in Skjøth Holding ApS and Hårklinikken ApS, the company has provided security in company assets of the group enterprise, HK Koncept og produkt ApS.

### 7. Contingencies

#### 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, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.



## **Accounting policies used**

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### The profit and loss account

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

#### **Net financials**

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

#### **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).

### 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.

##### **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.



## **Accounting policies used**

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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. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

### **Liabilities**

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