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PERSONLIGT ENGAGEMENT

STATSAUTORISERET  
REVISIONSAKTIESELSKAB

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# HK Koncept og Produkt ApS

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

Company reg. no. 35 39 98 52

## 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 HK Koncept og Produkt 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 HK Koncept og Produkt ApS**

### **Opinion**

We have audited the annual accounts of HK Koncept og Produkt 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**

Statsautoriseret Revisionsaktieselskab  
Company reg. no. 15 91 56 41

Elan Schapiro

State Authorised Public Accountant



## Company data

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### **The company**

HK Koncept og Produkt ApS  
c/o Hårklinikken ApS  
Amaliegade 42  
1256 København K

Company reg. no. 35 39 98 52  
Established: 7 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  
Store Kongensgade 68  
1264 København K

### **Parent company**

Hairclinic Group ApS



## **Management's review**

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

The principal activities of the company are investment and financing activities, to hold and develop recipes, concepts, trademarks, and intangible rights, as well as production, licensing and sales of products, HK Concepts, trademarks and rights and other activities related thereto.

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

The gross profit for the year is TDKK 4.728 against TDKK 17.109 last year. The results from ordinary activities after tax are TDKK -17.804 against TDKK -906 last year. The results are as expected and the management consider the results satisfactory as large investments have been made in building the US market.

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. The treatment solution as well as the excellent hair care product line, acquired by HK Koncept og Produkt ApS is unique and leading globally in a very large and growing market. Leading doctors in the field of hair disorders as well as competing enterprises in the cosmetics and pharmaceutical industries have shown immense interest in the company. Therefore, the management has great expectations to the potential.





## 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 profit</b>	<b>4.727.799</b>	<b>17.109</b>
1 Staff costs	-858.211	-681
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	<u>-18.109.240</u>	<u>-18.025</u>
<b>Operating profit</b>	<b>-14.239.652</b>	<b>-1.597</b>
Other financial income from group enterprises	697.903	228
Other financial income	676.566	310
2 Other financial costs	<u>-180</u>	<u>-1</u>
<b>Results before tax</b>	<b>-12.865.363</b>	<b>-1.060</b>
3 Tax on ordinary results	<u>-4.938.342</u>	<u>154</u>
<b>Results for the year</b>	<b><u>-17.803.705</u></b>	<b><u>-906</u></b>
<b>Proposed distribution of the results:</b>		
Allocated from results brought forward	<u>-17.803.705</u>	<u>-906</u>
<b>Distribution in total</b>	<b><u>-17.803.705</u></b>	<b><u>-906</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>Assets</b>		
<b>Fixed assets</b>		
4 Completed development projects, including patents and similar rights arising from development projects	376.011	476
5 Acquired rights	118.500.000	136.500
Intangible fixed assets in total	<u>118.876.011</u>	<u>136.976</u>
6 Other plants, operating assets, and fixtures and furniture	32.120	18
Tangible fixed assets in total	<u>32.120</u>	<u>18</u>
Amounts owed by group enterprises	18.839.449	10.309
Financial fixed assets in total	<u>18.839.449</u>	<u>10.309</u>
<b>Fixed assets in total</b>	<b><u>137.747.580</u></b>	<b><u>147.303</u></b>
<b>Current assets</b>		
Raw materials and consumables	380.256	382
Manufactured goods and trade goods	605.417	1.034
Prepayments for goods	0	112
Inventories in total	<u>985.673</u>	<u>1.528</u>
Trade debtors	2.368.020	2.805
Deferred tax assets	0	4.938
Other debtors	12.583	137
Debtors in total	<u>2.380.603</u>	<u>7.880</u>
Available funds	3.889.581	5.909
<b>Current assets in total</b>	<b><u>7.255.857</u></b>	<b><u>15.317</u></b>
<b>Assets in total</b>	<b><u>145.003.437</u></b>	<b><u>162.620</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>			
7	Contributed capital	80.000	80
8	Results brought forward	144.328.765	162.133
	<b>Equity in total</b>	<b>144.408.765</b>	<b>162.213</b>
<b>Liabilities</b>			
	Trade creditors	394.926	207
	Other debts	199.746	200
	Short-term liabilities in total	594.672	407
	<b>Liabilities in total</b>	<b>594.672</b>	<b>407</b>
	<b>Equity and liabilities in total</b>	<b>145.003.437</b>	<b>162.620</b>
9	Mortgage and securities		
10	Contingencies		



## Notes

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

	<u>2016</u>	<u>2015</u>
<b>1. Staff costs</b>		
Salaries and wages	858.211	681
	<b>858.211</b>	<b>681</b>
<b>2. Other financial costs</b>		
Other financial costs	180	1
	<b>180</b>	<b>1</b>
<b>3. Tax on ordinary results</b>		
Adjustment for the year of deferred tax	-4.519.924	-154
Reduction of corporation tax from xx % to xx %	9.458.266	0
	<b>4.938.342</b>	<b>-154</b>
<b>4. Completed development projects, including patents and similar rights arising from development projects</b>		
Cost 1 January 2016	501.114	0
Additions during the year	0	501
<b>Cost 31 December 2016</b>	<b>501.114</b>	<b>501</b>
Amortisation and writedown 1 January 2016	-24.880	0
Amortisation for the year	-100.223	-25
<b>Amortisation and writedown 31 December 2016</b>	<b>-125.103</b>	<b>-25</b>
<b>Book value 31 December 2016</b>	<b>376.011</b>	<b>476</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. Acquired rights</b>		
Cost 1 January 2016	180.000.000	180.000
<b>Cost 31 December 2016</b>	<b>180.000.000</b>	<b>180.000</b>
Amortisation and writedown 1 January 2016	-43.500.000	-25.500
Amortisation for the year	-18.000.000	-18.000
<b>Amortisation and writedown 31 December 2016</b>	<b>-61.500.000</b>	<b>-43.500</b>
<b>Book value 31 December 2016</b>	<b>118.500.000</b>	<b>136.500</b>
<b>6. Other plants, operating assets, and fixtures and furniture</b>		
Cost 1 January 2016	17.662	0
Additions during the year	23.475	18
<b>Cost 31 December 2016</b>	<b>41.137</b>	<b>18</b>
Depreciation and writedown 1 January 2016	0	0
Depreciation for the year	-9.017	0
<b>Depreciation and writedown 31 December 2016</b>	<b>-9.017</b>	<b>0</b>
<b>Book value 31 December 2016</b>	<b>32.120</b>	<b>18</b>
<b>7. Contributed capital</b>		
Contributed capital 1 January 2016	80.000	80
	<b>80.000</b>	<b>80</b>
<b>8. Results brought forward</b>		
Results brought forward 1 January 2016	162.132.470	163.039
Profit or loss for the year brought forward	-17.803.705	-906
	<b>144.328.765</b>	<b>162.133</b>



## Notes

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Amounts concerning 2016: DKK.

Amounts concerning 2015: DKK in thousands.

### 9. Mortgage and securities

The company has provided security against Skjøth Holding ApS' and Hårklinikken ApS' commitments with the company's bankers at a net value of DKK -2.302 thousand at the balance sheet date.

### 10. Contingencies

#### Contingent assets

The company has not recognised deferred tax asset of tDKK 7.767 corresponding to tDKK 50.972 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, company reg. no 35395768 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 HK Koncept og Produkt ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises with the addition of some rules 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 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.



## **Accounting policies used**

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### The profit and loss account

#### **Gross profit**

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, 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, including gains and losses on disposal of intangible and tangible fixed assets.

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.

#### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

#### **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.





## **Accounting policies used**

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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**

#### **Intangible fixed assets**

##### **Development projects, patents, and licences**

Capitalised development costs are measured at cost with deduction of accrued amortisation or at the recoverable value, if this is lower.

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 and does not exceed 10 years.

Acquired rights are measured at cost with deduction of accrued amortisation. Acquired rights are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 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 expected residual value after the end of the useful life of the asset.

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:

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

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 losses are recognised in the profit and loss account as other operating income or other operating expenses.

#### **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.



## **Accounting policies used**

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

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.

### **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.

### **Available funds**

Available funds comprise cash at bank and in hand.

### **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, HK Koncept og Produkt 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.