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# ANNUAL REPORT 2015

**Proud City (Denmark) ApS**
Ryttergårdsvej 3
7673 Harboøre

CVR nr. 35411267

**Submitter:**
Sønderup I/S
Statsautoriserede revisorer
Jyllandsgade 9
4100 Ringsted

**Presented and approved at the company's ordinary generel meeting, 10 March 2016**

**Chairman**
Sucheng He

# Contents

# Management's Statement on the Annual Report

The management have today considered and approved the annual report for Proud City (Denmark) ApS for the financial year 1 January to 31 December 2015.

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

In the managements opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of its financial performance for the financial year 1 January to 31 December 2015.

We recommend the annual report for approval at the annual general meeting.

Lemvig, 28. February 2016

**Executive Board**

Kwai Lin Sally Ho

Sucheng He 贺素文

# Independent Auditor's Report

## To the shareholders of Proud City (Denmark) ApS

**Report on the Financial Statements**

We have audited the financial statements of Proud City (Denmark) ApS for the financial year 1 January to 31 December 2015, which comprise income statement, balance sheet and notes, including summary of significant accounting policies, for the Company. The financial statements are prepared in accordance with the Danish Financial Statements Act.

**Management's Responsibility for the Financial Statements**

The 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 the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, , the auditor considers internal control relevant to the entity's preparation of financial statements 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 entity'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 financial statements.

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

## Qualification

**Basis for qualified opinion**

The company has during the year acquired the subsidiary SIA Velvet Mink A in Latvia. As described in the Management Report the company is acquired as part of the overall strategy for the production and sale of mink. It has not been possible for us to conduct an adequate calculation of the recoverable amount and therefore we can not comment on the valuation thereof.

**Opinion**

In our opinion, the financial statements, execpt for the possible impact of the factor described in the basis for qualified opinion, gives a true and fair view of the Company's 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.

# Independent Auditor's Report

**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 financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Ringsted, 28. February 2016

**SØNDERUP I/S**
**statsautoriserede revisorer**
CVR 31 82 45 59

Tom Sønderup
State authorised public accountant

# Management report

### The significant activities of the enterprise
The Company´s main activity is to operate minkfarms, consultancy, and holding investments in other companies.

### Development in activities and financial affairs
Profit before tax is a loss of TDKK 38. In view of the market the result is considered as satisfactory. The company has during the year acquired the Latvian company SIA Velvet Mink A. The company was originally acquired by the parent company as part of an overall trade in connection with the acquisition of the Danish farms. This in order to achieve a complete production from breeding to pelting and to ensure the desired production of puppies in the group. For further production the Management intends to make investments in the Latvian company over the years. Management finds therefore the valuation of the Latvian company at cost fair and in line with the strategy that was laid for the total investment.

As a result of recent years realized loss the capital is lost. Management expects capital to be reestablished through positive earnings in the coming 1-2 years. The parent company has issued a letter of comfort to ensure the company's continued operation.

### Events subsequent to the end of 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.

# Accounting principles applied

The annual report for Proud City (Denmark) ApS 2015 has been prepared in accordance with the Danish Financial Statements Act for class B companies.

The income statement is presented by type of expenditure and the balance sheet is presented in account from. The measurement currency used is Danish kroner. All other currencies are considered foreign currency.

The company has, in accordance with the Danish Financial Statements Act § 43A chosen to recognize investments in group companies under the equity method.

The accounting principles were applied consistently with the principles of last year's financial reporting.

### General information on recognition and measurement

Income is recognized in the income statement as earned, including any value adjustments of financial assets and liabilities. Furthermore, all costs, including amortisation/depreciation and write-downs, are recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits wil flow out of the company, and the value of the liabilities can be measured reliably.

The first recognition measures assets and liabilities at cost. Subsequently, assets and liabilities will be measured individually in respect of each accounting item as described below.

Anticipated risks and loses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

### Income statement

#### Gross profit

In pursuance of section 32 (1) of the Danish Financial Statements Act, the first item in the income statement is the gross profit. The item gross profit is the result of revenue, cost of sales, other external cost and other operating income.

#### Revenue

Net sales in connection with sales of commercial products and finished products are recognized in the profit and loss account, if delivery has taken place and the risk has passed to the customer before the end of the year. Net sales are recognized ex. VAT and net of discounts related to the individual sale.

# Accounting principles applied

**Other operating income and expenses**
Other operating income and expenses comprise items of a secondary nature in relation to the company's core business.

**Other external cost**
Other external cost comprise costs for distribution, sales, administration, premises, etc.

**Staff expenses**
Staff expenses contains salaries and wages, including holiday payment, pensions and other social security costs etc. to the company's employees. In staff expenses are received subsidies from public authorities, deducted.

**Financial items**
Financial income and expenses are regognized in the income statement with the amounts relating to the financial year. The financial items comprise interest income and expense, realized and unrealized exchange rate, gains and losses resulting from transactions in foreign currencies and surcharges and refunds regarding corporation tax.

**Tax for the year**
The company is jointly taxed with other group companies. The current corporation tax is divided between the jointly taxed companies pro rata to their taxable incomes. The parent company functions as the management company for the joint taxation and handles the tax payments to the danish tax authorities.

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly on equity by the portion attributable to entries directly on equity.

## Balance sheet

**Tangible fixed assets**
Land and buildings, other plant, operating equipment and tools and fixtures are measured at cost price less accumulated depreciation and write-down.

Depreciation is based on cost price less expected residual value after end of service life. Land is not subject to depreciation. The cost price includes acquisition price and costs directly linked to the acquisition until the time when the asset is ready for commencement of use.

Straight-line depreciation is based on the following assesment of the assets expected useful lives:

Buildings: 50 years. Other fixtures and fittings, tools and equipment: 3-10 år.

Assets with a cost per unit under the tax threshold for small assets are recognized as expenses in the year of acquisition.

Profits or losses in connection with disposal of tangible fixed assets are calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profits and losses are entered in the income statement under other operating income and -costs.

**Financial fixed assets**

**Investments in group companies and associates**
Investments in group companies and associates are measured at cost. In cases where the cost exceeds net realizable value, it is written down to its recoverable amount.

Dividends from investments in group companies and associates are recognized in the parent company's income statement in the period in which the dividend is declared. To the extent that distributed dividends exceed the accumulated earnings after the transfer date, the dividend is recognized as a reduction of the investment cost.

**Impairment of fixed assets**
The carrying value of intangible and tangible fixed assets and investments in subsidiaries are assessed annually for indications of impairment beyond what is expressed by depreciation.

If there are indications of impairment, an impairment test of each asset or group of assets will be made. Impairment will be made to its recoverable amount if this is lower than the carrying value.

**Inventories**
Inventories are valued at cost using the FIFO method. In cases where net realizable value is lower than cost, it will be written down to this lower value.

The cost of finished goods and work in progress comprises raw materials, direct labor and direct production costs.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs to be incurred to make the sale and is determined taking into account marketability, obsolescence and development in expected sales.

**Receivables**
Receivables are measured at amortized cost, which usually corresponds to the nominal value. Value is reduced by provisions for bad debts.

**Prepayments**
Prepaid expenses are recorded as assets.

**Tax payable and deferred tax**
Current tax liabilities and current tax assets are recognized in the balance sheet as tax calculated on the taxable income allocated with the current tax rate, and adjusted for tax on prior years taxable income and prepaid taxes.

Deferred tax is measured by the liability method concerning temporary differences between the caffying value and tax value of assets and liabilities, calculated based on the planned use of the assets and settlement of the obligation, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carry-forward, are measured at the value at which the asset is expected to be realisable, either through elimanation in tax on future earnings or through offsetting in deferred tax liabilities in the same legal tax unit. Any deferred net tax assets are measured at their net realisation values.

Deferred tax is measured based on the tax rules and tax rates applicable in pursuance of the legislation in force on the balance sheet date when the deferred tax is expected to become payable as current tax. Changes in deferred tax due to change in tax rates is recognized in the income statement.

**Liabilities**
Financial liabilities are recognized when loans are raised as the proceeds is received less transaction costs paid. In the subsequent periods, the financial liabilities are measured at cost corresponding to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal value are recognised in the income statement over the period of the loan.

Other liabilities are measured at amortised cost corresponding to the nominal value.

**Conversion of foreign currency**
Transactions in foreign currencies are converted at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognized in the income statement as a financial income or expence. If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognized directly in the equity.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are converted at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the receivable or payable is recognized in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are converted at the rate of exchange on the transaction date.

# Income statement 1 January - 31 December

| Note | | 2015 | 2014 |
|---|---|---|---|
| | Gross profit | 7.937.462 | 4.006.016 |
| 1. | Staff costs | -4.065.335 | -5.685.432 |
| 2. | Depreciation and write-downs | -1.300.304 | -1.075.272 |
| | **OPERATING PROFIT** | **2.571.823** | **-2.754.688** |
| | Financial income from group companies | 316.481 | 0 |
| | Other financial income | 184.636 | 3 |
| | Financial expenses to group companies | -3.096.039 | 0 |
| | Other financial cost | -14.434 | -2.504 |
| | **PROFIT/-LOSS BEFORE TAX** | **-37.533** | **-2.757.189** |
| | Tax for the year | -185.748 | 647.834 |
| | **NET PROFIT/-LOSS FOR THE YEAR** | **-223.281** | **-2.109.355** |
| | **Appropriation of profit** | | |
| | Retained earnings | -223.281 | -2.109.355 |
| | **Total appropriation** | **-223.281** | **-2.109.355** |

# Balance sheet 31 December

| Note | | 2015 | 2014 |
|---|---|---|---|
| | **ASSETS** | | |
| | Land and buildings | 9.641.625 | 9.754.525 |
| | Other fixtures and fittings, tools and equipment | 4.947.748 | 5.345.686 |
| | Leasehold improvements | 54.700 | 0 |
| | **Total tangible fixed assets** | **14.644.073** | **15.100.211** |
| 3. | **Financial fixed assets** | | |
| | Investments in group companies | 22.090.558 | 0 |
| | **Total financial fixed assets** | **22.090.558** | **0** |
| | **TOTAL FIXED ASSETS** | **36.734.631** | **15.100.211** |
| | Finished goods and merchandise | 34.500.000 | 31.000.000 |
| | **Total inventories** | **34.500.000** | **31.000.000** |
| | Receivables from sales and services | 5.139.111 | 0 |
| | Receivables from group companies | 8.037.720 | 28.471.055 |
| | Deferred tax assets | 462.086 | 647.834 |
| | Other receivables | 990.526 | 1.231.770 |
| | Prepayments | 80.745 | 81.966 |
| | **Total receivables** | **14.710.188** | **30.432.625** |
| | Cash funds | 888.875 | 559.868 |
| | **Total cash funds** | **888.875** | **559.868** |
| | **TOTAL CURRENT ASSETS** | **50.099.063** | **61.992.493** |
| | **TOTAL ASSETS** | **86.833.694** | **77.092.704** |

# Balance sheet 31 December

| Note | | 2015 | 2014 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| 4. | **Equity** | | |
| 5. | Share capital | 80.000 | 80.000 |
| | Retained earnings | -2.332.635 | -2.109.355 |
| | **TOTAL EQUITY** | **-2.252.635** | **-2.029.355** |
| 6. | **Long-term liabilities** | | |
| | Other payables | 87.884.377 | 77.081.377 |
| | **Total long-term liabilities** | **87.884.377** | **77.081.377** |
| | Suppliers of goods and services | 1.074.612 | 1.566.778 |
| | Payables to group companies | 49.920 | 30.269 |
| | Other payables | 77.420 | 443.635 |
| | **Total short-term liabilities** | **1.201.952** | **2.040.682** |
| | **TOTAL LIABILITIES** | **89.086.329** | **79.122.059** |
| | **TOTAL EQUITY AND LIABILITIES** | **86.833.694** | **77.092.704** |

7. Charges and securities
8. Contingencies

# Noter

| | 2015 | 2014 |
|---|---|---|
| **1. Staff costs** | | |
| Salaries | 3.855.782 | 5.496.602 |
| Other social security costs | 209.553 | 188.830 |
| **Total staff costs** | **4.065.335** | **5.685.432** |
| | | |
| **2. Depreciation and write-downs** | | |
| Depreciation and write-downs of fixed assets | 1.300.304 | 1.075.272 |
| **Total depreciation and write-downs** | **1.300.304** | **1.075.272** |

**3. Financial fixed assets**

Specification of investments in subsidiaries

SIA 'Velvet Mink A', Latvia, ownership 100%, result EUR 22.019 equity -37.628

**4. Equity**

| | 2015 | 2014 |
|---|---|---|
| **Share capital** | | |
| Beginning of year | 80.000 | 80.000 |
| **End of year** | **80.000** | **80.000** |
| | | |
| **Retained earnings** | | |
| Beginning of year | -2.109.354 | 0 |
| Transferred from net profit | -223.281 | -2.109.355 |
| **End of year** | **-2.332.635** | **-2.109.355** |
| | | |
| **Dividend** | | |
| **Equity end of year** | **-2.252.635** | **-2.029.355** |

**5. Share capital**

The share capital consists of 80.000 shares of DKK 1. No shares have special rights.

**6. Long-term liabilities**

DKK 87.884.378 of long-term debt are due after 5 years.

**7. Charges and securities**

As security for debt to affiliate is a mortgage on DKK 4.000.000.

**8. Contingencies**

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is therefore liable from the financial year 2014 for income taxes etc. for the jointly taxed companies and from 13. September 2013 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.