

*Kastel Denmark ApS  
c/o Plesner Advokatpartnerselskab  
Amerika Plads 37  
2100 København Ø*

*CVR-no: 36 19 89 90*

*ANNUAL REPORT  
1. januar - 31. december 2018  
(4. accounting year)*

Approved at the annual General Meeting of the Company on 31/7 2019

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Chairman of the meeting  
Charlotte Kjølbye Jorst

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Today the Executive Board has discussed and approved the Annual Report of Kastel Denmark ApS for the period 1. januar - 31. december 2018.

The Annual Report has been prepared in conformity with the Financial Statements Act.

The unaudited Annual Report has been prepared in conformity with the Financial Statements Act. The Executive Board considers the conditions for not performing an audit to have been met.

In my opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position at 31. december 2018 and of its financial performance for the period 1. januar - 31. december 2018.

In my opinion the Management commentary includes a fair review of the matters described.

We recommend that the Annual Report be approved by the Annual General Meeting.

København Ø, den 4. juni 2019

**Direktion**

Charlotte Kjølbbye Jorst

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**To the shareholders in Kastel Denmark ApS**

**Auditors' review report**

We have reviewed the financial statements of Kastel Denmark ApS for the period 1. januar - 31. december 2018, including accounting policies, income statement, balance sheet and notes.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of financial statements in conformity with the Danish Financial Statements Act. Management is also responsible for the internal control that it deems necessary for 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 a review conclusion on the financial statements. We have performed the review in accordance with the international standard on engagements to review historical financial statements and additional requirements under Danish audit regulations. The standard and the regulations require that we express a conclusion whether, on the basis of the review, anything has come to our attention that causes us to believe that the financial statements in their entirety have not been prepared, in all material respects, in accordance with the applicable financial reporting framework. The standard and the regulations also require that we comply with ethical requirements.

The procedures performed in a review are substantially less in scope than an audit performed in accordance with international auditing standards. Accordingly, we express no audit opinion on the financial statements.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not give a true and fair view of the Company's assets, equity, liabilities and financial position at 31. december 2018 and of its financial performance for the period 1. januar - 31. december 2018 in conformity with the Danish Financial Statements Act.

**Emphasis of matters**

Due to the company misplacing access to the company tax folder, we have not been able to report correct VAT figures for the fiscal year 2018, subsequently we also do not have access to the tax folder to confirm that salary has been reported correctly.

The Management has been informed to put these matters in order as soon as possible. However, we have been informed that the company has filed an application with the Danish Tax Authorities in May 2019 to gain access to the company's tax folder, but is still waiting for the access in question. The Management has informed us that the matters will be handled as soon as access has been granted by the Tax Authorities, before closing the company in 2019.

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**Statement on the Management's review**

Management is responsible for Management's Review.

Our opinion on the annual management accounts does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our review of the annual management accounts, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the annual management accounts or our knowledge obtained during the review, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required in accordance with the basis of accounting described in the accounting policies.

Based on the work we have performed, we conclude that Management's Review is in accordance with the annual management accounts and has been prepared in accordance with the basis of accounting described in the accounting policies. We did not identify any material misstatement of Management's Review.

Frederiksberg, den 4. juni 2019

**TimeVision**  
**Godkendt Revisionspartnerselskab**  
CVR-nr.: 38267132

Henning Jensen  
Registreret Revisor  
mne623

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**The Company**

Kastel Denmark ApS  
c/o Plesner Advokatpartnerselskab  
Amerika Plads 37  
2100 København Ø

CVR-no.: 36 19 89 90  
Financial year: 1. januar - 31. december

**Executive board**

Charlotte Kjølbye Jorst

**Accountant**

TimeVision  
Godkendt Revisionspartnerselskab  
Falkoner Allé 1, 6.  
2000 Frederiksberg

**Main activities of the Company**

The main activities of the Company were agency trade in textiles, fur, footwear and leather goods.

**Development in the activities and the financial situation of the Company**

The Company's status as a going concern depends on the willingness of Kastel Denmark US to continue making available the capital required. This will continue until the company will be closed in 2019. Reference is made to letter of subordination in the financial statements.

The Company has lost more than half of the share capital.

**Material events after the reporting date**

Events have occurred after the reporting date that may materially affect the financial position of the company.

This regards a conversion of debt to parent company to equity of TDKK 6.927.

The company expects to be dissolved in 2019.

The financial statements of Kastel Denmark ApS for the financial year 2018 have been prepared in conformity with the provisions of the Financial Statements Act on class B enterprises combined with a few rules on class C enterprises.

#### **Changes in accounting policies**

The accounting policies have changed as follows:

The annual account for 2018 is made according to the realization principle.

#### **Recognition and measurement in general**

Income is recognised in the income statement when earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement. Costs incurred to generate the earnings for the year are also recognised in the income statement, including amortisation, depreciation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future financial benefits will flow to the Company and it is possible to obtain a reliable measurement of the individual assets.

Liabilities are recognised in the balance sheet when it is probable that future financial benefits will flow from the Company and it is possible to obtain a reliable measurement of the individual liabilities.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item.

Anticipated losses and risks arising before the presentation of the financial statements and confirming or disconfirming facts and circumstances known at the reporting date are taken into consideration at recognition and measurement.

The functional currency used is Danish kroner. All other currencies are considered foreign currencies.

#### **Leases**

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the lease term. The remaining liability is stated under contingent liabilities.

#### **Foreign currency translation**

Foreign currency transactions are translated at the exchange rates ruling at the transaction dates. Gains and losses arising from movements between the exchange rates at the date of the individual transaction and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, accounts payable and other monetary items denominated in a foreign currency, but not settled at the reporting date, are translated at the exchange rates ruling at the reporting date. Exchange rate differences between the exchange rates at the reporting date and the date of the individual transaction are recognised in the income statement as financial income or financial expenses.

#### **INCOME STATEMENT**

Gross profit is a combination of the items of 'Revenue', 'Change in inventories of finished goods', 'Cost of raw materials and consumables' and 'Other external costs'.



**Revenue**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end. Revenue is recognised exclusive of VAT and net of sales discounts.

**Change in inventories of finished goods**

The change in inventories of finished goods.

**Cost of raw materials and consumables**

Cost of raw materials and consumables includes the cost of goods purchased less discounts and changes in inventories for the year.

**Other external expenses**

Other external expenses include costs for sales, advertising, administration, premises, bad debts, rental expenses under operating leases, etc.

**Staff costs**

Staff costs include wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement from the Government.

**Financial income and expenses**

Financial income and expenses are recognised in the income statement based on the amounts which relate to the financial year. Financial income and expenses include interest revenue and expenses, accounts payable and transactions in foreign currencies, and surcharges and allowances under the tax prepayment scheme.

**Tax on net profit for the year**

Tax for the year comprises current tax and changes in deferred tax. The share attributable to the profit or loss for the year is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

The Company is the administration company of the joint taxation scheme. All Danish taxes on the taxable income are paid by the Company.

**BALANCE SHEET****Intangible assets****Patents and licences**

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the contract period, but never more than 10 years.

Gains or losses arising from the sale of patents and licences are determined as the difference between the selling prices less selling costs and the carrying amounts at the time of sale. Gains or losses are recognised in the income statement as other operating income or other operating expense.

**Property, plant and equipment**

Property, plant and equipment is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the date of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued. Land is not depreciated.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of a composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

	<u>User time</u>	<u>Residual value</u>
Tools and equipment	3 years	0 %
Patents and licences	10 years	0 %

**Impairment losses relating to non-current assets**

The carrying amounts of intangible assets and property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

**Investments****Deposits**

Deposits are measured at cost.

**Inventories**

Inventories are measured at cost using weighted average prices. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to perform sales. The value is determined taking into consideration marketability, obsolescence and development in expected selling price.

**Receivables**

Receivables are measured at amortised cost, which normally corresponds to the nominal value. The value is reduced by an allowance for expected impairment losses.

Impairment of accounts receivable past due is established on individual assessment of receivables.

**Corporate income tax and deferred tax**

Deferred tax is measured using the balance-sheet liability method on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. In cases where the tax base can be determined under alternative taxation rules, such as in relation to shares, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability.

**Payables**

Other payables, comprising trade payables and amounts owed to Group enterprises and associates and other accounts payable, are measured at amortised cost, which normally corresponds to the nominal value.

## INCOME STATEMENT

1. JANUAR - 31. DECEMBER 2018

	2018 DKK	2017 DKK
Revenue	408.647	1.484.978
Cost of raw materials and consumables	-1.095.298	-1.943.577
Other external costs	-597.485	-847.653
<b>GROSS MARGIN</b>	<b>-1.284.136</b>	<b>-1.306.252</b>
1 Staff costs	-420.965	-438.233
Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	0	-9.127
Impairment of current assets	200.000	0
Other operating costs	-35.161	0
<b>OPERATING PROFIT OR LOSS</b>	<b>-1.540.262</b>	<b>-1.753.612</b>
Other financial income	1.782	987.049
Financial expenses arising from Group enterprises	0	-220.756
Other financial expenses	-77.017	-9.011
<b>PROFIT OR LOSS FROM ACTIVATES BEFORE TAX</b>	<b>-1.615.497</b>	<b>-996.330</b>
Tax on net profit for the year	-56.046	54.607
<b>PROFIT OR LOSS FOR THE YEAR</b>	<b>-1.671.543</b>	<b>-941.723</b>
<b>PROPOSED DISTRIBUTION OF NET PROFIT</b>		
Retained earnings	-1.671.543	-941.723
<b>SETTLEMENT OF DISTRIBUTION TOTAL</b>	<b>-1.671.543</b>	<b>-941.723</b>

## ASSETS

	2018 DKK	2017 DKK
Concessions, patents, etc.	0	30.995
<b>Intangible assets</b>	<b>0</b>	<b>30.995</b>
Other plant, fixtures and operating equipment	0	4.166
<b>Property, plant and equipment</b>	<b>0</b>	<b>4.166</b>
Deposits	0	12.000
<b>Investments</b>	<b>0</b>	<b>12.000</b>
<b>NON-CURRENT ASSETS</b>	<b>0</b>	<b>47.161</b>
2 Finished goods and goods for resale	0	849.806
<b>Inventories</b>	<b>0</b>	<b>849.806</b>
3 Trade receivables	0	592.705
Other receivables	540.216	1.353
Deferred tax asset	0	56.046
<b>Receivables</b>	<b>540.216</b>	<b>650.104</b>
<b>Cash</b>	<b>0</b>	<b>82.112</b>
<b>CURRENT ASSETS</b>	<b>540.216</b>	<b>1.582.022</b>
<b>ASSETS</b>	<b>540.216</b>	<b>1.629.183</b>

## BALANCE SHEET AT 31. DECEMBER 2018

## EQUITY AND LIABILITIES

	2018 DKK	2017 DKK
Contributed capital	50.000	50.000
Share premium	450.000	450.000
Retained earnings	-7.320.695	-5.649.152
<b>4 EQUITY</b>	<b>-6.820.695</b>	<b>-5.149.152</b>
Amounts owed to group enterprises	7.091.978	6.674.889
<b>5 Long-term payables</b>	<b>7.091.978</b>	<b>6.674.889</b>
Trade creditors	91.054	16.000
Other accounts payable	177.879	87.446
<b>Short-term payables</b>	<b>268.933</b>	<b>103.446</b>
<b>PAYABLES</b>	<b>7.360.911</b>	<b>6.778.335</b>
<b>EQUITY AND LIABILITIES</b>	<b>540.216</b>	<b>1.629.183</b>
6 Letter of subordination		
7 Contractual obligations and contingencies etc..		

## NOTES

	2018 DKK	2017 DKK	
<b>1 Staff costs</b>			
Number of people employed	1	1	
Wages and salaries	417.545	433.112	
Other social security costs	3.420	5.121	
<b>Staff costs total</b>	<b>420.965</b>	<b>438.233</b>	
<b>2 Finished goods and goods for resale</b>			
Manufactured goods and goods for resale from group enterprises	0	1.049.806	
Write-down on inventory	0	-200.000	
<b>Finished goods and goods for resale total</b>	<b>0</b>	<b>849.806</b>	
<b>3 Trade receivables</b>			
Trade receivables	0	652.705	
Provisions for expected losses	0	-60.000	
<b>Trade receivables total</b>	<b>0</b>	<b>592.705</b>	
<b>4 Equity</b>	Opening balance	Proposed distribution of net profit	Closing balance
Contributed capital	50.000	0	50.000
Share premium	450.000	0	450.000
Retained earnings	-5.649.152	-1.671.543	-7.320.695
	<b>-5.149.152</b>	<b>-1.671.543</b>	<b>-6.820.695</b>

The share capital is divided as follows:

50.000 shares of nom DKK 1	50.000
	<b>50.000</b>

The Company's share capital amounted to kr. 50.000 divided into shares of kr. 1 or multiples thereof.

	Total liabilities at end of period	Outstanding balance after 5 years
<b>5 Long-term payables</b>		
Amounts owed to group enterprises	7.091.978	0
	<u><b>7.091.978</b></u>	<u><b>0</b></u>

**6 Letter of subordination**

The company have received written confirmation from Kastel Denmark (US) that they will continue to fund operations in Kastel Denmark ApS until the annual report for 2019 is made public or the company is dissolved.

**7 Contractual obligations and contingencies etc..**

The Company has a tax deductible carried forward loss of TDKK 7.442 not recognized in the Company balance.

The company has an ongoing lawsuit from a former employee. The cost of this suit is incorporated into the annual account, but due to the settlement not being signed further costs may arise.