

*Kastel Denmark ApS  
Øster Farimagsgade 6, 5. tv.  
2100 København Ø*

*CVR-no: 36 19 89 90*

*ANNUAL REPORT  
1. januar - 31. december 2016  
(2. accounting year)*

Approved at the annual General Meeting of the Company on 6/5 2017



Chairman of the meeting

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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 2016.

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 2016 and of its financial performance for the period 1. januar - 31. december 2016.

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 1. april 2017

**Direktion**



Marlene Alison Schwartz

**To Management of Kastel Denmark ApS**

We have compiled these financial statements of Kastel Denmark ApS for the period 1. januar - 31. december 2016 based on the bookkeeping records of the Company and other information provided by you.

We have compiled the consolidated financial statements and the financial statements of Kastel Denmark ApS for the period 1. januar - 31. december 2016 based on the bookkeeping records of the Company and other information provided by you.

The financial statements include accounting policies, income statement, balance sheet and notes.

We have performed the compilation in accordance with ISRS 4410, Compilation Engagements.

We have applied our professional expertise to assist you in preparing and presenting the financial statements in conformity with the Danish Financial Statements Act. We have observed the relevant provisions of the Danish Act on Approved Auditors and Audit Firms and the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors, including the principles of integrity, objectivity, professional competence and due care.

The financial statements and the accuracy and completeness of the information used to compile the financial statements are your responsibility.

As a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us for use in the compilation of these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether the financial statements have been prepared in conformity with the Danish Financial Statements Act.

Frederiksberg, den 1. april 2017

TimeVision Frederiksberg  
Godkendt Revisionsaktieselskab  
CVR-nr.: 31943582

  
Henning Jensen  
Registreret Revisor

**The Company**

Kastel Denmark ApS  
Øster Farimagsgade 6, 5. tv.  
2100 København Ø

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

**Executive board**

Marlene Alison Schwartz

**Accountant**

TimeVision Frederiksberg  
Godkendt Revisionsaktieselskab  
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. I expect this to be the case. Reference is made to letter of subordination in the financial statements.

The Company has lost more than half of the share capital, but expects to restore its capital through earnings.

**Material events after the reporting date**

No events have occurred after the reporting date that may materially affect the financial position of the company.

**Expected development, including special assumptions and uncertain factors**

The company's revenue for the first 2 months of 2017 shows that forecasted on a year revenue will increase to an estimated TDKK 1.752.

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## GENERAL INFORMATION

The financial statements of Kastel Denmark ApS for the financial year 2016 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.

The accounting policies applied in the financial statements are consistent with those of the previous year. The reporting currency is Danish kroner.

### Recognition and measurement in general

The financial statements have been prepared under the historical cost convention.

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.

Changes in the fair value of financial instruments which are classified as and meet the criteria for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the asset or liability attributable to the risk being hedged.

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## INCOME STATEMENT

### General information

Certain income and expenses have been aggregated in the item designated 'Gross profit' with reference to section 32 of the Financial Statements Act.

### Gross profit

Gross profit is a combination of the items of 'Revenue', 'Change in inventories of finished goods, work in progress and goods for resale', 'Other operating income', '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 and work in progress

The change in inventories of finished goods and work in progress is changes in inventories.

### Distribution costs

Distribution costs include costs relating to distribution and sales, advertising and marketing costs, vehicle operating costs, etc.

### Administrative expenses

Administrative expenses include expenses for Management and administrative staff, office expenses, amortisation and depreciation, etc.

### 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.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the individual assets and their residual values:

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



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#### **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.

##### **Prepayments**

Prepayments recognised under assets include costs already defrayed but relating to the subsequent financial year.

##### **Corporate income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

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.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are measured at their anticipated net realisable value, either by elimination in tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at their net realisable values.

The corporate income tax rate decreased gradually from 25% to 22% in the financial years 2014 to 2016. Deferred tax is measured based on the tax rules and tax rates applicable when the deferred tax is expected to crystallise as current tax according to the legislation in force at the reporting date. The effect of the change in the accounting estimates are recognized with 0 kr.

##### **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.

	2016 DKK	2015 DKK
Revenue	1.633.860	886.165
Cost of raw materials and consumables	-1.327.973	-109.608
Other external costs	-1.401.538	-2.292.403
<b>GROSS MARGIN</b>	<b>-1.095.651</b>	<b>-1.515.846</b>
1 Staff costs	-832.225	-777.128
Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-9.127	-2.857
Impairment of current assets	0	-200.000
<b>OPERATING PROFIT OR LOSS</b>	<b>-1.937.003</b>	<b>-2.495.831</b>
Other financial income	55.785	1.798
Financial expenses arising from Group enterprises	-164.994	-38.431
Other financial expenses	-16.110	-114.082
<b>PROFIT OR LOSS FROM ORDINARY ACTIVATES BEFORE TAX</b>	<b>-2.062.322</b>	<b>-2.646.546</b>
Tax on net profit for the year	1.507	-68
<b>PROFIT OR LOSS FOR THE YEAR</b>	<b>-2.060.815</b>	<b>-2.646.614</b>
<b>PROPOSED DISTRIBUTION OF NET PROFIT</b>		
Retained earnings	-2.060.815	-2.646.614
<b>SETTLEMENT OF DISTRIBUTION TOTAL</b>	<b>-2.060.815</b>	<b>-2.646.614</b>

ASSETS

	2016 DKK	2015 DKK
Concessions, patents, etc.	35.122	39.249
<b>Intangible assets</b>	<b>35.122</b>	<b>39.249</b>
Other plant, fixtures and operating equipment	9.166	14.166
<b>Property, plant and equipment</b>	<b>9.166</b>	<b>14.166</b>
Deposits	12.000	88.125
<b>Investments</b>	<b>12.000</b>	<b>88.125</b>
<b>NON-CURRENT ASSETS</b>	<b>56.288</b>	<b>141.540</b>
2 Finished goods and goods for resale	1.773.873	1.804.016
<b>Inventories</b>	<b>1.773.873</b>	<b>1.804.016</b>
3 Trade receivables	348.513	151.360
Other receivables	0	79.935
Deferred tax asset	1.439	0
Accruals	47.091	53.522
<b>Receivables</b>	<b>397.043</b>	<b>284.817</b>
<b>Cash</b>	<b>182.732</b>	<b>63.242</b>
<b>CURRENT ASSETS</b>	<b>2.353.648</b>	<b>2.152.075</b>
<b>ASSETS</b>	<b>2.409.936</b>	<b>2.293.615</b>

## EQUITY AND LIABILITIES

	2016 DKK	2015 DKK
Contributed capital	50.000	50.000
Share premium	450.000	450.000
Retained earnings	-4.707.429	-2.646.614
<b>4 EQUITY</b>	<b>-4.207.429</b>	<b>-2.146.614</b>
Provision for deferred tax	0	68
<b>PROVISIONS</b>	<b>0</b>	<b>68</b>
Amounts owed to group enterprises	6.507.513	4.211.789
<b>5 Long-term payables</b>	<b>6.507.513</b>	<b>4.211.789</b>
Trade creditors	21.083	123.098
Other accounts payable	88.769	105.274
<b>Short-term payables</b>	<b>109.852</b>	<b>228.372</b>
<b>PAYABLES</b>	<b>6.617.365</b>	<b>4.440.161</b>
<b>EQUITY AND LIABILITIES</b>	<b>2.409.936</b>	<b>2.293.615</b>

6 Letter of subordination

7 Contractual obligations and contingencies etc..

	2016 DKK	2015 DKK	
<b>1 Staff costs</b>			
Wages and salaries	821.515	766.590	
Other social security costs	10.710	10.538	
<b>Staff costs total</b>	<u><u>832.225</u></u>	<u><u>777.128</u></u>	
<b>2 Finished goods and goods for resale</b>			
Manufactured goods and goods for resale from group enterprises	1.973.873	2.004.016	
Write-down on inventory	-200.000	-200.000	
<b>Finished goods and goods for resale total</b>	<u><u>1.773.873</u></u>	<u><u>1.804.016</u></u>	
<b>3 Trade receivables</b>			
Trade receivables	408.513	211.360	
Provisions for expected losses	-60.000	-60.000	
<b>Trade receivables total</b>	<u><u>348.513</u></u>	<u><u>151.360</u></u>	
<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	-2.646.614	-2.060.815	-4.707.429
	<u><u>-2.146.614</u></u>	<u><u>-2.060.815</u></u>	<u><u>-4.207.429</u></u>

The share capital is divided as follows:

x shares of nom	50.000
	<u><u>50.000</u></u>

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	6.507.513	0
	<u>6.507.513</u>	<u>0</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 2017 is made public.

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

The Company has a tax deductible carried forward loss of TDKK 4.632 not recognized in the Company balance.