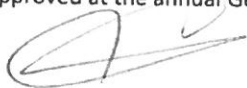


*Kastel Denmark ApS
Nordtoften 30
8600 Silkeborg*

CVR-no: 36 19 89 90

*ANNUAL REPORT
1. januar - 31. december 2017
(3. accounting year)*

Approved at the annual General Meeting of the Company on 31/5 2018



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 2017.

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 2017 and of its financial performance for the period 1. januar - 31. december 2017.

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.

Silkeborg, den 22. marts 2018

Direktion



Charlotte Kjølbbye Jorst

To Management of Kastel Denmark ApS

We have compiled these financial statements of Kastel Denmark ApS for the period 1. januar - 31. december 2017 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 2017 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 22. marts 2018

TimeVision
Godkendt Revisionspartnerselskab
CVR-nr.: 38267132


Henning Jensen
Registreret Revisor
mne623

The Company Kastel Denmark ApS
 Nordtoften 30
 8600 Silkeborg

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 for the coming year. 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.

The company expects to close down activities in 2018 and plan to close down the company.

GENERAL INFORMATION

The financial statements of Kastel Denmark ApS for the financial year 2017 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

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

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.

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 %

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

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.

1. JANUAR - 31. DECEMBER 2017

	2017 DKK	2016 DKK
Revenue	1.484.978	1.633.860
Cost of raw materials and consumables	-1.943.577	-1.327.973
Other external costs	-847.653	-1.401.538
GROSS MARGIN	-1.306.252	-1.095.651
1 Staff costs	-438.233	-832.225
Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-9.127	-9.127
OPERATING PROFIT OR LOSS	-1.753.612	-1.937.003
Other financial income	987.049	55.785
Financial expenses arising from Group enterprises	-220.756	-164.994
Other financial expenses	-9.011	-16.110
PROFIT OR LOSS FROM ORDINARY ACTIVATES BEFORE TAX	-996.330	-2.062.322
Tax on net profit for the year	54.607	1.507
PROFIT OR LOSS FOR THE YEAR	-941.723	-2.060.815
PROPOSED DISTRIBUTION OF NET PROFIT		
Retained earnings	-941.723	-2.060.815
SETTLEMENT OF DISTRIBUTION TOTAL	-941.723	-2.060.815

ASSETS

	2017 DKK	2016 DKK
Concessions, patents, etc.	30.995	35.122
Intangible assets	30.995	35.122
Other plant, fixtures and operating equipment	4.166	9.166
Property, plant and equipment	4.166	9.166
Deposits	12.000	12.000
Investments	12.000	12.000
NON-CURRENT ASSETS	47.161	56.288
2 Finished goods and goods for resale	849.806	1.773.873
Inventories	849.806	1.773.873
3 Trade receivables	592.705	348.513
Other receivables	1.353	0
Deferred tax asset	56.046	1.439
Accruals	0	47.091
Receivables	650.104	397.043
Cash	82.112	182.732
CURRENT ASSETS	1.582.022	2.353.648
ASSETS	1.629.183	2.409.936

EQUITY AND LIABILITIES

	2017 DKK	2016 DKK
Contributed capital	50.000	50.000
Share premium	450.000	450.000
Retained earnings	-5.649.152	-4.707.429
4 EQUITY	-5.149.152	-4.207.429
Amounts owed to group enterprises	6.674.889	6.507.513
5 Long-term payables	6.674.889	6.507.513
Trade creditors	16.000	21.083
Other accounts payable	87.446	88.769
Short-term payables	103.446	109.852
PAYABLES	6.778.335	6.617.365
EQUITY AND LIABILITIES	1.629.183	2.409.936
6 Letter of subordination		
7 Contractual obligations and contingencies etc..		

	2017 DKK	2016 DKK	
1 Staff costs			
Number of people employed	1	0	
Wages and salaries	433.112	821.515	
Other social security costs	5.121	10.710	
Staff costs total	<u>438.233</u>	<u>832.225</u>	
2 Finished goods and goods for resale			
Manufactured goods and goods for resale from group enterprises	1.049.806	1.973.873	
Write-down on inventory	-200.000	-200.000	
Finished goods and goods for resale total	<u>849.806</u>	<u>1.773.873</u>	
3 Trade receivables			
Trade receivables	652.705	408.513	
Provisions for expected losses	-60.000	-60.000	
Trade receivables total	<u>592.705</u>	<u>348.513</u>	
4 Equity	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	-4.707.429	-941.723	-5.649.152
	<u>-4.207.429</u>	<u>-941.723</u>	<u>-5.149.152</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
5 Long-term payables		
Amounts owed to group enterprises	6.674.889	0
	<u>6.674.889</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 2018 is made public.

7 Contractual obligations and contingencies etc..

The Company has a tax deductible carried forward loss of TDKK 5.573 not recognized in the Company balance.

The Company has a rent commitment with a notice of 3 months which amounts to TDKK 54.