SkyBrands Holding A/S

Roskildevej 6, DK-7100 Vejle

Annual Report for 1 January - 31 December 2017

CVR No 36 71 53 24

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/3 2018

Jens Jørgen Hahn-Petersen
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SkyBrands Holding A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and the Group and of the results of the Company and Group operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vejle, 21 February 2018

Executive Board

Adrian Jonas Durrani

Board of Directors

Jens Jørgen Hahn-Petersen
Chairman

Vilhelm Eigil Hahn-Petersen

Hans Nielsen

Stig Løkke Pedersen

Independent Auditor's Report

To the Shareholders of SkyBrands Holding A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SkyBrands Holding A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company

financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of 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 and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Financial Statements 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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 internal control that we identify during our audit.

Trekantområdet, 21 February 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Arne Kristensen state authorized public accountant mne18619	John Lindholm Bode state authorized public accountant mne32840

Company Information

The Company	SkyBrands Holding A/S Roskildevej 6 DK-7100 Vejle CVR No: 36 71 53 24 Financial period: 1 January - 31 December Municipality of reg. office: Vejle
Board of Directors	Jens Jørgen Hahn-Petersen, Chairman Vilhelm Eigil Hahn-Petersen Hans Nielsen Stig Løkke Pedersen
Executive Board	Adrian Jonas Durrani
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2017 (12 months)	2016 (12 months)	2015 (8,5 months)
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
EBITDA	8.539	24.140	7.068
Operating profit/loss	-2.009	14.085	903
Profit/loss before financial income and expenses	-2.009	14.085	935
Net financials	-9.788	-5.080	939
Net profit/loss for the year	-13.245	4.400	550
Group profit/loss (pro forma)*			
Group Gross Profit	32.141	45.420	40.433
Group EBITDA	9.789	20.678	19.958
Group EBITDA before special items**	10.874	23.114	26.602
Balance sheet			
Balance sheet total	239.323	261.435	244.519
Equity	134.569	95.280	90.592
Investment in property, plant and equipment	0	-467	-1.108
Number of employees	25	22	16
Ratios			
Return on assets	-0,8%	5,4%	0,4%
Solvency ratio	56,2%	36,4%	37,0%
Return on equity	-11,5%	4,7%	1,2%

* Group profit/loss figures are adjusted for minorities in SkyBrands GmbH and DreamTex. In 2017, DreamTex is only recognized from January to October.

** Group EBITDA before special items is adjusted for one-off (non-recurring) items of exceptional or extraordinary nature

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The comparative figures for the year 2015 comprise 8,5 months, and, consequently, they are not directly comparable the year after as they cover 12 months.

Management's Review

The Annual Report of SkyBrands Holding A/S ("SkyBrands" or the "Company") for the year of 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C. The provisions governing reporting class C are applied pursuant to the amended Danish Financial Statements Act.

The private equity fund CataCap K/S I owns 59% of the shares in the Company as a result of the acquisition in the fiscal year of 2015.

CataCap is a member of DCVA. The Company has therefore chosen to follow the DCVA guidelines released in 2008, including the subsequent modifications, which can be found at DVCA's website http://www.dvca.dk. These guidelines recommend an extended coverage of several factors in the annual report, including corporate governance, financial risks, employee relations and strategy. As a private equity portfolio company, SkyBrands Holding must either follow the guidelines or explain why the recommendations, in whole or in part, are not followed.

Key activities

The main activity of the Company is to invest in, and own shares in companies and subsidiaries in the SkyBrands Group, which comprises SkyBrands A/S (headquartered in Denmark) and SkyBrands GmbH (headquartered in Germany) (collectively referred to as the "Group" or "SkyBrands").

The main business of the Group relates to commercial activities in branded home and apparel textile products. The Group designs, produces (through sub-suppliers) and sells branded home and apparel textile products, where brands are licensed from brand-owners such as Disney or Universal.

Development in the year

The income statement of the Group for 2017 shows a loss of TDKK 13,245, and at 31 December 2017 the balance sheet of the Group shows equity of TDKK 134,569.

The Group result for 2017 is not satisfactory and can among other factors be attributed to increased competition and price pressure in the market. Further contributing to the result is the continued investment in growth in the distribution footprint outside the Nordics.

In 2017, the company booked TDKK 58,429 TDKK in Equity through a debt write down.

Special risks - market and financial

The Board of Directors of the Company and the Management of the Group continuously monitor both internal and external business risks. Below are the risks that has been assessed as being particularly important:

Management’s Review

Market risks

The Group operates within the segments of home and apparel textiles. Generally, textile products within these segments have historically shown some resistance to business cycles, whereas individual brands can experience significant changes in consumer demand within seasons and from year to year. To mitigate these risks, the Group distributes products to customers (retailers and distributors) across Europe, thereby spreading the customer portfolio on several geographies and customer types. In addition, the Company operates with a portfolio of different brands.

Currency risk

SkyBrands has sales operations across Europe, procurement across Europe and Asia, and reports and pays royalties to brand-owners quarterly. SkyBrands purchases mainly in USD and reports and pays royalties in USD and EUR, while sales is typically in DKK, USD or EUR. This exposes the Group to the risk of currency fluctuations. During 2017, the Group has been more exposed to this than usual, due to the extraordinary fluctuations in USD. The Group operates under a defined financial policy, which includes a policy on currency, to manage any currency-related risks. This is primarily effectuated through the use of financial instruments to cover all expected turnover, procurement and royalty cash flows the coming 12 months at any given point in time. The Group does not speculate in currency fluctuations.

Environment

SkyBrands has high standards for environmental protection, and ensures this through close collaboration with suppliers. All suppliers to the Group must meet the quality standards of Okotex 100 (www.okotex.com), the Group is certified GOTS, and adhere to other requirements and requests the customers might have. The Group conducts a high frequency of tests through recognized agencies such as SGS (www.sgs.com) to ensure the quality of the products live up to the high standards of the Group's customers. The Group also conducts quality audits and visits to suppliers' manufacturing sites to ensure that all quality and environmental standards are adhered to.

Corporate Social Responsibility

Focus on CSR is a cornerstone in the way SkyBrands operates and we have developed specific CSR policies under our Code of Conduct to comply with it. The Group is a member of the Business Social Compliance Initiative and we require all our suppliers to be members as well, so our customers can trust that the products we deliver live up to the highest ethical and social responsibility standards.

Human rights

Sky-Brands does not tolerate discrimination of any sort based on race, gender or religion. Child and forced labour as well as social dumping is not allowed, and the Group requires all suppliers to follow these policies.

Employees of the Group have the right to freely organize in trade unions and to strike in accordance with the laws of the countries where the Group operates.

Management's Review

Competition

The business principles are at any time compliant with the current competition laws within the areas where the Group operates.

Corruption

Employees in the Group can neither give nor receive bribery of any sort or non-approved payments neither on behalf of themselves nor on behalf of the Group. Any participation in corruption will result in disciplinary actions.

Duties of the Board of Directors

The Group strives to adhere to the principles of corporate governance, e.g. by securing an ongoing dialogue with its owners and other stakeholders, reporting results on a quarterly basis and securing an on-going strategic development process in order to create value for its stakeholders.

The Board of Directors ensure that the Executive Management complies with the objectives, strategies and procedures outlines by the Board. Information from the management of the various companies within the Group is provided systematically at meetings and through written and oral on-going reporting. This reporting includes market development, the license portfolio development, the company's development and the financial position and outlook.

The Board of Directors meets according to a set schedule at least five times a year in addition to an annual strategy meeting, where the Group's vision, goals and strategy is determined.

Board Composition

Chairman Jens Hahn-Petersen, male, 51 years old, non-independent board member, Partner in CataCap. Indirectly owning 0,3% of Skybrands Holding A/S. Mr. Hahn-Petersen was initially elected a member of the Board of Directors in 2015 and is up for election once a year at the annual general meeting.

Mr. Hahn-Petersen is currently also a partner at CataCap Management A/S, and serves as board member or CEO of:

•Handicap-Befordring Holding A/S and Handicap-Befordring A/S.
•Skybrands Holding A/S and Skybrands A/S.
•CASA ManCo ApS
•CataCap Management A/S, CataCap DM ApS, CataCap OP ApS
•CC Explorer Invest ApS, CC Tool Invest ApS, CC Oscar Invest ApS, CC Orange Invest ApS and CC Sky Invest ApS and Prosperitas ApS

Board member Vilhelm Hahn-Petersen, male, 56 years old, non-independent board member, Partner in CataCap. Indirectly owning 1.1 % of Skybrands Holding A/S. Mr. Hahn-Petersen was initially elected a member of the Board of Directors in 2015 and is up for election once a year at the annual general meeting.

Management's Review

Mr. Hahn-Petersen is currently also a partner at CataCap Management A/S., and serves as board member or CEO of:

•Mobylife Holding A/S, Mobylife DM ApS, Mobylife A/S, Mobylife DK A/S, Mobylife AS, Mobylife Ljungby AB,, Mobylife Kongsberg AS, Mobylife Drammen AS, Mobylife AB, Mobylife Helsingki Oy and Mobylife Oy.
•G.S.V. Holding A/S and G.S.V. Materieludlejning A/S.
•Lyngsoe Systems Holding A/S and Lyngsoe Systems A/S
•Skybrands Holding A/S and Skybrands A/S.
•CC Oscar Holding I A/S, CC Oscar Holding II A/S, CASA ManCo ApS and CASA A/S
•CataCap Management A/S, CataCap DM ApS, CataCap OP ApS
•CC Explorer Invest ApS, CC Tool Invest ApS, CC Oscar Invest ApS, CC Orange Invest ApS, CC Track Invest ApS and CC Sky Invest ApS.
•MyCo ApS, Airhelp Inc. and Capacent A/S

Stig Løkke Pedersen is a member of the board and minority shareholder of Skybrands Holding A/S. Ultimo 2017, Stig Løkke Pedersen owns 1% of the share of the Skybrands Holding A/S. Stig Løkke Pedersen is elected as a member of the board by CataCap. Stig Løkke Pedersens also serves as chairman, or member of the board of:

•EC Ergo Holding ApS
•Transmedica A/S
•Nuevolution A/S
•Extran Holding ApS
•Tigostfonr ApS
•Chemometex A/S
•X3 Capital A/S
•Transmedica Holding 2007 A/S
•Catacap Management A/S
•Broen-Lab A/S
•SkyBrands AS, SkyBrands Holding A/S

Hans Nielsen is a member of the board and minority shareholder of the Skybrands Holding A/S . Ultimo 2017, Hans Nielsen owns 1% of the share of the Skybrands Holding A/S . Hans Nielsen is elected as a member of the board by the management. Hans Nielsens also serves as chairman, or member of the board of:

•Your Electronic Supplier A/S
•SkyBrands AS, SkyBrands Holding A/S
•Greengenius A/S
•Suztain A/S

Management's Review

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2017	Group 2016	Parent 2017	Parent 2016
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**23.248**	**37.644**	**-6**	**-67**
Staff expenses	1	-14.709	-13.504	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-10.548	-10.055	0	0
Profit before financial income and expenses		**-2.009**	**14.085**	**-6**	**-67**
Income from investments in subsidiaries		0	0	-6.217	8.019
Income from investments in associates		2.106	418	0	0
Financial income	2	5	244	0	0
Financial expenses	3	-11.899	-5.742	-5.739	-5.974
Profit before tax		**-11.797**	**9.005**	**-11.962**	**1.978**
Tax on profit/loss for the year	4	-1.448	-4.605	-539	1.328
Net profit/loss for the year		**-13.245**	**4.400**	**-12.501**	**3.306**

Distribution of profit

Proposed distribution of profit

	Group 2017	Group 2016	Parent 2017	Parent 2016
Reserve for net revaluation under the equity method	-3.972	-3.177	-8.451	7.279
Minority interests' share of net profit of subsidiaries	-744	1.094	0	0
Retained earnings	-8.529	6.483	-4.050	-3.973
	-13.245	**4.400**	**-12.501**	**3.306**

Balance Sheet 31 December

Assets

	Note	Group 2017 TDKK	Group 2016 TDKK	Parent 2017 TDKK	Parent 2016 TDKK
Goodwill		177.960	188.185	0	0
Intangible assets	5	**177.960**	**188.185**	**0**	**0**
Other fixtures and fittings, tools and equipment		978	1.150	0	0
Property, plant and equipment	6	**978**	**1.150**	**0**	**0**
Investments in subsidiaries	7	0	0	187.349	240.468
Investments in associates	8	0	5.351	0	0
Deposits	9	400	398	0	0
Fixed asset investments		**400**	**5.749**	**187.349**	**240.468**
Fixed assets		**179.338**	**195.084**	**187.349**	**240.468**
Inventories	10	**15.375**	**14.308**	**0**	**0**
Trade receivables		28.494	41.231	0	0
Receivables from group enterprises		1.015	368	1.015	368
Other receivables		7.379	3.510	72	72
Deferred tax asset	12	0	1.075	0	1.075
Corporation tax		536	646	536	646
Prepayments	11	368	640	0	0
Receivables		**37.792**	**47.470**	**1.623**	**2.161**
Cash at bank and in hand		**6.818**	**4.573**	**0**	**1**
Currents assets		**59.985**	**66.351**	**1.623**	**2.162**
Assets		**239.323**	**261.435**	**188.972**	**242.630**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent	
	Note	2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
Share capital		1.005	1.005	1.005	1.005
Reserve for net revaluation under the equity method		0	3.972	0	10.703
Retained earnings		133.464	88.464	133.464	81.733
Equity attributable to shareholders of the Parent Company		**134.469**	**93.441**	**134.469**	**93.441**
Minority interests		100	1.839	0	0
Equity		**134.569**	**95.280**	**134.469**	**93.441**
Provision for deferred tax	12	485	1.653	0	0
Provisions		**485**	**1.653**	**0**	**0**
Subordinate loan capital		0	55.122	0	55.122
Credit institutions		36.000	54.000	36.000	54.000
Long-term debt	13	**36.000**	**109.122**	**36.000**	**109.122**
Credit institutions	13	47.057	38.676	18.004	18.000
Prepayments received from customers		148	449	0	0
Trade payables		17.509	12.420	0	0
Payables to group enterprises		64	426	494	22.061
Corporation tax		1.381	1.870	0	0
Other payables		2.110	1.530	5	6
Deferred income	14	0	9	0	0
Short-term debt		**68.269**	**55.380**	**18.503**	**40.067**
Debt		**104.269**	**164.502**	**54.503**	**149.189**
Liabilities and equity		**239.323**	**261.435**	**188.972**	**242.630**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua-tion under the equity method	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.005	3.972	88.464	93.441	1.839	95.280
Net effect of correction of material misstatements	0	0	-2.252	-2.252	-995	-3.247
Adjusted equity at 1 January	1.005	3.972	86.212	91.189	844	92.033
Exchange adjustments relating to foreign entities	0	0	-5	-5	0	-5
Fair value adjustment of hedging instruments, beginning of year	0	0	-1.876	-1.876	0	-1.876
Fair value adjustment of hedging instruments, end of year	0	0	-290	-290	0	-290
Tax on adjustment of hedging instruments for the year	0	0	-477	-477	0	-477
Other equity movements	0	0	58.429	58.429	0	58.429
Net profit/loss for the year	0	-3.972	-8.529	-12.501	-744	-13.245
Equity at 31 December	**1.005**	**0**	**133.464**	**134.469**	**100**	**134.569**

Statement of Changes in Equity

Parent

Equity at 1 January	1.005	10.703	81.733	93.441	0	93.441
Net effect of correction of material misstatements	0	-2.252	0	-2.252	0	-2.252
Adjusted equity at 1 January	1.005	8.451	81.733	91.189	0	91.189
Exchange adjustments relating to foreign entities	0	0	-5	-5	0	-5
Fair value adjustment of hedging instruments, beginning of year	0	0	-1.876	-1.876	0	-1.876
Fair value adjustment of hedging instruments, end of year	0	0	-290	-290	0	-290
Tax on adjustment of hedging instruments for the year	0	0	-477	-477	0	-477
Other equity movements	0	0	58.429	58.429	0	58.429
Net profit/loss for the year	0	-8.451	-4.050	-12.501	0	-12.501
Equity at 31 December	**1.005**	**0**	**133.464**	**134.469**	**0**	**134.469**

Notes to the Financial Statements

		Group		Parent	
		2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
1	**Staff expenses**				
	Wages and salaries	13.733	12.790	0	0
	Pensions	327	325	0	0
	Other social security expenses	101	109	0	0
	Other staff expenses	548	280	0	0
		14.709	**13.504**	**0**	**0**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	2.951	2.910	0	0
	Supervisory Board	250	250	0	0
		3.201	**3.160**	**0**	**0**
	Average number of employees	**25**	**22**	**0**	**0**
2	**Financial income**				
	Other financial income	3	44	0	0
	Exchange adjustments	2	200	0	0
		5	**244**	**0**	**0**
3	**Financial expenses**				
	Impairment losses on financial assets	4.238	0	0	0
	Interest paid to group enterprises	0	0	555	476
	Other financial expenses	7.661	5.742	5.184	5.498
		11.899	**5.742**	**5.739**	**5.974**

Notes to the Financial Statements

4 Tax on profit/loss for the year

	Group		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
Current tax for the year	273	5.576	-536	-646
Deferred tax for the year	1.175	-971	1.075	-682
	1.448	**4.605**	**539**	**-1.328**

5 Intangible assets

Group

	Goodwill
	TDKK
Cost at 1 January	204.373
Cost at 31 December	204.373
Impairment losses and amortisation at 1 January	16.189
Amortisation for the year	10.224
Impairment losses and amortisation at 31 December	26.413
Carrying amount at 31 December	**177.960**

Goodwill obtained in connection with strategic acquisitions and mergers with a strong market position and sustainable, long-term earnings potential is amortized over 20 years, as the value of existing customer relations, long-term customer contracts, employee competencies, know-how, industry knowledge, reputation in the market for home textiles etc., is expected to contribute positively to the Company's future earnings potential for a period of at least 20 years.

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	2.616
Cost at 31 December	2.616
Impairment losses and depreciation at 1 January	1.465
Depreciation for the year	173
Impairment losses and depreciation at 31 December	1.638
Carrying amount at 31 December	**978**

Notes to the Financial Statements

		Parent 2017	Parent 2016
		TDKK	TDKK
7	**Investments in subsidiaries**		
	Cost at 1 January	229.765	229.765
	Cost at 31 December	229.765	229.765
	Value adjustments at 1 January	10.703	3.141
	Net effect of correction of material misstatements	-2.252	0
	Net profit/loss for the year	4.006	17.793
	Dividend to the Parent Company	-42.000	0
	Other equity movements, net	-2.649	-7
	Amortisation of goodwill	-10.224	-10.224
	Value adjustments at 31 December	-42.416	10.703
	Carrying amount at 31 December	**187.349**	**240.468**
	Remaining positive difference included in the above carrying amount at 31 December	177.960	188.185

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
SkyBrands A/S	Vejle	DKK 1,000k	100%	9.389	4.006

	Group		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
8 Investments in associates				
Cost at 1 January	1.379	1.379	0	0
Disposals for the year	-1.379	0	0	0
Cost at 31 December	0	1.379	0	0
Value adjustments at 1 January	3.972	7.149	0	0
Disposals for the year	-4.142	0	0	0
Exchange adjustment	0	-680	0	0
Net profit/loss for the year	605	418	0	0
Dividends received	-435	-2.310	0	0
Other equity movements, net	0	-605	0	0
Value adjustments at 31 December	0	3.972	0	0
Carrying amount at 31 December	**0**	**5.351**	**0**	**0**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Dreamtex Ltd	Euxton, UK	£ 300.000	50%

9 Other fixed asset investments

	Group
	Deposits
	TDKK
Cost at 1 January	398
Additions for the year	2
Cost at 31 December	400
Impairment losses at 31 December	0
Carrying amount at 31 December	**400**

Notes to the Financial Statements

	Group		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
10 Inventories				
Finished goods and goods for resale	14.096	11.400	0	0
Prepayments for goods	1.279	2.908	0	0
	15.375	**14.308**	**0**	**0**

11 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

	Group		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
12 Provision for deferred tax				
Provision for deferred tax at 1 January	578	67	-1.075	-393
Amounts recognised in the income statement for the year	1.175	-971	1.075	-682
Amounts recognised in equity for the year	-1.268	1.482	0	0
Provision for deferred tax at 31 December	**485**	**578**	**0**	**-1.075**

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
Subordinate loan capital				
After 5 years	0	55.122	0	55.122
Long-term part	0	55.122	0	55.122
Within 1 year	0	0	0	0
	0	**55.122**	**0**	**55.122**
Credit institutions				
Between 1 and 5 years	36.000	54.000	36.000	54.000
Long-term part	36.000	54.000	36.000	54.000
Other short-term debt to credit institutions	47.057	38.676	18.004	18.000
	83.057	**92.676**	**54.004**	**72.000**

14 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has assumed other contractual obligations with a minimum payment of DKK 2,143k up to December 2018 and DKK 1.214k up to December 2021.

A lease has been concluded regarding lease of the premises on Roskildevej 6, DK-7100 Vejle. The lease is interminable up to 29 May 2023. The rent obligation at 31 December 2017 is calculated at DKK 2,335k.

The Company is part of the national joint taxation with CC Sky Invest ApS as the management company and is liable for any tax liability under the joint taxation.

The Company has concluded forward exchange contracts for currency hedging of future purchased goods in USD. Fair value of forward exchange contracts is at the balance sheet date kUSD 3,144.

SkyBrands Holding A/S has provided guarantees against its subsidiary SkyBrands A/S.

16 Related parties

	Basis
Controlling interest	
CC Sky Invest ApS, Vejle	Principal shareholder

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of SkyBrands Holding A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2017 are presented in TDKK.

Correction of material misstatements

The current management have identified misstatements in the Annual Report of 2016 for its German subsidiary.

The impact of the identified misstatements is recognized directly in equity and comparative figures are adjusted.

Due to the adjustments the equity per 1st January 2017 is reduced with TDKK 2,252 and "Investments in subsidiaries" are reduced with TDKK 2,252.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company and the Group have not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the

Notes to the Financial Statements

17 Accounting Policies (continued)

balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, SkyBrands Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

17 Accounting Policies (continued)

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

17 Accounting Policies (continued)

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes to the Financial Statements

17 Accounting Policies (continued)

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-7	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items“Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

Notes to the Financial Statements

17 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Other fixed asset investments

Other fixed asset investments consist of Deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$