



MTI Group ApS

Ørstedsvvej 18 B
6760 Ribe
CVR No. 37329983

Annual report 2019

The Annual General Meeting adopted the
annual report on 31.08.2020

Claus Petersen Lundtofte

Chairman of the General Meeting

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Entity details

Entity

MTI Group ApS

Ørstedsvvej 18 B

6760 Ribe

CVR No.: 37329983

Registered office: Esbjerg

Financial year: 01.01.2019 - 31.12.2019

Executive Board

Claus Petersen Lundtofte, direktør

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

P. O. Box 200

6701 Esbjerg

Statement by Management

The Executive Board have today considered and approved the annual report of MTI Group ApS for the financial year 01.01.2019 - 31.12.2019.

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

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Ribe, 31.08.2020

Executive Board

Claus Petersen Lundtofte
direktør

Independent auditor's extended review report

To the shareholders of MTI Group ApS

Conclusion

We have performed an extended review of the financial statements of MTI Group ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity

personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 31.08.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Peder Rene Pedersen

State Authorised Public Accountant
Identification No (MNE) mne23334

Management commentary

Primary activities

The Company's primary activity consists of capital management.

Development in activities and finances

During the year, the Company has realised a profit of DKK 1.862k, which is satisfying.

Events after the balance sheet date

The COVID-19 outbreak early 2020 resulted in absence of Chinese tourists in Iceland and Finland and because of this the sale from the stores driven by the group enterprises were eliminated. The companies in Finland and Iceland have reduced the costs by closing stores and by termination of personnel. The closing of the stores is expected to influence the value of the stocks negatively and it is expected that the group enterprises will realize material losses due to this. Furthermore, the companies have entered into negotiations concerning rental of premises. The future of the stores is depending on the outcome of the ongoing negotiations.

Due to the conditions attached to the company's payables to shareholders and management and due to lack of financial support, it is the management's expectations that the company has access to sufficient liquidity and the annual report has been prepared as going concern.

Besides this no events have occurred after the balance sheet date which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		369,639	516,337
Staff costs	2	(636,340)	(510,442)
Operating profit/loss		(266,701)	5,895
Income from investments in group enterprises		2,507,266	752,938
Other financial expenses	3	(378,404)	(662,792)
Profit/loss before tax		1,862,161	96,041
Tax on profit/loss for the year		0	0
Profit/loss for the year		1,862,161	96,041
Proposed distribution of profit and loss			
Retained earnings		1,862,161	96,041
Proposed distribution of profit and loss		1,862,161	96,041

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Investments in group enterprises		1,238,044	0
Other financial assets	4	1,238,044	0
Fixed assets		1,238,044	0
Receivables from group enterprises	5	9,371,459	9,223,455
Other receivables		99,146	81,192
Income tax receivable		34,000	0
Receivables		9,504,605	9,304,647
Cash		853,942	857,309
Current assets		10,358,547	10,161,956
Assets		11,596,591	10,161,956

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		50,000	50,000
Retained earnings		(3,571,207)	(5,433,368)
Equity		(3,521,207)	(5,383,368)
Payables to shareholders and management		14,069,156	14,464,970
Non-current liabilities other than provisions	6	14,069,156	14,464,970
Current portion of non-current liabilities other than provisions	6	750,000	750,000
Trade payables		14,368	13,408
Other payables		284,274	316,946
Current liabilities other than provisions		1,048,642	1,080,354
Liabilities other than provisions		15,117,798	15,545,324
Equity and liabilities		11,596,591	10,161,956

Events after the balance sheet date

1

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	50,000	(5,433,368)	(5,383,368)
Profit/loss for the year	0	1,862,161	1,862,161
Equity end of year	50,000	(3,571,207)	(3,521,207)

Notes

1 Events after the balance sheet date

The COVID-19 outbreak early 2020 resulted in absence of Chinese tourists in Iceland and Finland and because of this the sale from the stores driven by the group enterprises where eliminated. The companies in Finland and Iceland have reduced the costs by closing stores and by termination of personnel. The closing of the stores is expected to influence the value of the stocks negatively and it is expected that the group enterprises will realize material losses due to this. Furthermore, the companies have entered into negotiations concerning rental of premises. The future of the stores is depending on the outcome of the ongoing negotiations.

Due to the conditions attached to the company's payables to shareholders and management and due to letter of financial support, it is the management's expectations that the company have access to sufficient liquidity and the annual report have been prepared as going concern.

Besides this no events have occurred after the balance sheet date which would influence the evaluation of this annual report.

2 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	622,227	480,477
Pension costs	10,890	23,760
Other social security costs	3,223	6,205
	636,340	510,442
Average number of full-time employees	1	1

3 Other financial expenses

	2019 DKK	2018 DKK
Other interest expenses	369	4,484
Exchange rate adjustments	376,349	656,781
Other financial expenses	1,686	1,527
	378,404	662,792

4 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	59,695
Cost end of year	59,695
Impairment losses beginning of year	(59,695)
Share of profit/loss for the year	2,507,266
Investments with negative equity value depreciated over receivables	(1,269,222)
Impairment losses end of year	1,178,349
Carrying amount end of year	1,238,044

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
MTI Retail Oy	Helsinki, Finland	ApS	100
MTI Retail ehf	Reykjavik, Island	ApS	95

5 Receivables from group enterprises

Receivables from group enterprises consist of receivables from MTI Retail Oy, Helsinki and MTI Retail ehf, Reykjavik.

As MTI Retail Oy has lost its equity during the second trading year involving new large and extensive start up investments, MTI Group ApS states its support in confirming that a loan with total amount of Euro 900.000,00 granted to MTI Retail Oy, Helsinki is converted into capital loan.

To the conversion of the loan into capital loan MTI Group ApS confirm the following:

1. The principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the company.
2. The principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements; and
3. The company or a subsidiary shall not post security for the payment of the principal and interest.

6 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years 2019 DKK
Payables to shareholders and management	750,000	750,000	14,069,156	11,069,156
	750,000	750,000	14,069,156	11,069,156

SDI Invest Ltd have issued a financial support statement as follows:

"As the owner of SDI Invest Ltd, I hereby grant our full financial support to our company MTI Group ApS in Denmark.

As MTI Group ApS has lost its equity during the first 3 years of trading involving large renovations, expansions of brands and extensive start up investments, SDI Invest Ltd states its 100% support in confirming that the current loan with total amount of USD 2,219,799 granted to MTI Group ApS, Ribe shall not be paid back any earlier than 01.01.2022 and there will not apply any interest to this loan.

The equity is expected to be reestablished by earnings in the coming years. If this is not possible SDI Invest LTD is willing to cancel debt of an amount that secures positive equity."

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

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

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises other operating income and external expenses.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including stationery and office supplies, marketing costs, etc.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.