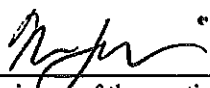


Kastel Denmark ApS
Sydvestvej 102, st. th
2600 Glostrup

CVR-no: 36 19 89 90

ANNUAL REPORT
18. september 2014 - 31. december 2015
(1. accounting year)

Approved at the annual General Meeting of the Company on 31/12 2016


Chairman of the meeting

TimeVision Frederiksberg
Godkendt Revisionsaktieselskab
Falkoner Allé 1, 3.
DK-2000 Frederiksberg

Telefon: +45 3888 0824
Telefax: +45 3888 0855
Mail: tv.frederiksberg@time.dk

CVR-nr.: 31 94 35 82
Bank: 5470 1728883
Web: www.timevision.dk

Frederiksberg • Brøndby • Slagelse
Member of IEC • www.iecnet.net

*Kastel Denmark ApS***TABLE OF CONTENTS**

Statements and reports	
Management's statement	3
Independent auditor's report on the financial statements	4
Management commentary and other company details	
Company information	6
Management commentary	7
Financial statements 18. september 2014 - 31. december 2015	
Accounting policies	8
Income statement	13
Balance sheet	14
Notes	16

Kastel Denmark ApS

MANAGEMENT'S STATEMENT

Today the Executive Board has discussed and approved the Annual Report of Kastel Denmark ApS for the period 18. september 2014 - 31. december 2015.

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

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 2015 and of its financial performance for the period 18. september 2014 - 31. december 2015.

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.

Glostrup, den May 21st 2016

Direktion



Michael Joseph Paidakovich

Audit of financial statements

The Company meets the requirements of section 135 of the Financial Statements Act and may therefore present unaudited financial statements. Management proposes to the General Meeting a resolution that the financial statements of the Company not be audited in future.

Chairman's notes

The General Meeting has today discussed and adopted Management's proposal not to audit financial statements.

Glostrup, den May 21st 2016

Direktion



Michael Joseph Paidakovich

Kastel Denmark ApS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the shareholders of Kastel Denmark ApS

We have audited the financial statements of Kastel Denmark ApS for the period 18. september 2014 - 31. december 2015, including accounting policies, Income statement, balance sheet, statement of changes in equity and notes. The financial statements have been prepared in conformity with the Danish Financial Statements Act.

Management's responsibility for the financial statements

The Company's Management is responsible for the preparation and fair presentation of financial statements in conformity with the Danish Financial Statements Act. Management is also responsible for the internal control that it deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We have performed the audit in accordance with international auditing standards and additional requirements under Danish audit regulations. That requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence of the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of financial statements 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 internal control. An audit also includes evaluating the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates made by Management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The audit did not result in a qualification.

Conclusion

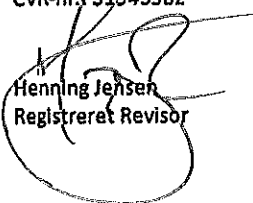
In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position at 31. december 2015 and of its financial performance for the period 18. september 2014 - 31. december 2015 in conformity with the Danish Financial Statements Act.

Emphasis of matter - Understanding of audit

Our audit did not include the supplementary report on pages 6 of this Annual Report. As required by international auditing standards and additional requirements under Danish audit regulations, we have read the supplementary report to identify any material conditions in that report inconsistent with the disclosures of the audited financial statements.

Frederiksberg, May 21st 2016

TimeVision Frederiksberg
Godkendt Revisionsaktieselskab
CVR-nr. 31943582


Henning Jensen
Registreret Revisor

*Kastel Denmark ApS*COMPANY INFORMATION

The Company

Kastel Denmark ApS
Sydvestvej 102, st. th
2600 Glostrup

CVR-no.: 36 19 89 90

Financial year: 18th September 2014 - 31st December 2015

Executive board

Michael Joseph Paidakovich

Accountant

TimeVision Frederiksberg
Godkendt Revisionsaktieselskab
Falkoner Allé 1, 3.
2000 Frederiksberg

Kastel Denmark ApS

MANAGEMENT COMMENTARY

Principal 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 to continue making available the capital required. I expect this to be the case. Reference is made to note 6 of 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 3 months of 2016 shows that forecasted on a year revenue will increase to an estimated DKK 1.444.

The first year have had many startup expenses that will not be repeated and management will continue to focus on this.

Kastel Denmark ApS
ACCOUNTING POLICIES

GENERAL INFORMATION

The financial statements of Kastel Denmark ApS for the financial year 2014/15 have been prepared in conformity with the provisions of the Financial Statements Act on class B enterprises.

The current year is the first financial period of the Company, for which reason no comparative figures are disclosed in the Income statement, balance sheet and notes.

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.

Kastel Denmark ApS
ACCOUNTING POLICIES

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.

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.

Kastel Denmark ApS
ACCOUNTING POLICIES

uity.

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 are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less estimated residual value at the end of the useful life of the relevant asset.

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 assets produced in-house includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

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

The depreciable amount is cost less estimated residual value at the end of the useful life of the relevant asset.

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 assets produced in-house includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

Depreciation is computed 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 %

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the selling price 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.

Kastel Denmark ApS

ACCOUNTING POLICIES

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 receivables are recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax on the taxable income for previous years and for prepaid taxes.

Deferred tax is measured using the balance-sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 relevant asset or settlement of the liability.

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

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. Any change in deferred tax as a result of changes in the tax rates is recognised in the income statement.

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.

Kastel Denmark ApS
ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise the items of 'Cash' and 'Securities' recognised under current assets. 'Securities' are short-term securities that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Kastel Denmark ApS

INCOME STATEMENT

18. SEPTEMBER 2014 - 31. DECEMBER 2015

	2014/15 DKK
Revenue	886.165
Cost of raw materials and consumables	-109.608
Other external costs	-2.292.403
GROSS MARGIN	-1.515.846
1 Staff costs	-777.128
Amortisation, depreciation and impairment losses - intangible assets and property, plant and equipment	-2.857
Impairment of current assets	-200.000
OPERATING PROFIT OR LOSS	-2.495.831
Other financial income	1.798
Financial expenses arising from Group enterprises	-38.431
Other financial expenses	-114.082
PROFIT OR LOSS FROM ORDINARY ACTIVITIES BEFORE TAX	-2.646.546
Tax on net profit for the year	-68
PROFIT OR LOSS FOR THE YEAR	-2.646.614
PROPOSED DISTRIBUTION OF NET PROFIT	
Retained earnings	-2.646.614
SETTLEMENT OF DISTRIBUTION TOTAL	-2.646.614

Kastel Denmark ApS

BALANCE SHEET AT 31. DECEMBER 2015

ASSETS

	2015 DKK
Concessions, patents, etc.	39.249
Intangible assets	39.249
Other plant, fixtures and operating equipment	14.166
Property, plant and equipment	14.166
Deposits	88.125
Investments	88.125
NON-CURRENT ASSETS	141.540
2 Finished goods and goods for resale	1.804.016
Inventories	1.804.016
3 Trade receivables	151.360
Other receivables	79.935
Accruals	53.522
Receivables	284.817
Cash	63.242
CURRENT ASSETS	2.152.075
ASSETS	2.293.615

Kastel Denmark ApS

BALANCE SHEET AT 31. DECEMBER 2015

EQUITY AND LIABILITIES

	2015 DKK
Contributed capital	50.000
Share premium	450.000
Retained earnings	-2.646.614
4 EQUITY	-2.146.614
Provision for deferred tax	68
PROVISIONS	68
Amounts owed to group enterprises	4.211.789
5 Long-term payables	4.211.789
Trade creditors	123.098
Other accounts payable	105.274
Short-term payables	228.372
PAYABLES	4.440.161
EQUITY AND LIABILITIES	2.293.615
6 Letter of subordination	
7 Contingences, etc.	

Kastel Denmark ApS

NOTES

	2014/15 DKK
1 Staff costs	
Wages and salaries	766.590
Other social security costs	10.538
Staff costs total	777.128

	2015 DKK
2 Finished goods and goods for resale	
Manufactured goods and goods for resale from group enterprises	2.004.016
Write-down on Inventory	-200.000
Finished goods and goods for resale total	1.804.016

3 Trade receivables	
Trade receivables	211.360
Provisions for expected losses	-60.000
Trade receivables total	151.360

	Opening balance	Proposed distribution of net profit	Closing balance
4 Equity			
Contributed capital	50.000	0	50.000
Share premium	450.000	0	450.000
Retained earnings	0	-2.646.614	-2.646.614
	500.000	-2.646.614	-2.146.614

Kastel Denmark ApS

NOTES

	Total liabilities at end of period	Outstanding balance after 5 years
5 Long-term payables		
Amounts owed to group enterprises	4.211.789	0
	<u>4.211.789</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 2016 is made public.

7 Contingencies, etc.

The Company has a tax deductible carried forward loss of TDKK 2.560 not recognized in the Company balance.

The Company has a lease on a car. The leaseagreement runs until December 2017 and holds a commitment of TDKK 56.

The Company has a rent commitment until the 31st of May 2016 which will not be renewed.