

# **Smart Textile Group A/S**

Skanderborgvej 234, 8260 Viby J

Company reg. no. 20 59 33 93

## **Annual report**

**2017/18**

The annual report have been submitted and approved by the general meeting on the 26 February 2019.

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Thomas Knudsen  
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## **Management's report**

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The board of directors and the managing director have today presented the annual report of Smart Textile Group A/S for the financial year 1 October 2017 to 30 September 2018.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 30 September 2018 and of the company's results of its activities in the financial year 1 October 2017 to 30 September 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Viby J, 31 January 2019

### **Managing Director**

Klaus Østergaard

### **Board of directors**

Thomas Knudsen

Jan Snogdal

Christian Dalgaard

Thomas Damsbo Sørensen

## **Independent auditor's report**

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### **To the shareholders of Smart Textile Group A/S**

#### **Opinion**

We have audited the annual accounts of Smart Textile Group A/S for the financial year 1 October 2017 to 30 September 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 30 September 2018 and of the results of the company's operations for the financial year 1 October 2017 to 30 September 2018 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### **The management's responsibilities for the annual accounts**

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

## **Independent auditor's report**

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- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

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 the internal control that we identify during our audit.

### **Statement on the management's review**

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

## **Independent auditor's report**

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Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

DK-8450 Hammel, 31 January 2019

### **Kvist & Jensen**

Kvist & Jensen State Authorized Public Accountants  
Company reg. no. 36 71 77 85

Johannes Simonsen

State Authorised Public Accountant  
mne11802

## Company data

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<b>The company</b>	Smart Textile Group A/S Skanderborgvej 234 8260 Viby J
	Company reg. no. 20 59 33 93 Established: 15 November 1997 Domicile: Aarhus Financial year: 1 October - 30 September
<b>Board of directors</b>	Thomas Knudsen Jan Snogdal Christian Dalsgaard Thomas Damsbo Sørensen
<b>Managing Director</b>	Klaus Østergaard
<b>Auditors</b>	Kvist & Jensen Statsautoriseret Revisionspartnerselskab
<b>Bankers</b>	Sparekassen Kronjylland
<b>Parent company</b>	STG Growth ApS
<b>Subsidiaries</b>	Ohmatex ApS, Aarhus Edema ApS, Aarhus

## **Management's review**

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### **The principal activities of the company**

The Company's objective is to own shares in other companies and other investment business.

### **Uncertainties as to recognition or measurement**

We refer to note 1 for more specific disclosure regarding uncertainty relating to the valuation of the Company's subsidiaries.

### **Development in activities and financial matters**

The gross profit for the year is DKK 476.000 against DKK 484.000 last year. The results from ordinary activities after tax are DKK 564.000 against DKK -1.353.000 last year. The management consider the results satisfactory.

Management expects that the necessary funding will be made available to the enterprise until the enterprise itself achieves a positive cash flow.

### **Events subsequent to the financial year**

In the beginning of the new year 2018/19, there has been a capital increase of 1.3 mill DKR.

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



**Profit and loss account 1 October - 30 September**

All amounts in DKK.

<u>Note</u>	<u>2017/18</u>	<u>2016/17</u>
<b>Gross profit</b>	<b>475.765</b>	<b>483.642</b>
2 Staff costs	-974.833	-1.079.648
<b>Operating profit</b>	<b>-499.068</b>	<b>-596.006</b>
Income from equity investments in group enterprises	-1.316.726	-662.390
Other financial income from group enterprises	2.361.093	0
Other financial income	87.236	110.785
3 Other financial costs	-68.444	-205.323
<b>Results before tax</b>	<b>564.091</b>	<b>-1.352.934</b>
Tax on ordinary results	0	0
<b>Results for the year</b>	<b>564.091</b>	<b>-1.352.934</b>
 <b>Proposed distribution of the results:</b>		
Allocated to results brought forward	564.091	0
Allocated from results brought forward	0	-1.352.934
<b>Distribution in total</b>	<b>564.091</b>	<b>-1.352.934</b>

**Balance sheet 30 September**

All amounts in DKK.

<b>Assets</b>		
<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Fixed assets</b>		
4 Equity investments in group enterprises	5.400.826	3.043.665
Financial fixed assets in total	<u>5.400.826</u>	<u>3.043.665</u>
<b>Fixed assets in total</b>	<b><u>5.400.826</u></b>	<b><u>3.043.665</u></b>
<b>Current assets</b>		
Amounts owed by group enterprises	2.627.390	1.476.917
Debtors in total	<u>2.627.390</u>	<u>1.476.917</u>
Available funds	<u>0</u>	<u>106</u>
<b>Current assets in total</b>	<b><u>2.627.390</u></b>	<b><u>1.477.023</u></b>
<b>Assets in total</b>	<b><u>8.028.216</u></b>	<b><u>4.520.688</u></b>

**Balance sheet 30 September**

All amounts in DKK.

<b>Equity and liabilities</b>		
<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Equity</b>		
5 Contributed capital	1.465.020	1.149.556
6 Results brought forward	3.770.364	-214.719
<b>Equity in total</b>	<b><u>5.235.384</u></b>	<b><u>934.837</u></b>
 <b>Liabilities</b>		
Debt to group enterprises	<u>0</u>	<u>3.167.000</u>
Long-term liabilities in total	<u>0</u>	<u>3.167.000</u>
Bank debts	92.711	0
Trade creditors	42.117	12.375
Debt to group enterprises	1.275.000	0
Debt to shareholders and management	163.492	0
Other debts	1.219.512	406.476
Short-term liabilities in total	<u>2.792.832</u>	<u>418.851</u>
<b>Liabilities in total</b>	<b><u>2.792.832</u></b>	<b><u>3.585.851</u></b>
 <b>Equity and liabilities in total</b>	<b><u>8.028.216</u></b>	<b><u>4.520.688</u></b>
 <b>1 Uncertainties concerning recognition and measurement</b>		
<b>7 Contingencies</b>		

## Notes

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All amounts in DKK.

### 1. Uncertainties concerning recognition and measurement

At 30 September 2018 the subsidiaries Ohmatex ApS and Edema ApS have capitalised DKK 5.274k and DKK 1.030k, respectively, regarding development projects. Based on the existing development results it is Management's opinion that the future cash flows of the companies will be sufficient to maintain the carrying amounts of the capitalised development projects.

The value of the projects depends on the final sales potential and it is assessed that there is significant uncertainty about the value hereof. It is Management's opinion that the valuation of the subsidiaries's development projects is sound.

	<u>2017/18</u>	<u>2016/17</u>
<b>2. Staff costs</b>		
Salaries and wages	924.857	1.024.765
Pension costs	41.249	39.000
Other staff costs	8.727	15.883
	<u><b>974.833</b></u>	<u><b>1.079.648</b></u>
 Average number of employees	 <u>1</u>	 <u>1</u>
 <b>3. Other financial costs</b>		
Other financial costs	68.444	205.323
	<u><b>68.444</b></u>	<u><b>205.323</b></u>

## Notes

All amounts in DKK.

	<u>30/9 2018</u>	<u>30/9 2017</u>
<b>4. Equity investments in group enterprises</b>		
Acquisition sum, opening balance 1 October 2017	7.940.000	5.797.000
Additions during the year	<u>1.275.000</u>	<u>2.143.000</u>
<b>Cost 30 September 2018</b>	<b><u>9.215.000</u></b>	<b><u>7.940.000</u></b>
Revaluations, opening balance 1 October 2017	-5.021.871	-4.359.481
Results for the year before goodwill amortisation	-1.316.726	-662.390
Capital gains on capital expansion	<u>2.361.093</u>	<u>0</u>
<b>Revaluation 30 September 2018</b>	<b><u>-3.977.504</u></b>	<b><u>-5.021.871</u></b>
Offsetting against debtors	<u>163.330</u>	<u>125.536</u>
<b>Set off against debtors and provisions for liabilities</b>	<b><u>163.330</u></b>	<b><u>125.536</u></b>
<b>Book value 30 September 2018</b>	<b><u>5.400.826</u></b>	<b><u>3.043.665</u></b>

### Group enterprises:

	<b>Domicile</b>	<b>Share of ownership</b>
Ohmatex ApS	Aarhus	89 %
Edema ApS	Aarhus	67 %

	<u>30/9 2018</u>	<u>30/9 2017</u>
<b>5. Contributed capital</b>		
Contributed capital 1 October 2017	1.149.556	1.149.556
Cash capital increase	<u>315.464</u>	<u>0</u>
	<b><u>1.465.020</u></b>	<b><u>1.149.556</u></b>

The share capital consists of 1.465.020 shares, each with a nominal value of DKK 1.

The share capital has developed as follows:

	<u>2017/18</u>	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>
Share capital at 1 October	1.149.556	1.149.556	881.111	762.500	500.000
Capital increase	<u>315.464</u>	<u>0</u>	<u>268.445</u>	<u>118.611</u>	<u>262.500</u>
Share capital at 30 September	<u>1.465.020</u>	<u>1.149.556</u>	<u>1.149.556</u>	<u>881.111</u>	<u>762.500</u>

## Notes

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All amounts in DKK.

	<u>30/9 2018</u>	<u>30/9 2017</u>
<b>6. Results brought forward</b>		
Results brought forward 1 October 2017	-214.719	1.138.215
Profit or loss for the year brought forward	564.091	-1.352.934
Cash capital increase	<u>3.420.992</u>	<u>0</u>
	<b><u>3.770.364</u></b>	<b><u>-214.719</u></b>

## 7. Contingencies

### Contingent liabilities

The Company has pledged its investment in the subsidiary Ohmatex ApS as security.

The Company has signed a surety commitment to Vækstfonden for the subsidiary Ohmatex ApS' balance with the foundation.

The Company has issued letter of support to its subsidiaries.

### Joint taxation

STG Growth ApS, company reg. no 35889620 being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme.

## Accounting policies used

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The annual report for Smart Textile Group A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

### Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

### Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

## The profit and loss account

### Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

## **Accounting policies used**

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The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other external costs comprise costs for administration.

### **Staff costs**

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

### **Net financials**

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

### **Results from equity investments in group enterprises**

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

### **Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

## **The balance sheet**

### **Financial fixed assets**

#### **Equity investments in group enterprises**

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.



## **Accounting policies used**

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Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

### **Debtors**

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

### **Available funds**

Available funds comprise cash at bank and in hand.

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

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Smart Textile Group A/S is proportionally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

### **Liabilities**

Liabilities relating to investment properties are measured at amortised cost.

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