

# **Smart Textile Group A/S**

**Skanderborgvej 234, 8260 Viby J**

**Company reg. no. 20 59 33 93**

## **Annual report**

**2015/16**

The annual report have been submitted and approved by the general meeting on the 28 February 2017.

---

**Klaus Østergaard**  
Chairman of the meeting

## Contents

---

	<u>Page</u>
<b>Reports</b>	
Management's report	1
The independent auditor's reports	2
<b>Management's review</b>	
Company data	4
Management's review	5
<b>Annual accounts 1 October 2015 - 30 September 2016</b>	
Accounting policies used	6
Profit and loss account	9
Balance sheet	10
Notes	12

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**

---

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 2015 to 30 September 2016.

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 as on 30 September 2016 and of the company's results of its activities in the financial year 1 October 2015 to 30 September 2016.

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, 28 February 2017

### **Managing Director**

Klaus Østergaard

### **Board of directors**

Thomas Knudsen

Christian Dalsgaard

Jan Snogdal

## **The independent auditor's reports**

---

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

#### **Report on the annual accounts**

We have audited the annual accounts of Smart Textile Group A/S for the financial year 1 October 2015 to 30 September 2016, 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.

#### **The management's responsibility 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. Furthermore, the management is responsible for such internal control considered necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view 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 accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

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

The audit has not resulted in any qualification.

## **The independent auditor's reports**

---

### **Opinion**

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 30 September 2016 and of the results of the company's operations for the financial year 1 October 2015 to 30 September 2016 in accordance with the Danish Financial Statements Act.

### **Emphasis of matter paragraph on matters in the accounts**

Without modifying our opinion we draw your attention to the Company's subsidiaries having capitalised intangible assets amounting to DKK 3.174k at 30 September 2016. As is stated in note 1 "uncertainty relating to recognition and measurement" at present there is significant uncertainty relating to the final sales potential to the developed projects and thus significant uncertainty relating to the valuation of the fixed assets. We agree in Management's mention of the uncertainties and Management's choice of accounting policy.

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

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the performed audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

DK-8450 Hammel, 28 February 2017

### **Kvist & Jensen**

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

Johannes Simonsen

State Authorised Public Accountant

## Company data

---

<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 Christian Dalsgaard Jan Snogdal
<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**

---

### **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 644.000 against DKK 471.000 last year. The results from ordinary activities after tax are DKK -2.845.000 against DKK -1.187.000 last year. The management consider the results unsatisfactory.

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**

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

## **Accounting policies used**

---

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**

---

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**

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

### **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.

## **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.

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.

## **Accounting policies used**

---

### **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.

### **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.

### **Liabilities**

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

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

All amounts in DKK.

<u>Note</u>	<u>2015/16</u>	<u>2014/15</u>
<b>Gross profit</b>	<b>644.414</b>	<b>471.485</b>
2 Staff costs	-860.170	-673.061
<b>Operating profit</b>	<b>-215.756</b>	<b>-201.576</b>
Income from equity investments in group enterprises	-2.622.977	-992.643
Other financial income	28.937	8.413
3 Other financial costs	-34.977	-1.645
<b>Results before tax</b>	<b>-2.844.773</b>	<b>-1.187.451</b>
Tax on ordinary results	0	0
<b>Results for the year</b>	<b>-2.844.773</b>	<b>-1.187.451</b>
<b>Proposed distribution of the results:</b>		
Allocated from results brought forward	-2.844.773	-1.187.451
<b>Distribution in total</b>	<b>-2.844.773</b>	<b>-1.187.451</b>

**Balance sheet 30 September**

All amounts in DKK.

<b>Assets</b>		<u>2016</u>	<u>2015</u>
<u>Note</u>			
<b>Fixed assets</b>			
4	Equity investments in group enterprises	1.527.062	1.167.105
	Financial fixed assets in total	<u>1.527.062</u>	<u>1.167.105</u>
	<b>Fixed assets in total</b>	<u><b>1.527.062</b></u>	<u><b>1.167.105</b></u>
<b>Current assets</b>			
	Amounts owed by group enterprises	1.359.410	491.556
	Receivable corporate tax	133.484	0
	Debtors in total	<u>1.492.894</u>	<u>491.556</u>
	<b>Current assets in total</b>	<u><b>1.492.894</b></u>	<u><b>491.556</b></u>
	<b>Assets in total</b>	<u><b>3.019.956</b></u>	<u><b>1.658.661</b></u>

**Balance sheet 30 September**

All amounts in DKK.

<b>Equity and liabilities</b>			
<u>Note</u>		<u>2016</u>	<u>2015</u>
<b>Equity</b>			
5	Contributed capital	1.149.556	881.111
6	Results brought forward	1.138.215	607.433
	<b>Equity in total</b>	<b><u>2.287.771</u></b>	<b><u>1.488.544</u></b>
<b>Provisions</b>			
	Provisions concerning equity investments in group enterprises	0	2.953
	<b>Provisions in total</b>	<b><u>0</u></b>	<b><u>2.953</u></b>
<b>Liabilities</b>			
	Bank debts	63.686	36.823
	Trade creditors	23.625	13.375
	Other debts	644.874	116.966
	Short-term liabilities in total	<u>732.185</u>	<u>167.164</u>
	<b>Liabilities in total</b>	<b><u>732.185</u></b>	<b><u>167.164</u></b>
	<b>Equity and liabilities in total</b>	<b><u>3.019.956</u></b>	<b><u>1.658.661</u></b>

**7 Contingencies**

## Notes

---

All amounts in DKK.

### 1. Uncertainties concerning recognition and measurement

At 30 September 2016 the subsidiaries Ohmatex ApS and Edema ApS have capitalised DKK 2.144k 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>2015/16</u>	<u>2014/15</u>
<b>2. Staff costs</b>		
Salaries and wages	815.820	632.340
Pension costs	37.753	29.561
Other staff costs	6.597	11.160
	<u><b>860.170</b></u>	<u><b>673.061</b></u>
 Average number of employees	 <u>1</u>	 <u>1</u>
 <b>3. Other financial costs</b>		
Other financial costs	34.977	1.645
	<u><b>34.977</b></u>	<u><b>1.645</b></u>

## Notes

---

All amounts in DKK.

	<u>30/9 2016</u>	<u>30/9 2015</u>
<b>4. Equity investments in group enterprises</b>		
Acquisition sum, opening balance 1 October 2015	2.847.000	1.185.000
Additions during the year	<u>2.950.000</u>	<u>1.662.000</u>
<b>Cost 30 September 2016</b>	<b><u>5.797.000</u></b>	<b><u>2.847.000</u></b>
Revaluations, opening balance 1 October 2015	-1.736.504	-729.825
Results for the year before goodwill amortisation	-2.622.977	-992.643
Other movements in capital 1	<u>0</u>	<u>-14.036</u>
<b>Revaluation 30 September 2016</b>	<b><u>-4.359.481</u></b>	<b><u>-1.736.504</u></b>
Offsetting against debtors	89.543	53.656
Transferred to provisions	<u>0</u>	<u>2.953</u>
<b>Set off against debtors and provisions for liabilities</b>	<b><u>89.543</u></b>	<b><u>56.609</u></b>
<b>Book value 30 September 2016</b>	<b><u>1.527.062</u></b>	<b><u>1.167.105</u></b>

### The financial highlights for the enterprises according to the latest approved annual reports

	Share of ownership	Equity	Results for the year	Book value at Smart Textile Group A/S
Ohmatex ApS, Aarhus	100 %	1.527.062	-2.590.046	1.527.062
Edema ApS, Aarhus	67 %	<u>-134.315</u>	<u>-49.385</u>	<u>0</u>
		<b><u>1.392.747</u></b>	<b><u>-2.639.431</u></b>	<b><u>1.527.062</u></b>

## Notes

---

All amounts in DKK.

	<u>30/9 2016</u>	<u>30/9 2015</u>
<b>5. Contributed capital</b>		
Contributed capital 1 October 2015	881.111	762.500
Cash capital increase	<u>268.445</u>	<u>118.611</u>
	<b><u>1.149.556</u></b>	<b><u>881.111</u></b>

The share capital consists of DKK 1.149.556 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>
Share capital at 1 October	881.111	762.500	500.000	500.000	500.000
Capital increase	<u>268.445</u>	<u>118.611</u>	<u>262.500</u>	<u>0</u>	<u>0</u>
Share capital at 30 September	<u>1.149.556</u>	<u>881.111</u>	<u>762.500</u>	<u>500.000</u>	<u>500.000</u>

	<u>30/9 2016</u>	<u>30/9 2015</u>
<b>6. Results brought forward</b>		
Results brought forward 1 October 2015	607.433	533.531
Profit or loss for the year brought forward	-2.844.773	-1.187.451
Cash capital increase	3.387.555	1.281.389
Capital increase costs	-12.000	-6.000
Other equity movements	<u>0</u>	<u>-14.036</u>
	<b><u>1.138.215</u></b>	<b><u>607.433</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.



## Notes

---

All amounts in DKK.

### 7. Contingencies (continued)

#### 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.