

Carheal ApS

Hobrovej 963, 9530 Støvring

CVR no. 25 31 87 81

Annual report 2017/18

Approved at the Company's annual general meeting on 17 October 2018

Chairman:



Vibeke Bro Christensen





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Carheal ApS for the financial year 1 July 2017 - 30 June 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Støvring, 17 October 2018

Executive Board:

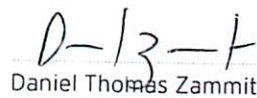


Henrik Bro Christensen

Board of Directors:



Jens Lübeck Johansen
Chairman



Daniel Thomas Zammit



Henrik Bro Christensen

Independent auditor's report

To the shareholders of Carheal ApS

Opinion

We have audited the financial statements of Carheal ApS for the financial year 1 July 2017 - 30 June 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 2018 in accordance with the Danish Financial Statements Act.

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

Independence

We are independent of the Company 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 rules and requirements.

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 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 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 as to 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 the 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 internal control.

Independent auditor's report

- ▶ 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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent 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 internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Aalborg, 17 October 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Evan Christensen
State Authorised Public Accountant
mne18550



Thomas S. Kallehaug
State Authorised Public Accountant
mne35422

Management's review

Company details

Name	Carheal ApS
Address, Postal code, City	Hobrovej 963, 9530 Støvring
CVR no.	25 31 87 81
Established	1 April 2000
Registered office	Aalborg
Financial year	1 July 2017 - 30 June 2018
Website	www.carheal.net
E-mail	info@carheal.com
Telephone	+45 70 22 70 70
Board of Directors	Jens Lübeck Johansen, Chairman Daniel Thomas Zammit Henrik Bro Christensen
Executive Board	Henrik Bro Christensen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, 9000 Aalborg, Denmark

Management's review

Business review

The company's activity consists in developing and selling the Carheal concept, which is a sprayer with intelligent management of all processes for the automotive industry.

The core of the Carheal concept is a sprayer cabin with intelligent control of all processes. Two big filters always cleans the air and airflow is adapted to the task. Flow switching is complete automatically in relation to whether sanding or varnishing. And if the amount of harmful particles (VOC) becomes too high, all doors in the cabin will be opened automatically.

Read more about the Carheal concept at www.carheal.net

Financial review

The income statement for 2017/18 shows a loss of DKK 2,729,694 against a loss of DKK 473,247 last year, and the balance sheet at 30 June 2018 shows a negative equity of DKK 2,726,831.

The loss for the year is negatively affected by the considerable resources that have been used in the year for development and implementation of the Company's global growth strategy. Based thereon, Management considers the loss for the year less satisfactory.

Equity amounts to t.DKK -2.727 at 30 June 2018. The company has thus lost more than half of the company capital, so it is covered by the Companies Act's rules on capital losses. The company's management expects to restore the company's capital through future positive earnings.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Company's Management and owners have great expectations of the future growth. As part of the growth strategy, Nordic Alpha Partners joined the Company as owners in September 2018 through the newly-established holding company, Carheal Holding ApS to strengthen the capital basis and support the organisational and strategic future development to fully utilise the Company's potential and the potential in the Group in general.

Carheal Holding ApS has taken over the ownership of the two operating entities, HBC System Smarttool Production ApS and Carheal ApS. Management expects to merge the two affiliates in the Group to obtain the maximum synergies of the future growth strategy.

In the financial year 2018/19, Management expects to report slightly negative results of operation as part of the establishment of the future growth strategy. Positive results of operation are expected for 2019/20.

Financial statements 1 July 2017 - 30 June 2018

Income statement

Note	DKK	<u>2017/18</u>	<u>2016/17</u>
	Gross margin	-1,135,720	968,894
2	Staff costs	-1,216,270	-876,345
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-588,161	-345,829
	Profit/loss before net financials	-2,940,151	-253,280
	Income from investments in associates	0	-3,222
	Financial income	75,567	172
3	Financial expenses	-632,990	-352,432
	Profit/loss before tax	-3,497,574	-608,762
4	Tax for the year	767,880	135,515
	Profit/loss for the year	-2,729,694	-473,247
	Recommended appropriation of profit/loss		
	Net revaluation reserve according to the equity method	0	-2,757
	Reserve for development costs	2,099,824	1,169,027
	Retained earnings/accumulated loss	-4,829,518	-1,639,517
		<u>-2,729,694</u>	<u>-473,247</u>

Financial statements 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK	<u>2017/18</u>	<u>2016/17</u>
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Completed development projects	3,097,381	3,037,692
	Development projects in progress and prepayments for intangible assets	<u>1,565,812</u>	<u>213,729</u>
		<u>4,663,193</u>	<u>3,251,421</u>
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	<u>1,131,903</u>	<u>1,335,892</u>
		<u>1,131,903</u>	<u>1,335,892</u>
	Total fixed assets	<u>5,795,096</u>	<u>4,587,313</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	<u>625,537</u>	<u>869,134</u>
		<u>625,537</u>	<u>869,134</u>
	Receivables		
	Trade receivables	453,008	1,381,127
	Receivables from group entities	0	396,328
	Deferred tax assets	370,384	0
	Joint taxation contribution receivable	659,144	455,681
	Other receivables	121,279	690,898
	Deferred income	<u>0</u>	<u>22,966</u>
		<u>1,603,815</u>	<u>2,947,000</u>
	Cash	<u>54,972</u>	<u>48,609</u>
	Total non-fixed assets	<u>2,284,324</u>	<u>3,864,743</u>
	TOTAL ASSETS	<u>8,079,420</u>	<u>8,452,056</u>

Financial statements 1 July 2017 - 30 June 2018

Balance sheet

Note	DKK	<u>2017/18</u>	<u>2016/17</u>
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	805,556	805,556
	Reserve for development costs	3,268,851	1,169,027
	Retained earnings	-6,801,238	-1,971,720
	Total equity	<u>-2,726,831</u>	<u>2,863</u>
	Provisions		
	Deferred tax	0	194,033
	Total provisions	<u>0</u>	<u>194,033</u>
	Liabilities other than provisions		
9	Non-current liabilities other than provisions		
	Other credit institutions	1,454,652	1,446,530
		<u>1,454,652</u>	<u>1,446,530</u>
	Current liabilities other than provisions		
9	Current portion of long-term liabilities	300,000	400,000
	Bank debt	1,024,399	318,631
	Trade payables	451,752	1,092,553
	Payables to group entities	5,987,540	4,196,817
	Other payables	1,587,908	800,629
		<u>9,351,599</u>	<u>6,808,630</u>
	Total liabilities other than provisions	<u>10,806,251</u>	<u>8,255,160</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>8,079,420</u></u>	<u><u>8,452,056</u></u>

- 1 Accounting policies
- 10 Contractual obligations and contingencies, etc.
- 11 Collateral

Financial statements 1 July 2017 - 30 June 2018

Statement of changes in equity

DKK	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 July 2017	805,556	1,169,027	-1,971,720	2,863
Transfer through appropriation of loss	0	2,099,824	-4,829,518	-2,729,694
Equity at 30 June 2018	805,556	3,268,851	-6,801,238	-2,726,831

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies

The annual report of Carheal ApS for 2017/18 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

All leases are considered operating leases. Payments under operating leases are recognised in the income statement over the term of the lease.

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5-10 years
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The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	5 years
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Income from investments in associates

The item includes the entity's proportionate share of the profit/loss for the year in associates after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payable and receivable is recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

DKK	<u>2017/18</u>	<u>2016/17</u>
2 Staff costs		
Wages/salaries	1,134,004	839,514
Pensions	67,384	27,211
Other social security costs	2,998	6,536
Other staff costs	11,884	3,084
	<u>1,216,270</u>	<u>876,345</u>
 Average number of full-time employees	 <u>3</u>	 <u>2</u>
 3 Financial expenses		
Interest expenses, group entities	345,900	129,589
Other financial expenses	287,090	222,843
	<u>632,990</u>	<u>352,432</u>
 4 Tax for the year		
Deferred tax adjustments in the year	-564,417	674,006
Refund in joint taxation	-203,463	-809,521
	<u>-767,880</u>	<u>-135,515</u>

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

5 Intangible assets

DKK	Completed development projects	Development projects in progress and prepayments for intangible assets	Total
Cost at 1 July 2017	3,679,486	213,729	3,893,215
Additions in the year	387,058	1,352,083	1,739,141
Transfer from other accounts	90,429	0	90,429
Cost at 30 June 2018	4,156,973	1,565,812	5,722,785
Impairment losses and amortisation at 1 July 2017	641,794	0	641,794
Amortisation/depreciation in the year	417,798	0	417,798
Impairment losses and amortisation at 30 June 2018	1,059,592	0	1,059,592
Carrying amount at 30 June 2018	3,097,381	1,565,812	4,663,193

Completed development projects

Completed development projects include the Company's Carheal-concept containing Carheal Cabin and Carheal Portal, which enables on site same-day-repair of minor and medium sized body and paint repairs of cars.

The carrying amount of the project is based on the very promising sales potential of the Carheal concept.

Based on this, management expects to exploit the market potential in the coming years.

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 July 2017	1,500,626
Additions in the year	56,803
Transfer from other accounts	-90,429
Cost at 30 June 2018	1,467,000
Impairment losses and depreciation at 1 July 2017	164,734
Amortisation/depreciation in the year	170,363
Impairment losses and depreciation at 30 June 2018	335,097
Carrying amount at 30 June 2018	1,131,903

Financial statements 1 July 2017 - 30 June 2018

Notes to the financial statements

7 Investments

Name	Domicile	Interest	Profit/loss DKK
Associates			
Carheal UK Limited	Ferndown, UK	50.00%	0

8 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK	2017/18	2016/17	2015/16	2014/15	2013/14
Opening balance	805,556	805,556	125,000	125,000	125,000
Capital increase	0	0	680,556	0	0
	<u>805,556</u>	<u>805,556</u>	<u>805,556</u>	<u>125,000</u>	<u>125,000</u>

9 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 0 falls due for payment after more than 5 years after the balance sheet date.

10 Contractual obligations and contingencies, etc.

Other contingent liabilities

As at June 30, 2018 the company is party in a few pending cases against the company. Based on the content of the case, management believes that the outcome of the cases can not significantly affect the company's financial position.

The Company is jointly taxed with its parent company, Smart Tool Holding ApS, which acts as management company, and has limited and alternative liability together with other jointly taxed group entities for payment of income taxes for income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after July 1, 2012.

Other financial obligations

Rent and lease liabilities include a annual rent obligation totalling t.DKK 108 in rent agreements. Furthermore, the Company has liabilities under operating leases for cars totalling t.DKK 275, with remaining contract terms of 2-3 years.

11 Collateral

As security for the Company's debt to banks, creditors and other suppliers, the Company has provided security or other collateral in its receivables for at total amount of t.DKK 3,000. The total carrying amount of these assets is approx. t.DKK 1,200 as at June 30, 2018.