Ohmatex A/S

Skanderborgvej 234, 8260 Viby J

Company reg. no. 27 61 87 23

Annual report

2017/18

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

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

The board of directors and the managing director have today presented the annual report of Ohmatex 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 Dalsgaard

Thomas Damsbo Sørensen

Independent auditor's report

To the shareholders of Ohmatex A/S

Opinion

We have audited the annual accounts of Ohmatex A/S for the financial year 1 October 2017 to 30 September 2018, which comprise profit and loss account, balance sheet, notes and accounting policies used. 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

- 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

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

The company	Ohmatex A/S Skanderborgvej 234 8260 Viby J	
	Company reg. no.	27 61 87 23
	Established:	27 February 2004
	Domicile:	Aarhus
	Financial year:	1 October - 30 September
Board of directors	Thomas Knudsen Jan Snogdal Christian Dalsgaard Thomas Damsbo Sørensen	
Managing Director	Klaus Østergaard	
Auditors	Kvist & Jensen Statsautoriseret Revisionspartnerselskab	
Bankers	Sparekassen Kronjylland	
Parent company	Smart Textile Group A/S	

Management's review

The principal activities of the company

The company´s purpose is providing consultancy. The company may further by Executive provision undertake other activities.

Uncertainties as to recognition or measurement

In relation to recognition and measurement in the Annual Report we refer to note 1 regarding development corts.

Development in activities and financial matters

The gross profit for the year is DKK 4.028.000 against DKK 4.726.000 last year. The results from ordinary activities after tax are DKK -1.279.000 against DKK -626.000 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 2 mill DKK.

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.

Note		2017/18	2016/17
	Gross profit	**4.027.507**	**4.725.679**
2	Staff costs	-4.963.021	-4.933.301
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-357.132	-258.083
	Operating profit	**-1.292.646**	**-465.705**
3	Other financial costs	-343.969	-335.701
	Results before tax	**-1.636.615**	**-801.406**
	Tax on ordinary results	357.683	175.009
	Results for the year	**-1.278.932**	**-626.397**
	Proposed distribution of the results:		
	Allocated from results brought forward	-1.278.932	-626.397
	Distribution in total	**-1.278.932**	**-626.397**

Balance sheet 30 September

All amounts in DKK.

Assets

Note		2018	2017
	Fixed assets		
	Completed development projects, including patents and similar rights arising from development projects	476.322	681.579
	Development projects in progress and prepayments for intangible fixed assets	4.686.306	2.826.858
	Intangible fixed assets in total	5.162.628	3.508.437
	Plant and machinery	110.156	198.281
	Other fixtures and fittings, tools and equipment	19.004	64.828
	Leasehold improvements	34.080	52.006
	Tangible fixed assets in total	163.240	315.115
	Deposits	201.965	200.571
	Financial fixed assets in total	201.965	200.571
	Fixed assets in total	**5.527.833**	**4.024.123**
	Current assets		
	Raw materials and consumables	275.733	271.920
	Inventories in total	275.733	271.920
	Trade debtors	357.475	1.579.880
	Work in progress for the account of others	547.323	835.135
	Amounts owed by group enterprises	1.250	6.250
	Deferred tax assets	440.147	491.543
	Receivable corporate tax	729.868	546.332
	Other debtors	58.086	392.820
	Claims for payment of contributed capital	4.275.000	0
	Accrued income and deferred expenses	33.454	23.515
	Debtors in total	6.442.603	3.875.475
	Available funds	8.883	13.145
	Current assets in total	**6.727.219**	**4.160.540**
	Assets in total	**12.255.052**	**8.184.663**

Balance sheet 30 September

All amounts in DKK.

Note	Equity and liabilities	2018	2017
	Equity		
4	Contributed capital	588.748	500.000
5	Reserve for development expenditure	2.354.282	1.064.013
6	Results brought forward	3.096.702	1.479.652
	Equity in total	**6.039.732**	**3.043.665**
	Liabilities		
	Bank debts	1.328.547	770.777
	Long-term liabilities in total	1.328.547	770.777
	Short-term part of long-term liabilities	400.000	400.000
	Bank debts	1.695.544	2.223.421
	Trade creditors	283.734	609.689
	Debt to group enterprises	1.521.592	382.009
	Other debts	949.903	664.102
	Accrued expenses and deferred income	36.000	91.000
	Short-term liabilities in total	4.886.773	4.370.221
	Liabilities in total	**6.215.320**	**5.140.998**
	Equity and liabilities in total	**12.255.052**	**8.184.663**

1 Uncertainties concerning recognition and measurement

7 Mortgage and securities

8 Contingencies

Notes

All amounts in DKK.

1. Uncertainties concerning recognition and measurement

Based on the existing development results it is Management´s opinion that the Company´s future cashflow will be sufficient to maintain the carrying amount of capitalised development projects.

At 30 September 2018 DKK 5.162 has been capitalised regarding the Company´s development projects. The value depends on the final sales potential and the uncertainty regarding the value hereof is considered.

It is management´s opinion that the valuation of the company´s development projects is sound.

	2017/18	2016/17
2. Staff costs		
Salaries and wages	4.189.994	4.292.707
Pension costs	591.646	464.709
Other staff costs	181.381	175.885
	4.963.021	**4.933.301**
Average number of employees	18	17
3. Other financial costs		
Financial costs, group enterprises	38.552	63.845
Other financial costs	305.417	271.856
	343.969	**335.701**
4. Contributed capital		
Contributed capital 1 October 2017	500.000	150.000
Capital increase	88.748	350.000
	588.748	**500.000**
5. Reserve for development expenditure		
Reserve for development expenditure 1 October 2017	1.064.013	0
Change	1.290.269	1.064.013
	2.354.282	**1.064.013**

Notes

All amounts in DKK.

		30/9 2018	30/9 2017
6.	**Results brought forward**		
	Results brought forward 1 October 2017	1.479.651	1.377.062
	Profit or loss for the year brought forward	-1.278.932	-626.397
	Premium on capital increase	4.186.252	1.793.000
	Reserve for development expenditure	-1.290.269	-1.064.013
		3.096.702	**1.479.652**

7. Mortgage and securities

For debts to bank, the company has provided security in floating charge max. DKK 3.000k.

For debts to Vækstfonden, the company has provided security in floating charge max. DKK 3.000k.

In addition, the company´s shares are pledged as security for loans from Vækstfonden.

8. Contingencies

Contingent liabilities

Warranty commitments and other contingent liabilities.

The company have provided rental agreements for 5 years for the sum of DKK 272k.

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

The annual report for Ohmatex 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.

Contract work in progress concerning construction contracts is recognised concurrently in the net turnover with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

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.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

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.

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).

Accounting policies used

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Leasehold improvements	*3-5 years*
Technical plants and machinery	*3-5 years*
Other plants, operating assets, fixtures and furniture	*3-5 years*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Accounting policies used

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

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.

Work in progress for the account of others

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Contract work in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be been entered into, implying penalty or damages in case of subsequent cancellation.

Accounting policies used

If the results of a contract can not be estimated reliably, the selling price is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Contracts for which the selling price of the work performed exceeds invoicing on account and expected losses are recognised as trade debtors. Contracts for which invoicing on account and expected losses exceed the selling price are recognised as liabilities.

Prepayments from customers are recognised under liabilities.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Accrued income and deferred expenses
Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds
Available funds comprise cash at bank and in hand.

Equity
Reserves for development costs
Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

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, Ohmatex 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.

Accounting policies used

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

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.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.