Smart Textile Group A/S

Skanderborgvej 234, DK-8260 Viby J

Annual Report for 1 October 2014 - 30 September 2015

CVR No 20 59 33 93

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24/2 2016

Jan Snogdal
Chairman

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Smart Textile Group A/S for the financial year 1 October 2014 - 30 September 2015.

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 at 30 September 2015 of the Company and of the results of the Company operations for 2014/15.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aarhus, 24 February 2016

Executive Board

Klaus Østergaard

Board of Directors

Thomas Knudsen	Christian Dalsgaard	Jan Snogdal

Independent Auditor’s Report on the Financial Statements

To the Shareholders of Smart Textile Group A/S

Report on the Financial Statements

We have audited the Financial Statements of Smart Textile Group A/S for the financial year 1 October 2014 - 30 September 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management’s Responsibility 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.

Auditor’s Responsibility
Our responsibility is to express an opinion on the Financial Statements 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 whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation of Financial Statements 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 Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2015 and of the results of the Company operations for the financial year 1 October 2014 - 30 September 2015 in accordance with the Danish Financial Statements Act.

Emphasis of Matter

Without modifying our opinion we draw your attention to the Company's subsidiaries having capitalised intangible assets amounting to DKK 2.243k at 30 September 2015. As is stated in note 1 "Uncertainty relating to recognition and measurement" at present there is significant uncertainty relating to the final sales potential of 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 Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Aarhus, 24 February 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kristian B. Lassen State Authorised Public Accountant	Jeppe Smed Sørensen statsautoriseret revisor

Company Information

The Company	Smart Textile Group A/S Skanderborgvej 234 DK-8260 Viby J Telephone: + 45 86 14 47 38 CVR No: 20 59 33 93 Financial period: 1 October - 30 September Municipality of reg. office: Aarhus
Board of Directors	Thomas Knudsen Christian Dalsgaard Jan Snogdal
Executive Board	Klaus Østergaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Management’s Review

The Annual Report of Smart Textile Group A/S for 2014/15 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

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

Development in the year

The income statement of the Company for 2014/15 shows a loss of DKK 1,187,451, and at 30 September 2015 the balance sheet of the Company shows equity of DKK 1,488,544.

Capital resources

In 2015/16 the Company has secured the necessary financing of the Company and its subsidiaries by obtaining contribution of capital from investors and by raising of loans. It is thus Company Management's assessment that the Company has reasonable capital reserves in order to present the Financial Statements under the assumption of going concern.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 30 September 2015 of the Company and the results of the activities of the Company for the financial year for 2014/15 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 October - 30 September

	Note	2014/15	2013/14
		DKK	DKK
Gross profit/loss		**471.485**	**-48.594**
Staff expenses	2	-673.061	0
Profit/loss before financial income and expenses		**-201.576**	**-48.594**
Income from investments in subsidiaries	5	-992.643	-685.649
Financial income	3	8.413	2.193
Financial expenses	4	-1.645	0
Profit/loss before tax		**-1.187.451**	**-732.050**
Tax on profit/loss for the year		0	0
Net profit/loss for the year		**-1.187.451**	**-732.050**

Distribution of profit

Proposed distribution of profit

	2014/15	2013/14
Retained earnings	-1.187.451	-732.050
	-1.187.451	**-732.050**

Balance Sheet 30 September

Assets

	Note	2014/15	2013/14
		DKK	DKK
Investments in subsidiaries	5	1.167.105	455.903
Fixed asset investments		**1.167.105**	**455.903**
Fixed assets		**1.167.105**	**455.903**
Receivables from group enterprises		491.556	666.002
Receivables		**491.556**	**666.002**
Cash at bank and in hand		**0**	**178.854**
Current assets		**491.556**	**844.856**
Assets		**1.658.661**	**1.300.759**

Balance Sheet 30 September

Liabilities and equity

	Note	2014/15	2013/14
		DKK	DKK
Share capital		881.111	762.500
Retained earnings		607.433	533.531
Equity	6	**1.488.544**	**1.296.031**
Provisions relating to investments in group enterprises	5	2.953	728
Provisions		**2.953**	**728**
Credit institutions		36.823	0
Trade payables		13.375	4.000
Other payables		116.966	0
Short-term debt		**167.164**	**4.000**
Debt		**167.164**	**4.000**
Liabilities and equity		**1.658.661**	**1.300.759**
Uncertainty relating to recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	7		

Notes to the Annual Report

1 Uncertainty relating to recognition and measurement

At 30 September 2015 the subsidiary Ohmatex ApS has granted a subordinate loan of DKK 1,145k to the associated company Edema ApS. At 30 September 2015 Edema ApS has lost its equity. Consequently there is significant uncertainty in relation to the valuation of the subordinate loan to the company.

Management has chosen to maintain the value of the subordinate loan between Ohmatex ApS and Edema ApS and has in 2015 acquired the account against Edema ApS from Ohmatex ApS.

At 30 September 2015 the subsidiaries Ohmatex ApS and Edema ApS have capitalised DKK 1,213k 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' development projects is sound.

2 Staff expenses

	2014/15 DKK	2013/14 DKK
Wages and salaries	635.648	0
Pensions	29.561	0
Other social security expenses	3.893	0
Other staff expenses	3.959	0
	673.061	**0**
Average number of employees	**1**	**0**

3 Financial income

	2014/15 DKK	2013/14 DKK
Interest received from group enterprises	8.392	2.193
Other financial income	21	0
	8.413	**2.193**

Notes to the Annual Report

4 Financial expenses

	2014/15	2013/14
	DKK	DKK
Other financial expenses	1.645	0
	1.645	**0**

5 Investments in subsidiaries

	2014/15	2013/14
Cost at 1 October	1.185.000	185.000
Additions for the year	1.662.000	1.000.000
Cost at 30 September	2.847.000	1.185.000
Value adjustments at 1 October	-729.825	71.449
Net profit/loss for the year	-992.643	-685.649
Other equity movements, net	-14.036	-115.625
Value adjustments at 30 September	-1.736.504	-729.825
Equity investments with negative net asset value amortised over receivables	53.656	0
Equity investments with negative net asset value transferred to provisions	2.953	728
Carrying amount at 30 September	**1.167.105**	**455.903**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Ohmatex ApS	Aarhus	150.000	100%	1.167.105	-936.762
Edema ApS	Aarhus	90.000	67%	-84.931	-83.835

Notes to the Annual Report

6 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 October	762.500	533.531	1.296.031
Cash capital increase	118.611	1.281.389	1.400.000
Capital increase and dividend distribution costs	0	-6.000	-6.000
Other equity movements	0	-14.036	-14.036
Net profit/loss for the year	0	-1.187.451	-1.187.451
Equity at 30 September	**881.111**	**607.433**	**1.488.544**

The share capital consists of 762.500 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2014/15	2013/14	2012/13	2011/12	2010/11
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 October	762.500	500.000	500.000	500.000	500.000
Capital increase	118.611	262.500	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 30 September	**881.111**	**762.500**	**500.000**	**500.000**	**500.000**

Notes to the Annual Report

7 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Group's Danish companies are jointly liable for tax of the Group's jointly taxed income.

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.

Accounting Policies

Basis of Preparation

The Financial Statements of Smart Textile Group A/S for 2014/15 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2014/15 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from management fee is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Accounting Policies

Other external expenses

Other external expenses comprise audit, lawyer expenses, etc.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The items “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Accounting Policies

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.