Smart Textile Group A/S

Annual Report for 1 October 2013 - 30 September 2014

CVR No 20 59 33 93

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/3 2015

Jan Snogdal
Chairman

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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 2013 - 30 September 2014.

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 2014 of the Company and of the results of the Company operations for 2013/14.

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, 19 March 2015

Direktion

Klaus Østergaard

Bestyrelse

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 2013 - 30 September 2014, 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.

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2014 and of the results of the Company operations for the financial year 1 October 2013 - 30 September 2014 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Emphasis of Matter

Without modifying our opinion we draw your attention to the Company's subsidiaries having capitalised intangible assets amounting to DKK 1,745k at 30 September 2014. As is stated in note 1 "Uncertainty on 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, 19 March 2015
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Kristian B. Lassen
State Authorized Public Accountant

Company Information

The Company	Smart Textile Group A/S Brendstrupgårdsvej 102 DK-8200 Aarhus Telephone: 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 2013/14 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 2013/14 shows a loss of DKK 732,050, and at 30 September 2014 the balance sheet of the Company shows equity of DKK 1,296,031.

Capital resources

In 2014/15 the Company has secured the necessary financing of the Company and its subsidiaries by obtaining contribution of capital from investors and and 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 not 1 for more specific disclosure regarding uncertainty relating to the valuation of the Company's subsidiaries.

Unusual events

The financial position at 30 September 2014 of the Company and the results of the activities of the Company for the financial year for 2013/14 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	2013/14	2012/13
		DKK	DKK
Other external expenses		-48.594	0
Gross profit/loss		**-48.594**	**0**
Income from investments in subsidiaries		-685.649	8.135
Financial income	2	2.193	0
Profit/loss before tax		**-732.050**	**8.135**
Tax on profit/loss for the year		0	0
Net profit/loss for the year		**-732.050**	**8.135**

Distribution of profit

Proposed distribution of profit

Retained earnings	-732.050	8.135
	-732.050	**8.135**

Balance Sheet 30 September

Assets

	Note	2013/14	2012/13
		DKK	DKK
Investments in subsidiaries	3	455.903	256.449
Fixed asset investments		**455.903**	**256.449**
Fixed assets		**455.903**	**256.449**
Receivables from group enterprises		666.002	0
Receivables		**666.002**	**0**
Cash at bank and in hand		**178.854**	**768**
Currents assets		**844.856**	**768**
Assets		**1.300.759**	**257.217**

Balance Sheet 30 September

Liabilities and equity

	Note	2013/14	2012/13
		DKK	DKK
Share capital		762.500	500.000
Retained earnings		533.531	-456.293
Equity	4	**1.296.031**	**43.707**
Provisions relating to investments in group enterprises	3	728	0
Provisions		**728**	**0**
Trade payables		4.000	0
Payables to group enterprises		0	116.820
Other payables		0	96.690
Short-term debt		**4.000**	**213.510**
Debt		**4.000**	**213.510**
Liabilities and equity		**1.300.759**	**257.217**
Uncertainty relating to recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	5		
Related parties and ownership	6		

Notes to the Annual Report

1 Uncertainty relating to recognition and measurement

At 30 September 2014 the subsidiary Ohmatex ApS has granted a subordinate loan of DKK 1,005k to the associated company Edema ApS. At 30 September 2014 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 2014 the subsidiaries Ohmatex ApS and Edema ApS have capitalised DKK 755k and DKK 990k, 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 depend 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 subsidiaries' development projects is sound.

2 Financial income

	2013/14	2012/13
	DKK	DKK
Interest received from group enterprises	2.193	0
	2.193	**0**

Notes to the Annual Report

	2013/14	2012/13
	DKK	DKK
3 Investments in subsidiaries		
Cost at 1 October	185.000	125.000
Additions for the year	1.000.000	60.000
Cost at 30 September	1.185.000	185.000
Value adjustments at 1 October	71.449	97.090
Net profit/loss for the year	-685.649	-25.641
Other equity movements, net	-115.625	0
Value adjustments at 30 September	-729.825	71.449
Equity investments with negative net asset value transferred to provisions	728	0
Carrying amount at 30 September	**455.903**	**256.449**

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	137.500	100%	455.903	-664.842
Edema ApS	Aarhus	90.000	67%	-1.096	-31.214

Notes to the Annual Report

4 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 October	500.000	0	-456.294	43.706
Cash capital increase	262.500	0	1.837.500	2.100.000
Revaluation for the year	0	115.625	0	115.625
Other equity movements	0	-115.625	-115.625	-231.250
Net profit/loss for the year	0	0	-732.050	-732.050
Equity at 30 September	**762.500**	**0**	**533.531**	**1.296.031**

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:

	2013/14	2012/13	2011/12	2010/11	2009/10
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 October	500.000	500.000	500.000	500.000	500.000
Capital increase	262.500	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 30 September	**762.500**	**500.000**	**500.000**	**500.000**	**500.000**

Notes to the Annual Report

5 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.

6 Related parties and ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

CD Holding Aarhus ApS, Rolfsgade 20, DK-8260 Viby J
STG Growth ApS, Elmehøjvej 41 A, DK-8270 Højbjerg

Accounting Policies

Basis of Preparation

Financial Statements of Smart Textile Group A/S for 2013/14 has 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.

Financial Statements for 2013/14 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

Other external expenses

Other external expenses comprise audit, lawyer expenses, etc.

Income from investments in subsidiaries

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

Accounting Policies

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. 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.

Equity

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.

Accounting Policies

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.