

Smartgurlz A/S

Solvang 16C
3450 Allerød
Denmark

CVR no. 36 72 92 36

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting on

27 June 2019

Pauli Andersen
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Smartgurlz A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 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.

Allerød, 27 June 2019
Executive Board:

Sharmila Rani Albrechtsen

Jesper Nissen

Board of Directors:

Pauli Andersen
Chairman

Sharmila Rani Albrechtsen

Gert Erik Riget

Jesper Nissen

Independent auditor's report

To the shareholders of Smartgurlz A/S

Opinion

We have audited the financial statements of Smartgurlz A/S for the financial year 1 January – 31 December 2018 comprising 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which describes that the Company is dependent upon additional capital resources to continue its planned activities. If the group is not successful in raising sufficient additional capital there is a significant risk that the Company will not be able to continue as a going concern. Our opinion is not modified in respect of this matter.

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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these 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 company financial statements, whether



Independent auditor's report

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.

Independent auditor's report

- 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.
- 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Smartgurlz A/S
Annual report 2018
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Management's review

Company details

Smartgurlz A/S
Solvang 16C
3450 Allerød
Denmark

Telephone:	41122577
CVR no.:	36 72 92 36
Established:	29 April 2015
Financial year:	1 January – 31 December

Board of Directors

Pauli Andersen, Chairman
Sharmila Rani Albrechtsen
Gert Erik Riget
Jesper Nissen

Executive Board

Sharmila Rani Albrechtsen
Jesper Nissen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The Company's main activities are to develop, manufacture and market STEM products (Science, Technology, Engineering and Math) for girls from 6 years of age to teenage years and related business, cf. www.smartgurlz.com.

Development in activities and financial position

In 2017 a new group structure was established, resulting in that Smartgurlz Inc. become the parent company for Smartgurlz A/S. All sales to the North American market is conducted through the US entity. Consequently the company has in 2018 had limited sales and mainly focused on business and product development pivoting into the schools market, where focus is now put.

The company has realised a loss of DKK 598 thousand and has a negative equity of DKK 2,073 thousand that is financed by loans from the ultimate shareholders.

The parent company has in 2018 raised funds that supports the company's activities and future plans.

In 2019, SmartGurlz will continue to focus on entering the schools market in the most efficient way, and a partnership with one of the largest distributors for the schools market, as been established, with an initial order of 200.000USD for August delivery. This delivery is a part of a 650.000USD order to be expected in 2019, following 2MUSD+ orders for 2020.

Further Smartgurlz was accepted into the Morgan Stanley | Multicultural Innovation Lab, with and investment of 200.000USD into the company at a valuation of 7MUSD.

Smartgurlz is in parallel raising funds selling convertible notes on WeFunder, and has currently raised 230.000USD. The round will close in the end of July 2019.

Material uncertainties regarding going concern

The Company's activities have been financed by capital contributions and shareholder loans. Due to that the Company's start-up has resulted in significant investments in product development and sales activities, and the Company is dependent upon additional capital resources to continue its planned activities. The parent company is currently working on raising additional capital, so that the Smartgurlz Group's planned activities can go forward as initially estimated. If the Group is not successful in raising sufficient additional capital there is a significant risk that the Company will not be able to continue as going concern.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit/loss		656,079	-1,251,399
Staff costs	3	-1,116,332	-1,357,321
Depreciation, amortisation and impairment		<u>-109,703</u>	<u>-109,703</u>
Operating loss		-569,956	-2,718,423
Financial income		-27,220	75,948
Financial expenses	4	<u>-143,950</u>	<u>-91,002</u>
Loss before tax		-741,126	-2,733,477
Tax on profit/loss for the year		<u>143,010</u>	<u>333,642</u>
Loss for the year		<u>-598,116</u>	<u>-2,399,835</u>
Proposed distribution of loss			
Retained earnings		<u>-598,116</u>	<u>-2,399,835</u>
		<u>-598,116</u>	<u>-2,399,835</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Property, plant and equipment			
Plant and machinery		52,119	156,356
Fixtures and fittings, tools and equipment		18,507	37,014
		<u>70,626</u>	<u>193,370</u>
Investments			
Deposits		23,091	47,256
Total fixed assets		<u>93,717</u>	<u>240,626</u>
Current assets			
Inventories			
Finished goods and goods for resale		582,055	720,750
Receivables			
Receivables from group entities		178,340	315,193
Other receivables		139,715	157,087
Prepayments		0	15,997
		<u>318,055</u>	<u>488,277</u>
Cash at bank and in hand		<u>51,661</u>	<u>74,697</u>
Total current assets		<u>951,771</u>	<u>1,283,724</u>
TOTAL ASSETS		<u>1,045,488</u>	<u>1,524,350</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		767,311	767,311
Retained earnings		<u>-2,840,025</u>	<u>-2,241,909</u>
Total equity		<u>-2,072,714</u>	<u>-1,474,598</u>
Liabilities			
Non-current liabilities			
Payables to shareholders and Management		<u>1,696,504</u>	<u>1,900,400</u>
Current liabilities			
Trade payables		277,070	242,484
Payables to group entities		23,610	0
Other payables		260,696	339,768
Payables to shareholders and Management		<u>860,322</u>	<u>516,296</u>
		<u>1,421,698</u>	<u>1,098,548</u>
Total liabilities		<u>3,118,202</u>	<u>2,998,948</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,045,488</u></u>	<u><u>1,524,350</u></u>
 Disclosure of material uncertainties regarding going concern			
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Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	767,311	-2,241,909	-1,474,598
Distribution of loss	0	-598,116	-598,116
Equity at 31 December 2018	767,311	-2,840,025	-2,072,714

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Smartgurlz A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2015.

Revenue from the sale of goods where delivery has been postponed at the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

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

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	3 years
Fixtures and fittings, tools and equipment	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Deposits

Deposits are measured at amortised cost.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial statements 1 January – 31 December

Notes

2 Disclosure of material uncertainties regarding going concern

The Company's activities have been financed by capital contributions and shareholder loans. Due to that the Company's start-up has resulted in significant investments in product development and sales activities, and the Company is dependent upon additional capital resources to continue its planned activities. The parent company is currently working on raising additional capital, so that the Smartgurlz Group's planned activities can go forward as initially estimated. If the Group is not successful in raising sufficient additional capital there is a significant risk that the Company will not be able to continue as going concern.

DKK	2018	2017
3 Staff costs		
Wages and salaries	1,093,037	1,252,705
Pensions	6,248	10,697
Other social security costs	8,306	72,512
Other staff costs	8,741	21,407
	<u>1,116,332</u>	<u>1,357,321</u>
Average number of full-time employees	<u>3</u>	<u>3</u>

4 Financial expenses

Interest expense to group entities	140,130	90,510
Other financial costs	<u>3,820</u>	<u>492</u>
	<u>143,950</u>	<u>91,002</u>

5 Lease obligations

Operating lease obligations

The Company has entered into operating leases with an average monthly lease payment of DKK 5,346. The lease terminates on June 30, 2019.

6 Related party disclosures

Smartgurlz A/S' related parties comprise the following:

Consolidated financial statements

Smartgurlz A/S is part of the consolidated financial statements of Smartgurlz Inc., Delaware, USA, which is the smallest group in which the Company is included as a subsidiary.