

Beaconsmind AG

Stäfa

Report of the statutory auditors to the
General Meeting

on the financial statements 2019/2020

Report of the statutory auditors

on the limited statutory examination to the General Meeting of

Beaconsmind AG

Stäfa

As statutory auditors, we have examined the financial statements of Beaconsmind AG, which comprise the balance sheet, income statement and notes, for the year ended 30 June 2020.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered appropriate in the circumstances. However, the testing of the operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the company's articles of incorporation.

We draw attention to the fact that the financial statements of Beaconsmind AG disclose an excess of liabilities over assets in accordance with article 725 para. 2 CO. Due to the fact that the company's creditors subordinated their claims amounting to CHF 15'000 and due to the capital increase of CHF 630'000 on 15 September 2020, the Board of Directors has refrained from notifying the court.

PricewaterhouseCoopers AG

Thomas Wallmer
Audit expert
Auditor in charge

Marcel Aeberhard
Audit expert

Zürich, 13 November 2020

Enclosure:

- Financial statements (balance sheet, income statement and notes)

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Balance sheet of Beaconsmind AG

as per 30 June 2020

in CHF

	30 Jun 2020	30 Jun 2019
Assets		
Cash	68'472	3'730
Trade accounts receivable	18'342	11'619
Other short-term receivables from third parties	15'042	0
Other short-term receivables from subsidiaries	1	1
Inventory	18'275	0
Prepayments and accrued income	14'866	1'940
Total current assets	134'998	17'290
Financial assets from subsidiaries	1	1
Investments	1	1
Property, plant and equipment	22'955	9'120
Intangible assets	58'477	66'040
Total non-current assets	81'434	75'162
Total Assets	216'432	92'452
Liabilities and shareholders' equity		
Trade accounts payable	154'204	30'265
Other short-term liabilities	34'734	92'747
Accrued expenses and deferred income	72'388	18'400
Total short-term liabilities	261'326	141'412
COVID-19 Credit	45'000	0
Other long-term liabilities	5'844	0
Long-term interest bearing liabilities due to shareholders ¹	85'210	52'289
Total non-current liabilities	136'054	52'289
Total liabilities	397'381	193'701
Share capital	181'144	179'244
Reserves from capital contributions	1'513'538	1'045'535
Accumulated losses	-1'326'028	-878'072
Loss of the period	-549'603	-447'956
Total shareholders' equity	-180'949	-101'249
Total liabilities and shareholders' equity	216'432	92'452

¹ Thereof CHF 15'000 subordinated

Income statement of Beaconsmind AG

for the period 1 July 2019 to 30 June 2020

in CHF

	1 Jul 2019 - 30 Jun 2020	1 Jan 2018 - 30 Jun 2019
Revenue from sales of services and goods	498'434	433'380
Cost of sales	-68'744	-20'861
Personnel expenses	-309'472	-496'425
Other operating expenses	-592'078	-189'581
EBITDA	-471'860	-273'487
Depreciation and amortization on PP&E and intangible assets	-58'122	-125'928
Impairment on investments and financial assets	0	-10'611
Impairment on other short-term receivables from subsidiaries	-8'800	-10'570
Operating result (EBIT)	-538'782	-420'596
Financial income	0	1
Financial expenses	-10'360	-26'959
Ordinary result	-549'142	-447'554
Income taxes	-461	-402
Net result	-549'603	-447'956

1. General Information

beaconsmind AG was incorporated in December 2014 in Switzerland and is domiciled in Stäfa.

These financial statements were prepared according to the provision of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Financial reporting under the Code of Obligations requires estimates and assumptions to be made by management. These are made continuously and are based on past experience and other factors. In order to ensure the long-term prosperity of the company and in accordance with the prudence principle depreciation, amortization, value adjustments and provisions may exceed the economically necessary extent.

The totals in the financial statements may not add up due to rounding.

Comparing the business year 2019/20 with the prior year figures, it must be taken into account that business year 2017/18 was covering 18 months, whereas the current year figures are covering 12 months.

2. Significant accounting principles

2.1 Cash

Cash comprise cash held in Swiss Francs at banks that can be withdrawn without notice.

2.2 Trade accounts receivable and other non-current receivables

A receivable is recognized once the company has an unconditional right to payment. Initially, accounts receivable are recognized at the transaction value according to contractual terms and conditions. They do not carry any interest. Subsequently, accounts receivable are measured at amortized cost, which equals their transaction value less bad debt allowances. Foreign currency revaluations and impairment losses are recognized in the income statement. On derecognition, gains and losses are recognized in the income statement.

Bad debt allowances are calculated based on an individual assessment of the receivables. There is no general allowance for doubtful debts recognized.

2.3 Investment

An investment in a non-operative, German wholly owned subsidiary is measured at amortized cost and is impaired to the amount of CHF 1.

2.4 Property, plant and equipment

Property, plant and equipment consist of hardware and equipment and is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced or disposed of. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Hardware and equipment are both depreciated over 5 years using the diminishing balance method.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.5 Intangible assets

Intangible assets consist mainly of a software (beaconsmind Suite) which was developed by third parties and through internal resources. The software is already in use and generated revenues for the company during all reporting periods. Expenditure connected with the further development of this software is capitalized only if the expenditure can be measured reliably and future economic benefits are probable and attributable to this software. Otherwise, expenditure is recognized in profit or loss as incurred.

Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Software is amortized over its estimated useful life of 3 years using the straight-line method. Amortization method, useful life and residual value are reviewed at each reporting date and adjusted if appropriate.

2.6 Trade accounts payable and other short-term liabilities

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.7 Short-term and long-term interest bearing liabilities

These loans are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortized cost.

2.8 Revenue from sales of services and goods

The company generates revenue primarily from the sale of hardware and software as well as providing installation services, app development and consulting services.

Revenue from sale of hardware (beacons): Revenue is recognized when the goods are delivered to the retail outlets.

Revenue from sale of software (beaconsmind Suite software): beaconsmind grants licenses for the beaconsmind Suite software to clients usually for a contract period of 12 months. During the contract period the company continuously enhances the software and performs support services for the clients. Therefore, software license revenue is recognized on a straight-line basis over the contractual duration.

Revenue from installation, app development and consulting services: Revenue from providing services is recognized in the accounting period in which the services are rendered.

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the clients and payment by the clients exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

3. Number of full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 10.

4. Investments

Company name, domicile	Capital		Share in capital and voting rights in %	
	Currency	30.06.2020	30.06.2020	30.06.2019
Beaconsmind Deutschland GmbH, Grünwald, Germany	EUR	25'000	100%	100%

5. Pension scheme liabilities

	30.06.2020	30.06.2019
BVG SwissLife	CHF 18'911	CHF 20'189

The pension scheme liabilities are included in the balance sheet position „Other short-term liabilities“ and "Accrued expenses and deferred income".

6. Shares held by Board of Directors and employees

	30.06.2020		30.06.2019	
	Quantity	Value in CHF (nominal)	Quantity	Value in CHF (nominal)
Board of Directors	597'087	59'709	614'817	61'482
Employees	34'064	3'406	33'560	3'356

Notes to the financial statements of beaconsmind AG as per 30 June 2020

7. Residual amount of leasing liabilities

	30.06.2020	30.06.2019
Company car	CHF 42'131	CHF 58'439
Rental agreement	CHF 63'399	CHF 0

8. Other information

		30.06.2020	30.06.2019
Used foreign exchange rate for balance sheet items	EUR	CHF 1.07	CHF 1.12
Used foreign exchange rate for balance sheet items	EUR	CHF 0.95	CHF 0.98

Transactions in foreign currency are recorded and translated into CHF using the actual exchange rate (monthly average rates). The resulting currency exchange differences are included in the income statement as exchange gains or losses.

9. Reserves from capital contributions

Reserves from capital contributions in the amount of KCHF 468 (of the total reported capital contribution reservers of MCHF 1.513) have not yet been confirmed by the Federal Tax Administration (ESTV). The distribution of these reserves as dividends is not subject to income taxes in Switzerland for individuals and can be effected free of Swiss withholding tax.

10. Going concern assessment of the Board of Directors

The annual result is roughly in line with budget expectations. The balance sheet as at 30 June 2020 shows an over-indebtedness (Art. 725 para. 2 CO). The Board of Directors states that further capital increases are to be carried out. After the balance sheet date, measures were taken to provide the company with further growth capital of KCHF 630 by Q3/2020 as part of the completion of a capital increase. This increase was entered in the commercial register on 15 September 2020. A further capital increase in Q4/2020 is planned in order to provide the company with further growth capital. Therefore the Board of Directors has refrained from notifying the court and has prepared the financial statements under the going concern assumption.

As part of the COVID-19 crisis, the company decided on 26 March 2020 to apply for a COVID-19 bridging loan of KCHF 45 from its principal bank, Credit Suisse AG. The bridging loan was approved by the Federal Council on 25 March 2020 as part of a COVID-19 package of measures to cushion the economic consequences of the corona pandemic, and the Swiss Confederation is guaranteeing the loan. As the company is directly affected by the Corona pandemic, as, among other things, end clients had to close down their businesses as part of the lockdown and therefore some invoices to the company had to be deferred, which led to a temporary loss of revenue and liquidity.

In addition, the company has temporarily announced short-time working for its operating departments from April 2020 to conserve liquidity and compensate for lost revenue. In addition to loss of sales from projects already underway on the part of existing customers, the COVID-19 crisis led to a temporary pause in all budget planning, project planning and project roll-outs. This was particularly serious for Adidas, the company's most important end client. An already planned, global project roll-out in approx. 500 stores with a sales volume of approx. MCHF 1 could not be carried out due to lockdowns and store closures and associated sales losses and budget provisions of the end client. Also affected were all new customer projects and budget and contract negotiations, which also had to be paused for an indefinite period of time, leading to a further loss of sales of approx. KCHF 250.