

Beaconsmind AG

Stäfa

Report of the statutory auditor
to the General Meeting

on the financial statements 2020/21

Report of the statutory auditor

to the General Meeting of Beaconsmind AG

Stäfa

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Beaconsmind AG, which comprise the balance sheet, income statement, cash flow statement and notes to the financial statement for the year ended 30 June 2021, including a summary of significant accounting principles.

In our opinion, the accompanying financial statements as of 30 June 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these 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 your attention to note 11 to these financial statements, which states that the company experienced liquidity issues and significant losses during the year ended 30 June 2021. This, along with other matters as described in note 11, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern. If it is not possible for the company to continue as a going concern, the financial statements will need to be prepared on the basis of liquidation values. This would lead to a substantiated concern that the company's liabilities exceed its assets within the meaning of article 725 para. 2 CO. Our opinion is not qualified in respect of this matter.

Our audit approach

Overview

Overall materiality: CHF 51'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.



As a key audit matter the following area of focus has been identified:
Revenue Recognition

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 51'000
How we determined it	5% of the 3-year average ordinary result
Rationale for the materiality benchmark applied	We chose the 3-year average ordinary result as the benchmark because, is commonly used when loss fluctuates widely from period to period, and it is a generally accepted benchmark.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Revenue Recognition

Key audit matter

The financial statements include revenues from multi-element contracts including the sale of goods and the rendering of services. Those revenues are allocated to separable components based on their relative fair values.

Service revenues are then accrued over the service period outlined in the contract. We focused on this area due to the amount of revenues earned from multi-element contracts, and the fact that accounting for such contracts involves assessing and allocating the separable components based on the underlying terms of an individual contract.

The identified risks mainly include:

- Improper recognition of revenues from sale of goods and rendering of services through incorrect allocation of individual revenue elements.
- Recognition of service revenues in the wrong accounting period (improper cut-off) as judgement from management is involved.

The accounting policies regarding revenue recognition are further outlined in note 2.6 of the financial statements.

How our audit addressed the key audit matter

We obtained an understanding of the processes and controls around revenue recognition for multi-element contracts and ensured that the applied accounting policy is in line with Swiss Law.

We challenged management's assessments around multi-element contracts and the allocation of revenues of goods and services, especially where judgement is involved.

We selected a sample of revenue transactions to test the appropriateness of the separation of revenues from the sale of goods and rendering of services.

We assessed whether revenue transactions occurred and were recorded in the correct period.

The procedures carried out above gave us sufficient evidence to address the risks identified in connection with revenue recognition for multi-element contracts.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity 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 about 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 Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether 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.

- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee 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.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers AG

Thomas Wallmer
Audit expert
Auditor in charge

Kevin Mueller
Audit expert

Zurich, 26 October 2021

Enclosures:

- Financial statements (balance sheet, income statement, cash flow statement and notes to the financial statement)

Beaconsmind AG, Stäfa

Balance sheet

as per 30 June 2021

	in CHF	in CHF
	30 Jun 2021	30 Jun 2020
Assets		
Cash	675'349	68'472
Cash	675'349	68'472
Trade accounts receivable	31'357	18'342
Other short-term receivables from third parties	33'355	15'042
Other short-term receivables from subsidiaries	1	1
Other short-term receivables from shareholders	52'500	0
Prepayments and accrued income	52'250	14'866
Trade accounts receivable and other current assets	169'463	48'251
Inventory	15'539	18'275
Inventory	15'539	18'275
Total current assets	860'351	134'998
Financial assets from subsidiaries	1	1
Investments	1	1
Investments	2	2
Property, plant and equipment	19'295	22'955
Property, plant and equipment	19'295	22'955
Intangible assets	138'551	58'477
Intangible assets	138'551	58'477
Total non-current assets	157'848	81'434
Total Assets	1'018'199	216'432
Liabilities and shareholders' equity		
Trade accounts payable	101'485	154'204
Other short-term liabilities	28'142	34'734
Short-term interest bearing liabilities due to shareholders	62'047	0
Accrued expenses and deferred income	136'425	72'388
Current liabilities	328'099	261'326
COVID-19 Loan	45'000	45'000
Other long-term liabilities	0	5'844
Long-term interest bearing liabilities due to shareholders	15'000	85'210
Non-current liabilities	60'000	136'054
Total liabilities	388'099	397'381
Share capital	210'888	181'144
Reserves from capital contributions	4'392'502	1'513'538
Accumulated losses	-1'875'631	-1'326'028
Loss of the period	-2'097'660	-549'603
Total shareholders' equity	630'100	-180'949
Total liabilities and shareholders' equity	1'018'199	216'432

Beaconsmind AG, Stäfa

Income statement

for the period 1 July 2020 to 30 June 2021

	in CHF	in CHF
	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Revenue from sales of services and goods	779'369	498'434
Revenue from sales of services and goods	779'369	498'434
Cost of sales	-34'770	-68'744
Personnel expenses	-599'498	-309'472
Other operating expenses	-2'176'748	-592'078
EBITDA	-2'031'647	-471'861
Depreciation and amortization on PP&E and intangible assets	-56'649	-58'122
Impairment on other short-term receivables from subsidiaries	0	-8'800
Operating result (EBIT)	-2'088'296	-538'783
Financial expenses	-9'071	-10'360
Ordinary result	-2'097'366	-549'143
Income taxes	-293	-461
Net result	-2'097'660	-549'604

Beaconsmind AG, Stäfa

Cash flow statement

for the period 1 July 2020 to 30 June 2021

in CHF

in CHF

	1 Jul 2020 - 30 Jun 2021	1 Jul 2019 - 30 Jun 2020
Net result	-2'097'660	-529'355
Depreciation and amortization on PP&E and intangible assets	56'649	51'887
Loss from impairments	0	8'800
Increase of trade accounts receivable	-13'015	-6'723
Increase of other short-term receivables and prepayments and accrued income	-108'197	-27'968
Decrease/increase of inventory	2'736	-18'274
Increase/decrease of trade accounts payable	-52'719	123'939
Decrease/increase of other short-term liabilities and accrued expenses and deferred income	43'437	-18'039
Operating cash flow	-2'168'769	-415'733
Outflows for investment (purchase) of Property, plant and equipment	-5'791	-19'208
Outflows for investment (purchase) of financial assets	0	-8'800
Outflows for investment (purchase) of intangible assets	-127'272	-45'185
Cash flow from investing activities	-133'063	-73'193
Inflow from capital increase (including reserves from capital contributions)	2'908'709	469'903
Repayment/issuance of interest bearing financial liabilities	0	83'765
Cash flow from financing activities	2'908'709	553'668
Net change in cash	606'877	64'742
Opening balance of cash	68'472	3'730
Closing balance of cash	675'349	68'472
Net change of cash	606'877	64'742

Beaconsmind AG, Stäfa

Notes to the Financial Statement as per June 30, 2021

1. Information on the principles applied in the annual accounts

These financial statements were prepared in accordance with the provisions of Swiss law, in particular the articles on commercial bookkeeping and accounting of the Swiss Code of Obligations (Articles 957 to 961).

The preparation of financial statements requires the Board of Directors to make estimates and judgements that may affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Board of Directors decides in each case at its own discretion whether to make use of the existing statutory valuation and accounting latitude. In the interests of the Company, depreciation, value adjustments and provisions may be made in excess of the extent required for business purposes, in accordance with the principle of prudence.

2. Accounting and Valuation Principles

2.1 Cash

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

2.2 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.

2.3 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, development expenditure is 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.

2.4 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.

2.5 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.

2.6 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. Individual contracts with customers include either single-elements (e.g. sale of hardware) or multi-elements (i.e. sale of hardware and software). For multi-element contracts, the transaction price is allocated to the separate components on a relative fair value basis. Revenue recognition of the respective elements is further outlined below.

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 and accrued at year-end if necessary.

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 positions

The company has in the current and prior period no more than 10 employees on an annual average.

4. Participations	30.06.2021		30.06.2020	
Beaconsmind Deutschland GmbH, Gründwald 1 Stammanteil zu EUR 25'000.00 nom.	100%	CHF 26'750	CHF	26'750
5. Liabilities to pension funds	30.06.2021		30.06.2020	
BVG SwissLife	CHF	22'001	CHF	18'911
6. Shares for members of the board or employees	30.06.2021		30.06.2020	
	Quantity	Value in CHF nom.	Quantity	Value in CHF nom.
Participation rights owned by:				
Members of the board	587'855	58'786	597'087	59'709
Employees	34'064	3'406	34'064	3'406

7. Significant events after the balance sheet date

There are no significant events after the balance sheet date.

8. Liabilities to related parties	30.06.2021		30.06.2020	
Current account Max Weiland	CHF	24'547	CHF	-
Current shareholder loan Max Weiland	CHF	37'500	CHF	-
Short-term interest bearing liabilities due to shareholder	CHF	62'047	CHF	-
Non-current shareholder loans Max Weiland	CHF	15'000	CHF	85'210
Long-term interest bearing liabilities due to shareholders	CHF	15'000	CHF	85'210

9. Unrecognised liabilities

Obligations from leasing contracts (maturity within 1 year)	CHF	46'572	CHF	16'309
Obligation from rental agreement (maturity within 1 year)	CHF	27'171	CHF	36'228
Obligations from leasing contracts (maturity within 2-5 years)	CHF	74'050	CHF	25'822
Obligation from rental agreement (maturity within 2-5 years)	CHF	-	CHF	27'171
Total	CHF	147'793	CHF	105'530

There are no obligations from leasing contracts or rental agreement with a maturity over 5 years.

10. Other information

		30.06.2021		30.06.2020	
The following exchange rates were applied:	EUR	CHF	1.09	CHF	1.07
	USD	CHF	0.91	CHF	0.95
	CNY	CHF	0.14	CHF	0.13

11. Material uncertainties about going concern

The annual result is below budget expectations.

The impact of the Corona pandemic (COVID-19 crisis) on the company's business activities was felt in the financial year, but not to the same extent as in the previous financial year. There was a delay in the implementation and roll-out of the company's software and hardware solutions due to regional lockdown measures, store closures, budget allocations and project pauses on the part of customers, which is why sales materialised less strongly than planned.

The Board of Directors states that further capital increases are to be carried out. In order to provide the company with further growth capital, additional financing measures are planned for Q4/2021-Q1/2022 based on which new registered shares shall be issued to one or several investors. After the balance sheet date of June 2021, measures were taken to provide the company with the above-mentioned further growth capital of CHF 3M or more. Such shares shall be issued through conditional capital or, if necessary, authorized capital or in connection with an ordinary capital increase.

The budgeted figures are based primarily on the number of stationary (retail) stores of clients, in which the beaconsmind solution can be implemented as part of roll-outs in the form of hardware and software. Subject to the success of the financing measures currently being conducted and the achievement of the budgeted figures up to the end of 2022, management is confident that liquidity is secured for the next 12 months.

The Board of Directors expects that the capital required for the continuation of the company can be contributed and that the budgeted figures can be achieved. For this reason, the Board of Directors has prepared the financial statements on a going concern basis. In this respect and in the event that neither the budgeted figures nor the required growth capital can be successfully achieved, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

12. Capital Reserves

CHF 2'878'964 of the total reported capital contribution reserves of CHF 4'392'502 have not yet been approved by the FTA. The application for approval will be submitted with the present annual financial statements.

13. Major shareholders	30.06.2021	30.06.2020
Fluxunit GmbH	10%	10%
Max Weiland	24%	24%

14. Auditors' fee	30.06.2021	30.06.2020
PricewaterhouseCoopers AG - Assurance Services	CHF 32'000	CHF 20'000
During the financial year no non-assurance services were received from PricewaterhouseCoopers AG		

15. COVID-19 Loan

Beaconsmind AG received a COVID-19 loan of CHF 45'000 on 26 March 2020. This loan currently bears interest at 0.0%, and these interest conditions can be adjusted by the Federal Council on 31 March of each year. The term of the loan is 5 years from the granting of the loan by the bank. The loan amount of CHF 45'000 is to be repaid in full at the latest at the end of the term together with the outstanding interest at that time.

During the period of the joint guarantee, profit distributions and the granting and repayment of loans to shareholders or related parties are prohibited.

The impact of the interest-free element is not material, therefore the loan has been accounted at nominal value.

16. Compensation of the Board of Directors	30.06.2021
Fixed compensation (incl. Social security contributions)	
Max Weiland, Member and Chairman of the Board of Directors	CHF 13'750
Jörg Hensen, Member of the Board of Directors	CHF 17'278
Michal Krupinski, Member of the Board of Directors	CHF 7'500
Edwin Navez, Member of the Board of Directors	CHF 13'750
Total	CHF 52'278

17. Compensation of the Executive Management	30.06.2021
Fixed (cash)	CHF 154'894
Gratification (cash)	CHF 93'986
Social Contributions	CHF 21'320
Other Compensations (company car)	CHF 22'491
Total	CHF 292'691