Shade ApS

Linde Alle 29A
2850 Nærum

CVR no. 37 19 94 94

Annual report 2016/17

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

11 June 2018

Mads Winblad
chairman

Contents

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 Shade ApS for the financial period 1 July 2016 – 31 December 2017.

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 2017 and of the results of the Company's operations for the financial period 1 July 2016 – 31 December 2017.

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.

Nærum, 11 June 2018
Executive Board:

Mads Winblad

Board of Directors:

Mads Winblad Chairman	Otto Tyge Krabbe	Jens Arnesen

Independent auditor's report

To the shareholders of Shade ApS

Opinion

We have audited the financial statements of Shade ApS for the financial period 1 July 2016 – 31 December 2017 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 2017 and of the results of the Company's operations for the financial period 1 July 2016 – 31 December 2017 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.

Emphasis of matter regarding matters in the financial statements

Without affecting our conclusion, we refer to note 2 regarding the Company's capital and liquidity resources.
The main shareholders ORK Holding ApS has given a letter of support that will ensure that Shade ApS has sufficient liquidity, at least until the next annual report is made public for 2018.

Without affecting our conclusion, we refer to note 3 regarding uncertainty related to the valuation of the Company's capitalised development costs.
It is Managements expectation that the expected future income from the developed products, which is mainly expected to be realised in 2019 and beyond, will more than recover the capitalised development costs.

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.

Independent auditor's report

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 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 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.

Independent auditor's report

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, 11 June 2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
MNE no. 34283

Management's review

Company details

Shade ApS
Linde Alle 29A
2850 Nærum

CVR no.:	37 19 94 94
Financial period:	1 July 2016 – 31 December 2017

Board of Directors

Mads Winblad, Chairman
Otto Tyge Krabbe
Jens Arnesen

Executive Board

Mads Winblad

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Operating review

Principal activities

The company's activities consist of development, production, marketing and sale of intelligent products and services to the consumer market.

Development in activities and financial position

Shade started to produce and deliver products at the end of 2017. In 2018, the Company will focus on operations and development of new products. The use of cash was therefore considerably higher than in the financial year 2015-2016, but in alignment with plan. Shade was originally funded (equity) by Instrumeter A/S. In 2016-2017, Shade was further funded with equity from Instrumeter A/S and a new investor Tag Holding ApS. Shade also received tranche payments from the Innovation Fund Denmark that granted Shade DKK 0,5m in 2016. The Company's activity for 2018 is based on planned additional funding that Management expects to obtain through equity investments and soft funding. In case these objectives are not fulfilled at the expected timing, Management has a contingency plan to reduce costs in order to finance activities until the end of 2018, with currently secured funding.

Value proposition, major activities and business development

The objective of the Company is to develop, produce, brand and sell intelligent products and services in major markets and according to Management's discretionary business. Shade offers high design factor and usability with multiple and adaptive ways of controlling your light. In the end of 2017, the Company started to produce and sell the 'Orb', which is a light source with features never seen on the market. Based on extensive travel and global market assessment, Shade has decided to prioritise the nearest markets, such as Norway, Sweden, Germany and the Netherlands, in its near future activities.

Employees, knowhow and IP

Shade ApS has a dedicated team that has employed highly qualified people in engineering, business development and sales.

Operating review

In 2017, Shade successfully pre-sold more than 2000 Orbs in a crowdfunding resulting in DKK 2.7m in sales.

Financial statements 1 July – 31 December

Income statement

DKK	Note	1/7 2016 – 31/12 2017	1/7 2015 – 30/6 2016
Gross loss		-2,898,052	-14,272
Staff costs	4	-1,403,827	0
Depreciation, amortisation and impairment		-67,451	0
Operating loss		-4,369,330	-14,272
Financial income		284	81
Financial expenses		-1,201	0
Loss before tax		-4,370,247	-14,191
Tax on profit/loss for the year	5	952,654	0
Loss for the year		-3,417,593	-14,191

Proposed distribution of loss

Retained earnings	-3,417,593	-14,191

Financial statements 1 July – 31 December

Balance sheet

DKK	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Completed development projects		5,575,215	0
Acquired patents		158,848	0
Software		300,000	0
		6,034,063	0
Property, plant and equipment			
Fixtures and fittings, tools and equipment		51,732	0
		51,732	0
Investments			
Equity investments in group entities		50,000	0
		50,000	0
Total fixed assets		6,135,795	0
Current assets			
Inventories			
Finished goods and goods for resale		94,750	0
		94,750	0
Receivables			
Trade receivables		209,785	0
Other receivables		379,206	421,243
Corporation tax		1,226,547	0
		1,815,538	421,243
Cash at bank and in hand		6,907,687	452,817
Total current assets		8,817,975	874,060
TOTAL ASSETS		14,953,770	874,060

Financial statements 1 July – 31 December

Balance sheet

DKK	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Contributed capital		78,612	51,125
Reserve for development costs		4,348,668	0
Retained earnings		5,193,909	434,684
Total equity		9,621,189	485,809
Provisions			
Provisions for deferred tax		273,893	0
Total provisions		273,893	0
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers		2,792,214	0
Trade payables		1,782,191	0
Payables to group entities		1,750	1,750
Other payables		482,533	386,501
		5,058,688	388,251
Total liabilities other than provisions		5,058,688	388,251
TOTAL EQUITY AND LIABILITIES		14,953,770	874,060

Contractual obligations, contingencies, etc.

Financial statements 1 July – 31 December

Statement of changes in equity

	Contributed capital	Share premium	Reserve for development costs	Retained earnings	Total
Equity at 1 July 2016	51,125	448,875	0	-14,191	485,809
Cash capital increase	27,487	12,525,486	0	0	12,552,973
Transfers, reserves	0	-12,974,361	0	12,974,361	0
Transferred over the [profit appropriation/distribution of loss]	0	0	4,348,668	-7,766,261	-3,417,593
Equity at 31 December 2017	78,612	0	4,348,668	5,193,909	9,621,189

Financial statements 1 July – 31 December

Notes

1 Accounting policies

The annual report of Shade ApS for 2016/17 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with option of specific provisions for reporting class C.

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.

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, 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, gains and losses on payables and transactions denominated in foreign currencies and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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

Intangible assets

Development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development projects are measured at initial recognition at cost. The cost includes the purchase price plus costs directly incurred by the acquisition, including wages and depreciation directly attributable to development projects until the asset is ready for use.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 10 years.

Patents, licences and trademarks

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 10 years.

Property, plant and equipment

Property, plant 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.

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.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

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:

Fixtures and fittings, tools and equipment	3-5 years

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.

Equity investments in group entities

Equity investments in group entities are measured at recognised cost. If cost exceeds the net realisable value, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of intangible assets and 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.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

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.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

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.

Cash and cash equivalents

Cash comprises cash balances and bank balances.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Prepayments and deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

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 July – 31 December

Notes

2 Capital and liquidity resources

If the current budgets for 2018, which are based on increased sales, are not met and additional capital is not raised, there is a risk that the Company will not have sufficient liquidity to operate as a going concern.

The main shareholders ORK Holding ApS has given a letter of support that will ensure that Shade ApS has sufficient liquidity, at least until the next annual report is made public for 2018.

3 Capitalised Development costs

The book value of the Company's capitalised development costs amounts to DKK 5.5 million as of 31 December 2017.

It is Management's expectation that the expected future income from the developed products, which is mainly expected to be realised in 2019 and beyond, will more than recover the capitalised development costs. If Management's sales and earnings projections are not met, the capitalised cost may have to be written down in the future.

4 Staff costs

DKK	1/7 2016 – 31/12 2017	1/7 2015 – 30/6 2016
Wages and salaries	3,219,424	0
Other social security costs	52,527	0
Other staff costs	140,717	0
	3,412,668	0
Average number of full-time employees	8	0

Of the total salary cost of DKK 3.4 million during the year, DKK 2 million has been capitalised as a part of development costs. The remaining DKK 1.4 million is expensed.

5 Tax on profit/loss for the year

DKK	1/7 2016 – 31/12 2017	1/7 2015 – 30/6 2016
Current tax for the year	-1,226,547	0
Deferred tax for the year	273,893	0
	-952,654	0