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Cloos ApS

Ny Østergade 9, 2., 1101 København K

Company reg. no. 37 67 90 89

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 22 June 2022.

Julius August Langkilde Høedt
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the board of directors and the executive board have presented the annual report of Cloos ApS for the financial year 1 January - 31 December 2021.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the company's results of activities in the financial year 1 January – 31 December 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

København K, 22 June 2022

Executive board

Julius August Langkilde Høedt

Søren Valentin

Board of directors

Julius August Langkilde Høedt

Independent auditor's report on extended review

To the Shareholders of Cloos ApS

Opinion

We have performed an extended review of the financial statements of Cloos ApS for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

Based on the work performed, in our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the extended review of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As regards note 2 in the annual report, there is a significant uncertainty regarding recognition and measurement of the company’s deferred tax asset.

The company’s budgets and projections support the in the annual report recognized value of the deferred tax asset but given the company’s financial situation, the budgets and the timing hereof is subject to significant uncertainty.

Management’s Responsibilities 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.

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 on extended review

Auditor’s responsibilities for the extended review of the Financial Statements
Our responsibility is to express a opinion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our opinion on the financial statements and in addition perform specifically required supplementary procedures to obtain further assurance for our opinion.

An extended review comprises procedures that primarily consist of making inquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

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 opinion thereon.

In connection with our extended review 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 extended review, 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 in the Management’s Review.

Copenhagen, 22 June 2022

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Jan Tønnesen
State Authorised Public Accountant
mne9459

Company information

The company	Cloos ApS Ny Østergade 9, 2. 1101 København K	
	Company reg. no.	37 67 90 89
	Established:	9 May 2016
	Domicile:	
	Financial year:	1 January - 31 December
Board of directors	Julius August Langkilde Høedt	
Executive board	Julius August Langkilde Høedt Søren Valentin	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	
Subsidiary	The Cloos Corporation, San Fransisco	

Management´s review

The principal activities of the company

The company's purpose is to conduct business with sunglasses, glasses and service.

Uncertainties about recognition or measurement

The company’s management has recognized a deferred tax asset of tDKK 3,680 which is derived from tax losses to carry-overs. The recognition has been made based on an expectation of realization of the tax losses to carry-overs within a time period of 3-4 years.

The ability of realizing turnover for the use of the tax losses is based on an expectation of realizing the company’s operating budgets.

Development in activities and financial matters

The gross loss for the year totals tDKK -5,715 against tDKK -7,008 last year. Loss after tax totals tDKK -13,640 against tDKK -8,618 last year.

While the loss for 2021 has increased 59 % compared to 2020, revenues increased 131 %. The gross loss equally represents a positive development, and the company expects to continue this positive trend in 2022.

Financial resources

The company expects to achieve the financing in line with the need in 2022. After the end of the financial year in 2021 a loan has been granted from capital owners and investors amounting to a total of tDKK 3,200 that has been paid after the end of the financial year. Further, a cash capital increase has been made totaling tDKK 468 that has been injected into the company. The management expects that further liquidity will be added from present or future investors should it become relevant.

Based on this, the management presents the accounts subject to continued operation.

Treasury shares

The enterprise’s holding of treasury shares is 4,959 shares at DKK 1 each, corresponding to 1.58 % of the contributed capital.

Accounting policies

The annual report for Cloos ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross loss

Gross loss comprises the revenue, changes in inventories of finished goods, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of finished goods less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise. Furthermore, this item comprises received subsidies, damages, and compensation due to the coronavirus situation.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Accounting policies

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investment in subsidiarie

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the group enterprise is recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Investments

Investments in subsidiarie

Investments in subsidiarie is recognised and measured by applying the equity method. The equity method is used as a measurement method.

Investments in subsidiarie is recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Investments in subsidiarie with a negative equity value is measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

Accounting policies

To the extent the equity exceeds the cost, the net revaluation of equity investment in subsidiarie transferred to the reserve under equity for net revaluation according to the equity method. Dividend from subsidiarie expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiarie.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of equity investment in subsidiarie are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Inventories

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Costs of finished goods comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Accounting policies

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for foreign currency translation

The reserve for foreign currency translation arises when translating accounting items in foreign currency.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Accounting policies

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross profit	**-5.855.430**	**-7.008.245**
4	Staff costs	-1.726.435	-804.027
	Operating profit	**-7.581.865**	**-7.812.272**
	Income from investment in subsidiarie	-7.487.820	-1.595.222
	Other financial income	1	0
	Other financial expenses	-830.873	-337.989
	Pre-tax net profit or loss	**-15.900.557**	**-9.745.483**
	Tax on net profit or loss for the year	2.151.527	1.127.546
	Net profit or loss for the year	**-13.749.030**	**-8.617.937**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-13.749.030	-8.617.937
	Total allocations and transfers	**-13.749.030**	**-8.617.937**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2021	2020
	Non-current assets		
	Investments in subsidiaries	0	0
	Deposits	153.944	0
	Total investments	153.944	0
	Total non-current assets	**153.944**	**0**
	Current assets		
	Manufactured goods and goods for resale	561.800	746.000
	Total inventories	561.800	746.000
	Trade receivables	263.574	188.740
	Receivables from subsidiaries	887.574	0
	Deferred tax assets	3.679.511	1.527.984
	Other receivables	699.190	0
	Prepayments	0	546.429
	Total receivables	5.529.849	2.263.153
	Cash and cash equivalents	2.665.824	6.710
	Total current assets	**8.757.473**	**3.015.863**
	Total assets	**8.911.417**	**3.015.863**

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

Note		2021	2020
	Equity		
	Contributed capital	312.557	225.376
	Reserve for foreign currency translation	-333.544	152.790
	Retained earnings	212.315	-5.831.648
	Total equity	**191.328**	**-5.453.482**
	Liabilities other than provisions		
	Other payables	4.466.922	4.545.934
5	Total long term liabilities other than provisions	4.466.922	4.545.934
5	Current portion of long term liabilities	244.310	39.669
	Bank loans	86.294	442.983
	Trade payables	3.045.856	2.665.296
	Other payables	876.707	775.463
	Total short term liabilities other than provisions	4.253.167	3.923.411
	Total liabilities other than provisions	**8.720.089**	**8.469.345**
	Total equity and liabilities	**8.911.417**	**3.015.863**

1 Continued operation
2 Uncertainties concerning recognition and measurement
3 Special items
6 Charges and security
7 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for foreign currency translation	Retained earnings	Total
Equity 1 January 2020	179.142	0	-74.777	104.365
Cash capital increase	64.028	0	3.213.272	3.277.300
Profit or loss for the year brought forward	0	0	-8.617.937	-8.617.937
Cash capital reduction	-17.794	0	17.794	0
Foreign currency translation adjustments	0	152.790	0	152.790
Purchase of treasury shares	0	0	-370.000	-370.000
Equity 1 January 2021	225.376	152.790	-5.831.648	-5.453.482
Cash capital increase	87.181	0	19.792.992	19.880.173
Profit or loss for the year brought forward	0	0	-13.749.029	-13.749.029
Foreign currency translation adjustments	0	-486.334	0	-486.334
	312.557	**-333.544**	**212.315**	**191.328**

Notes

All amounts in DKK.

1. Continued operation

The company expects to achieve the financing in line with the need in 2022. After the end of the financial year in 2022 a loan has been granted from capital owners and investors amounting to a total of tDKK 3,200 that has been received after the end of the financial year. Further, a cash capital increase has been made totaling tDKK 468 that has been injected into the company. The management expects that further liquidity will be added from present or future investors should it become relevant.

Based on this, the management presents the accounts subject to continued operation.

2. Uncertainties concerning recognition and measurement

The company’s management has recognized a deferred tax asset of tDKK 3,680 which is derived from tax losses to carry-overs. The recognition has been made based on an expectation of realization of the tax losses to carry-overs within a time period of 3-4 years.

The ability of realizing turnover for the use of the tax losses is based on an expectation of realizing the company’s operating budgets.

Notes

All amounts in DKK.

3. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

As mentioned in the management commentary, the net profit or loss for the year is affected by a number of factors that differ from what is considered by management to be part of operating activities.

Special items for the year are specified below, indicating where they are recognised in the income statement.

	2021	2020
Income:		
Covid-19 help packages	48.797	52.934
	48.797	52.934
Special items are recognised in the following items in the financial statements:		
Gross loss	48.797	52.934
Profit of special items, net	**48.797**	**52.934**

4. Staff costs

Salaries and wages	1.709.678	795.033
Other costs for social security	16.757	8.994
	1.726.435	**804.027**
Average number of employees	5	3

Notes

All amounts in DKK.

5. Long term labilities other than provisions

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Other payables	4.711.232	244.310	4.466.922	0
	4.711.232	**244.310**	**4.466.922**	**0**

6. Charges and security

For bank loans and debt to Vækstfonden, tDKK 4,798, the company has provided security in company assets representing a nominal value of tDKK 600 & 5,875. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	562
Trade receivables	264

7. Contingencies

Contingent liabilities

The company has entered into lease agreements with a authorizing commitment of tDKK 1,137.