

Heartcore Capital Fund I K/S
Frederiksgade 7, 3
1265 Copenhagen K
Central Business Registration No 30582276
Annual report 2021

The Annual General Meeting adopted the annual report on

Chairwoman of the General Meeting

Name: Signe Marie Sveinbjørnsson

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Fund details

Fund

Heartcore Capital Fund I K/S

Frederiksgade 7, 3

DK-1265 Copenhagen K

Central Business Registration No: 30582276

Registered in: Copenhagen

Financial year: 01.01.2021 – 31.12.2021

General Partner

Heartcore Capital General Partner I ApS

Board of Directors in Heartcore Capital General Partner I ApS

Christian Lindegaard Jepsen

Jimmy Fussing Nielsen

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab

Statement by the General Partner on the annual report

The Board of Directors in Heartcore Capital General Partner I ApS has today considered and approved the annual report of Heartcore Capital Fund I K/S (“the Fund”) for the financial year 01.01.2021 – 31.12.2021.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Fund’s financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

In our opinion, the management commentary contains a fair review of the development of the Fund’s business and financial matters, the results for the year and of the Fund’s financial position as a whole, together with a description of the principal risks and uncertainties that the Fund faces.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 25.01.2022

Board of Directors in Heartcore Capital General Partner I ApS

Christian Lindegaard Jepsen

Jimmy Fussing Nielsen

Independent auditor's report

To the General Partner and Limited Partners of Heartcore Capital Fund I K/S

Opinion

We have audited the financial statements of Heartcore Capital Fund I K/S ("the Fund") for the financial year 01.01.2021 - 31.12.2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Fund's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Fund in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

General Partner's responsibilities for the financial statements

The General Partner is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as the General Partner 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 General Partner is responsible for assessing the Fund's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless the General Partner either intends to liquidate the Fund 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 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 ISAs and the additional requirements applicable in Denmark 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 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 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- Conclude on the appropriateness of the General Partner'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 Fund'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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

The General Partner is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 25.01.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant
Identification number (MNE) mne10944

Murat Güler
State Authorised Public Accountant
Identification number (MNE) mne46582

Management commentary

Primary activities

Heartcore Capital Fund I K/S (“the Fund” or “Heartcore”) invests in early-stage technology companies mainly located in the Nordic countries.

A team of investment professionals is responsible for the investment management.

Development in activities and finances

The Fund was established 8 May 2007. At the end of 2021, the Fund holds 3 active portfolio enterprises.

The result for the year showed a profit of DKK 844 million, primarily from gains from disposals and fair value gains from the investments in portfolio companies.

Development in selected portfolio companies:

Issuu: Danish company with HQ located in Palo Alto, USA, and a Danish office in Copenhagen. Issuu is the world’s largest digital publishing platform and they continue its focus on development of the platform and its subscription model. The company had another good year and are progressing very well.

Neo4j Inc.: Swedish company with HQ located in San Mateo, USA, and engineering in Malmö, Sweden, and London, UK. The company develops an open-source graph database based on mathematical graph theories and works very differently from traditional relational databases. The company had a strong year despite COVID-19 and raised USD 150 million from new and current investors during the year.

Prezi Inc.: Located in Menlo Park, USA, and have development activities in Hungary. Prezi develops a presentation tool by using ZUI (Zoomable User Interface) on www.prezi.com and on their apps. During the year Prezi released Prezi Video 2.0 that significantly eases the use of Prezi Video in live meetings.

Uncertainty relating to recognition and measurement

When preparing the Fund’s annual report, the General Partner, in accordance with legislative provisions, makes accounting judgements and estimates, which form the basis of the annual report, including determination of fair value of the Fund’s investments in portfolio enterprises. The accounting judgements and estimates made by the General Partner are described in the note 3 “Critical accounting judgements, estimates, assumptions and uncertainties” to which we refer. Such estimates are made on the basis of assumptions which the General Partner considers reasonable and realistic, but which are uncertain by nature. For the current year the General Partner has also taken into consideration the effects of the COVID19-pandemic. The Fund itself has not been affected by the COVID-19 outbreak.

Management commentary (continued)

Unusual circumstances affecting recognition and measurement

Except for the gains from disposals and fair value gains from value adjustments of the investments in portfolio companies, the financial statements are not influenced by unusual circumstances.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would materially influence the evaluation of this annual report.

Outlook

Forthcoming results of Heartcore Capital Fund I K/S depend on the development in the value of the Fund's investment in portfolio enterprises. Due to the nature of the Fund's operations and business, the Fund does not provide any specific guidance regarding expected earnings for 2022.

Statement of comprehensive income

	<u>Notes</u>	2021 DKK'000	2020 DKK'000
Income from investments in portfolio enterprises	4	<u>844,071</u>	<u>44,359</u>
Operating income		844,071	44,359
Administrative expenses	5	(38)	(5)
Other operating expenses	5	<u>(92)</u>	<u>(88)</u>
Profit before financial items (EBIT)		843,941	44,266
Financial expenses		<u>(47)</u>	<u>(2)</u>
Profit for the year		<u>843,894</u>	<u>44,264</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive income for the year		<u><u>843,894</u></u>	<u><u>44,264</u></u>

Statement of financial position

	<u>Notes</u>	31 Dec 2021 DKK'000	31 Dec 2020 DKK'000
Assets			
Investments in portfolio enterprises	6	<u>1,021,901</u>	<u>675,608</u>
Fixed asset investments		<u>1,021,901</u>	<u>675,608</u>
Non-current assets		<u>1,021,901</u>	<u>675,608</u>
Cash		<u>245</u>	<u>74</u>
Current assets		<u>245</u>	<u>74</u>
Assets		<u><u>1,022,146</u></u>	<u><u>675,682</u></u>

Statement of financial position

	<u>Notes</u>	31 Dec 2021 DKK'000	31 Dec 2020 DKK'000
Equity and liabilities			
Limited Partners' contributions	7	700,670	700,567
Distributions to Limited Partners		(1,507,956)	(1,010,178)
Retained earnings		<u>1,829,116</u>	<u>985,222</u>
Equity		<u>1,021,830</u>	<u>675,611</u>
Other payables	8	<u>316</u>	<u>71</u>
Current liabilities		<u>316</u>	<u>71</u>
Liabilities		<u>316</u>	<u>71</u>
Equity and liabilities		<u>1,022,146</u>	<u>675,682</u>

Statement of changes in equity

	Limited Partners' contribution	Distributions to Limited Partners	Retained earnings	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Balance at 1 January 2020	700,470	(1,010,178)	940,958	631,250
Contributions from Limited Partners	97	-	-	97
Comprehensive income for the year	-	-	44,264	44,264
Balance at 31 December 2020	700,567	(1,010,178)	985,222	675,611
Contributions from Limited Partners	103	-	-	103
Distribution of share of proceeds from sale of portfolio enterprises	-	(497,778)	-	(497,778)
Comprehensive income for the year	-	-	843,894	843,894
Balance at 31 December 2021	700,670	(1,507,956)	1,829,116	1.021.830

Statement of cash flows

	<u>Notes</u>	2021 DKK'000	2020 DKK'000
Profit before financial items (EBIT)		843,941	44,264
Reversal of income from investments in portfolio enterprises	4	(844,071)	(44,359)
Working capital changes	9	245	(1)
Cash flows from ordinary primary activities		<u>115</u>	<u>(94)</u>
Financial expenses paid		(47)	(2)
Cash flows from operating activities		<u>68</u>	<u>(96)</u>
Net proceeds from sale of portfolio enterprises	6	497,778	0
Cash flows from investing activities		<u>497,778</u>	<u>0</u>
Contributions from Limited Partners		103	97
Distribution of share of proceeds from sale of portfolio enterprises		(497,778)	0
Cash flows from financing activities		<u>(497,675)</u>	<u>97</u>
Increase/decrease in cash and cash equivalents		171	1
Cash and cash equivalents at 1 January		74	74
Cash and cash equivalents at 31 December		<u><u>245</u></u>	<u><u>74</u></u>

Notes to the financial statements

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Notes

1. Overview of business

Heartcore Capital Fund I K/S (“the Fund”) invests in technology companies mainly located in Europe.

Administrative and investment work is performed by Heartcore Capital A/S.

Heartcore Capital Fund I K/S has its registered office at Frederiksgade 7, 3, 1265 Copenhagen K, Denmark, and is incorporated in Denmark as a Danish limited partnership under the laws of Denmark. The General Partner of the Fund is Heartcore Capital General Partner I ApS.

2. Accounting policies

The financial statements of Heartcore Capital Fund I K/S for 2021 are prepared in accordance with International Financial Reporting Standards as approved by the EU and disclosure requirements of the Danish Financial Statements Act governing reporting class B enterprises as further outlined in the Danish Executive Order on Adoption of IFRS issued in accordance with the Danish Financial Statements Act.

The financial statements are presented in Danish kroner (DKK), which is the functional currency of the Fund.

The financial statements are presented based on historical costs apart from investments in portfolio enterprises, which are measured at fair value.

Statement regarding the omission of consolidated financial statements

With reference to IFRS 10, the General Partner of Heartcore Capital Fund I K/S has assessed that the Fund meets the definition of an investment company as the following conditions exist:

- 1) The Fund has more than one portfolio investment.
- 2) The Fund has more than one investor, and the investors are not related to each other.
- 3) The Fund’s investments in portfolio enterprises primarily occur as equity instruments or similar investments.
- 4) The investments are measured and evaluated on a fair value basis.

As a result the General Partner has decided to apply the exemption rule in IFRS 10 not to prepare consolidated financial statements where the controlled subsidiaries are consolidated, and in stead the controlled subsidiaries are accounted for at fair value through profit or loss.

Similarly, Heartcore Capital Fund I K/S holds investments in portfolio enterprises, which meet the definition of an associate over which the Fund has significant influence. Such investments are also accounted for at fair value through profit or loss whereby all investments are treated as investments in portfolio companies at fair value through profit or loss no matter the ownership share.

Notes

2. Accounting policies (continued)

Standards and interpretations not yet effective

None of the new and changed standards and interpretations issued by the International Accounting Standards Board and IFRS Interpretation Committee effective for the financial period beginning at 1 January 2021 have been assessed to have any impact on the financial reporting for Heartcore Capital Fund I K/S for 2021 or future years.

At the time of publication of the financial statements, new or changed standards and interpretations have not yet become effective. It is the General Partner's assessment that these new standards and interpretations will not materially impact the financial statements for the forthcoming years

Significant accounting policies and estimates

When preparing the financial statements, the General Partner makes several accounting estimates forming the basis for the presentation, recognition and measurement of the Fund's assets and liabilities. The most significant accounting estimates and assessments are presented in note 3.

Foreign currency translation

On initial recognition, transactions made in a different currency than the Fund's functional currency are translated applying the exchange rate at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the statement of comprehensive income as financial income or financial expenses.

Exchange rate adjustments relating to investments in portfolio enterprises are presented in the statement of comprehensive income together with other fair value adjustments concerning the investments.

Income taxes

The annual report does not include current or deferred tax due to the corporate form of the Fund.

Statement of comprehensive income

Income from investments in portfolio enterprises

Income from investments in portfolio enterprises comprises gains/losses from divestments, fair value changes and received dividends and other similar types of returns from the investments.

Notes

2. Accounting policies (continued)

Gains/losses from divestment of investments in portfolio enterprises are stated as the difference between the selling price or disposal consideration and the carrying amount of the portfolio enterprises at the time of sale or disposal, respectively.

Dividends from investments in portfolio enterprises are recognised as income when final entitlement to the dividends is obtained, which is usually at the time of the approval of the declaring dividends by the portfolio enterprise.

Administrative expenses and other operating expenses

Other operating expenses include general costs, investment costs relating to incomplete investments and administrative expenses include management fee to the management company, Heartcore Capital A/S.

Financial expenses

Other financial expenses comprise interest expenses and negative interest income, which are accrued based on the principal amount and the effective interest rate. The effective interest rate represents the discount rate which should be used when discounting future payments related to the financial asset or the financial liability, in order for the present value of these to correspond with the carrying amount of the asset and the liability, respectively.

Balance sheet

Investments in portfolio enterprises

Investments in portfolio enterprises comprise equity investments in portfolio enterprises and loans to portfolio enterprises measured at fair value through profit or loss.

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements

- Level 1: Fair value of investments, which are traded on a stock exchange, is based on the quoted market prices at the reporting date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using (i) quoted market prices in active markets for similar instruments (ii) quoted prices for identical or similar instruments in markets that are not considered active, or (iii) other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Notes

2. Accounting policies (continued)

- Level 3: Inputs that are unobservable. The fair value of the unlisted investments is determined in accordance with IPEV's Valuation Guidelines, according to which the fair value – depending on the type and maturity of the investment – is determined to be equal to cost (typically applied for new investments), the price of recent investments, multiple-based calculations based on industry benchmarks or discounted cash flow models. The price of a recent investment is only applied if the transaction includes the participation of new investors obtaining more than an insignificant ownership share in the portfolio enterprise.

The objective of valuation techniques is to determine a fair value that reflects the price that would be received from selling portfolio enterprises in an orderly transaction between market participants at the balance sheet date.

Other financial liabilities

Other financial liabilities comprise prepayments from Limited Partners, other payables and bank loans.

Statement of cash flows

The statement of cash flows is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented as the operating profit/loss adjusted for non-cash operating items including fair value adjustments of investments in portfolio enterprises and working capital changes attributable to the operating activities.

Cash flows from investing activities comprise payments in connection with investments, including follow-up investments, and proceeds from divestment of portfolio enterprises.

Cash flows from financing activities comprise changes in the Limited Partners' contribution, distributions to Limited Partners as well as the raising of loans and instalments on interest-bearing debt, if any.

3. Critical accounting judgements, estimates, assumptions and uncertainties

Heartcore Capital Fund I K/S invests in portfolio enterprises which primarily include equity investments and to a smaller extent contribution of loans to development-oriented enterprises, and which may require continuous contribution of capital. The investments are accounted for at a fair value through profit or loss. When measuring the fair value of the unlisted investments, the General Partner assesses the development stage of the portfolio enterprises compared to the initial plans at the time of making the initial investments, future financing requirements, commercialisation possibilities, timing of exit and possible exit values.

Notes

3. Critical accounting judgements, estimates, assumptions and uncertainties (continued)

The fair value of each unlisted portfolio enterprise is determined in accordance with commonly used valuation principles based on the IPEV Valuation Guidelines, taking into account the assessment of the development stage of the enterprise as well as its market potential and expected cash flows in order to reflect the fair value of the portfolio enterprise in the best way possible.

Methods and assumptions for determining the fair value of investments in unlisted portfolio enterprises are further described in note 6.

4. Income from investments in portfolio enterprises

	2021	2020
	DKK'000	DKK'000
Realised gain	465,687	0
Fair value gain	<u>378,384</u>	<u>44,359</u>
Income from investments in portfolio enterprises	<u>844,071</u>	<u>44,359</u>

5. Expenses

The Fund had no employees during the financial year. Administrative work is performed by Heartcore Capital A/S (see note 1). Administrative expenses cover management fee to General Partner of DKK 38 thousand (2020: DKK 5 thousand). Other expenses cover audit and legal fees of totally DKK 92 thousand (2020: 88 thousand).

	2021	2020
	DKK'000	DKK'000
6. Investments in portfolio enterprises		
Cost at beginning of year	226,566	226,566
Disposals	<u>(32,092)</u>	<u>0</u>
Cost at end of year	<u>194,474</u>	<u>226,566</u>
Revaluations at beginning of year	449,042	404,683
Revaluations	844,072	44,359
Reversals regarding disposals	<u>(465,687)</u>	<u>0</u>
Revaluation at end of year	<u>827,427</u>	<u>449,042</u>
Carrying amount at end of year	<u>1,021,901</u>	<u>675,608</u>

Notes

6. Investments in portfolio enterprises (continued)

Portfolio enterprise	Corporate form	Registered in	Equity interest %
Issuu	Inc.	USA	66.3
Neo4j	Inc.	USA	5.2
Prezi	Inc.	USA	14.0

The General Partner regularly and at least on a quarterly basis reviews the fair value of its portfolio enterprises in connection with its non-public reporting to its limited partners and in connection with the preparation of the annual financial statements.

The Fund's portfolio enterprises are not classified as investment companies. They are engaged in doing business in development and trading, etc. The Fund has no limitations concerning the potential reception of dividends or having loans etc. repaid from the portfolio enterprises, apart from the fact that distribution from the portfolio enterprises can only take place if it is considered proper and prudent.

Methods and assumptions for determining fair values in unlisted portfolio enterprises

The fair value for each unlisted portfolio enterprise is determined based on methods which best reflect the individual investment's potential and risk.

In general, the fair value is determined following the IPEV Valuation Guidelines which prescribe the use of accepted valuation methods, such as price of recent investments, multiple analysis/benchmarking, most recent transaction multiple and other relevant methods. The Fund invests venture capital primarily in development stage companies without any or with only limited revenue entailing that the fair value measurement of each of the investments is inherently subject to considerable uncertainty.

Upon initial investment, **cost** of the investment is generally determined to represent the fair value. If new investors join the portfolio enterprises and obtain more than just an insignificant share of the enterprise, the **price of a recent investment** is used as basis for determining the fair value.

Throughout the life of the investment, the General Partner reviews its investments for potential impairment, which may materialise if the portfolio enterprises have been subject to pervasive negative development and/or if the Fund decides that it will no longer participate in the further funding and there is a considerable risk that the portfolio enterprise may not be able to continue its operations or it is by other means obvious that there is a pervasive decline in the fair value of the portfolio enterprise. In these cases, the value is written down to a new lower fair value based on the General Partner's best estimate.

Notes

6. Investments in portfolio enterprises (continued)

As investments mature, other valuation models for determining the fair value may be more appropriate. Such models are typically based on **peer group multiples**, which may be discounted depending on an objective assessment of the portfolio enterprise's growth, cash flows and funding status.

The Peer Group Multiple-method uses comparable entities, in which market value and earnings are known. Based on this, a market level for revenue multiples is determined for the comparable entities..

In connection with the use of this method, the Fund assesses which multiples are applicable as well as assesses the determination of the applicable earnings to be used in the calculation of the deemed fair value.

When applicable, the fair value of investments, which are traded on a stock exchange, is based on the quoted market prices at the reporting date.

The fair value is determined in the functional currency of the portfolio enterprise, which is then translated to DKK at the exchange rate at the balance sheet date, and any exchange rate adjustment is included in the fair value adjustment of the investment in profit or loss.

Each investment has been valued using the valuation techniques listed below:

Portfolio enterprise	Corporate form	2021	2020
<i>Investments in subsidiaries:</i>			
Issuu	Inc.	Fair value based on peer group analysis	Fair value based on peer group analysis
<i>Investments in associates:</i>			
Neo4j	Inc.	Price of recent investment	Fair value based on peer group analysis
<i>Other investments:</i>			
Prezi	Inc.	Fair value based on peer group analysis	Fair value based on peer group analysis

Fair value hierarchy for determining fair value for investments in portfolio enterprises

IFRS has established a fair value hierarchy for certain assets measured at fair value:

- Quoted prices in active markets for identical instruments (level 1)
- Quoted prices in active markets for similar assets or liabilities or other valuation methods under which all material inputs are based on observable market data (level 2)
- Valuation techniques under which any material inputs are not based on observable market data (level 3).

Notes

6. Investments in portfolio enterprises (continued)

The measurement of investments in portfolio enterprises classified according to level 3 is based on measurement methods, in which material non-observable inputs are included such as assessment of which method best reflects fair value, assessment of the performance of each portfolio enterprise, determination of multiples and future earnings, and assessment of whether a pervasive negative development should result in the recognition of impairment write-downs.

The fair value of the Fund's portfolio enterprises is impacted by the development in applied multiples as well as expected future earnings and development in each portfolio enterprise. A decrease or increase in the above-mentioned material non-observable inputs may have a direct effect on the measurement of the portfolio enterprises, just as the fair value of the Fund's portfolio enterprises is impacted by the development in macroeconomic conditions.

The Fund has no investments in portfolio enterprises where fair value has been determined based on level 1 or 2 classification. The development in the value of investments in portfolio enterprises classified into level 3 can be summarised as follows:

	Level 3 DKK'000	Total investment DKK'000	Fair value gain/(loss) DKK'000
2020			
Fair value at 1 January	631,249	631,249	-
Fair value adjustments	44,635	44,635	44,635
Exchange rate adjustments	(276)	(276)	(276)
Fair value at 31 December	675,608	675,608	44,608
	Level 3 DKK'000	Total investment DKK'000	Fair value gain/(loss) DKK'000
2021			
Fair value at 1 January	675,608	675,608	-
Fair value adjustments	840,575	840,575	840,575
Exchange rate adjustments	3,496	3,496	3,496
Disposals	(497,779)	(497,779)	-
Fair value at 31 December	1,021,900	1,021,900	844,071

Notes

	2021	2020
	<u>DKK'000</u>	<u>DKK'000</u>
7. Limited Partners' contributions		
Limited Partners' contributions at beginning of year	700,567	700,470
Contributions made during the year	<u>104</u>	<u>97</u>
Limited Partners' contributions at end of year	<u>700,670</u>	<u>700,567</u>

The contributed capital represents the Limited Partners' total equity contribution. The Fund's contributed capital comprises 99.95% A-shares and 0.05% B-shares. The Fund's A-shares are paid successively and pro rata and the B-shares are fully paid-up. One of the share classes has a dividend preference attached when the realised return in the Fund exceeds a fixed minimum rate of return p.a. (hurdle rate) of the investors' contributed capital.

	2021	2020
	<u>DKK'000</u>	<u>DKK'000</u>
8. Other payables		
Sundry accrued expenses	<u>316</u>	<u>71</u>

The carrying amount of sundry accrued expenses relates to other payables such as legal fees, auditor's fees, etc. The recognised amount approximates the fair value of the liabilities.

	2021	2020
	<u>DKK'000</u>	<u>DKK'000</u>
9. Working capital changes		
Change in other payables	<u>245</u>	<u>(1)</u>
	<u>245</u>	<u>(1)</u>

10. Financial risks and financial instruments

Categories of financial instruments:

Investments in portfolio enterprises	<u>1,021,901</u>	<u>675,608</u>
Financial assets measured at fair value through profit/loss	<u>1,021,901</u>	<u>675,611</u>
Cash	<u>245</u>	<u>74</u>
Financial assets measured at amortised cost	<u>245</u>	<u>74</u>
Other payables	<u>316</u>	<u>71</u>
Financial liabilities measured at amortised cost	<u>316</u>	<u>71</u>

Notes

10. Financial risks and financial instruments (continued)

The Fund adheres to an investment strategy approved by the limited partners. As a result of its investments in portfolio enterprises, the Fund is directly or indirectly exposed to changes in liquidity, credit, interest and currency risks.

Liquidity risks

Maturity of financial liabilities is specified below divided into timing intervals. The specified amounts represent the amounts due for payment.

	Within 1 year DKK'000	Between 1 and 5 years DKK'000	After 5 years DKK'000	Total DKK'000
Other payables	71	-	-	71
31 December 2020	71	-	-	71

	Within 1 year DKK'000	Between 1 and 5 years DKK'000	After 5 years DKK'000	Total DKK'000
Other payables	316	-	-	83
31 December 2021	316	-	-	83

Credit risks

In some cases, the Fund provides loans to its portfolio enterprises. These loans are considered part of the investment and are, therefore, not considered to represent a separate credit risk, but is rather considered being part of the total investment risk and risk relating to determining a fair value of the investments.

Currency risks

The Fund's investments are exposed to changes in foreign currencies like USD. The Fund considers the currency risk as part of the whole investment risk and hence, the Fund does not separately hedge the currency risk relating to its investments in portfolio enterprises.

In addition, the Fund is indirectly exposed to currency risks through investments in portfolio enterprises which trade in other currencies than their functional currencies and hence, development in exchange rates may influence income and thereby their determination of fair value of the portfolio enterprises.

Notes

11. Related party transactions

Related parties with control

No single Limited Partner has control over the Fund.

Transactions with related parties

The General Partner is Heartcore Capital General Partner I ApS. In the financial year, the Fund has paid a management fee to General Partner. See note 5.

12. Assets pledged and contingent liabilities etc.

The Fund has not pledged any assets or taken on any contingent liabilities.

At the balance sheet date, the Fund has no obligations or commitments towards portfolio enterprises or other types of contingent liabilities.

13. Events after the reporting date

No events have occurred after the reporting date, which would materially influence the evaluation of this annual report

14. Approval of the financial statements for publication

At its Board meeting held on 25.01.2021, the General Partner approved the financial statements. The financial statements will be presented to the Fund's Limited Partners for approval at the Annual General Meeting on 25.02.2021.