



iSD Immunotech ApS

Ole Maaløes Vej 2
2200 København N
CVR No. 30738276

Annual report 2020

The Annual General Meeting adopted the
annual report on 19.03.2021

Ingelise Saunders

Chairman of the General Meeting

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Entity details

Entity

iSD Immunotech ApS

Ole Maaløes Vej 2

2200 København N

CVR No.: 30738276

Registered office: København

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Ingelise Saunders, Chairman

Lars Jørgen Østergaard

Alejandra Maria Cristina Bonifacini Mørk

Pieter Jeroen Bakker

Executive Board

Tara Renée Heitner Hansen, CEO

Claus Hansen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of iSD Immunotech ApS for the financial year 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Copenhagen, 19.03.2021

Executive Board

Tara Renée Heitner Hansen
CEO

Claus Hansen

Board of Directors

Ingelise Saunders
Chairman

Lars Jørgen Østergaard

Alejandra Maria Cristina Bonifacini Mørk

Pieter Jeroen Bakker

Independent auditor's extended review report

To the shareholders of iSD Immunotech ApS

Conclusion

We have performed an extended review of the financial statements of iSD Immunotech ApS for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 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 Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity

personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

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

Statement on the management commentary

Management 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 extended review 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 extended review 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 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.

Aarhus, 19.03.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Lauridsen

State Authorised Public Accountant
Identification No (MNE) mne34323

Management commentary

Primary activities

The Company's activity is to identify, develop and commercialise immunosuppressive peptides and proteins as well as all activities deemed related thereto by the Board of Directors

Description of material changes in activities and finances

In 2020, focus has been directed towards further development of iSD-017 and Proof-of-Concept activities in this relation. New data has been generated by our various scientific collaborators.

The Company's next step is to prepare and finish developing iSD-017 as the lead candidate. iSD-017 is planned to be part of a new treatment method for severe patients suffering from the disease SLE/Lupus and possibly later other related rare orphan diseases.

The financial year 2020 generated a profit of DKK 2,220k, and the ability to attract capital via a direct investment from NOVO Seed and a R&D grant from Biogen made it possible for the Company to advance its development plans.

The financial performance for the period was as expected. The Company is in an early development phase and has limited possible profit-making activities.

The outbreak and spread of COVID-19 in 2020 has impacted our operations with a delay in our development plans.

Outlook

The company has successfully raised Seed capital to develop and finalize iSD-017 as the lead candidate. A number of activities has been planned and for 2021 and 2022. The company is fully funded for 2021 based on existing capital and loans i.e. Covid-19 loan from Vækstfonden.

Based on our data package and development plan the company remains optimistic as for being successful raising next round of capital or finding a strategic partner.

Research and development activities

The Company has decided to capitalise development costs as it is Management's opinion that the relating future amortization burden can be encompassed in future financial benefits.

Events after the balance sheet date

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

Income statement for 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss		3,067,302	(388,787)
Staff costs	2	(318,693)	(241,400)
Operating profit/loss		2,748,609	(630,187)
Other financial income		25,697	70
Other financial expenses		(211,224)	(94,985)
Profit/loss before tax		2,563,082	(725,102)
Tax on profit/loss for the year	3	(343,000)	136,078
Profit/loss for the year		2,220,082	(589,024)
Proposed distribution of profit and loss			
Retained earnings		2,220,082	(589,024)
Proposed distribution of profit and loss		2,220,082	(589,024)

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Development projects in progress	5	3,604,986	1,583,533
Intangible assets	4	3,604,986	1,583,533
Fixed assets		3,604,986	1,583,533
Other receivables		186,622	63,680
Income tax receivable		0	45,720
Prepayments		8,535	0
Receivables		195,157	109,400
Cash		5,292,682	187,274
Current assets		5,487,839	296,674
Assets		9,092,825	1,880,207

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital	6	186,989	142,222
Reserve for development expenditure		2,811,889	1,235,156
Retained earnings		3,976,280	(1,637,216)
Equity		6,975,158	(259,838)
Deferred tax		343,000	0
Provisions		343,000	0
Subordinate loan capital		1,060,000	1,000,000
Convertible and dividend-yielding debt instruments		0	1,070,000
Non-current liabilities other than provisions	7	1,060,000	2,070,000
Trade payables		521,503	68,929
Other payables	8	193,164	1,116
Current liabilities other than provisions		714,667	70,045
Liabilities other than provisions		1,774,667	2,140,045
Equity and liabilities		9,092,825	1,880,207
Going concern	1		

Statement of changes in equity for 2020

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	142,222	1,235,156	(1,637,216)	(259,838)
Increase of capital	12,716	0	1,987,284	2,000,000
Capital increase by debt conversion	32,051	0	3,175,334	3,207,385
Costs related to equity transactions	0	0	(192,471)	(192,471)
Transfer to reserves	0	1,576,733	(1,576,733)	0
Profit/loss for the year	0	0	2,220,082	2,220,082
Equity end of year	186,989	2,811,889	3,976,280	6,975,158

Notes

1 Going concern

The Company is an early stage Biotech development company and should therefore not be compared with a traditional operating company. The Company plans to raise further capital via a planned Seed round which is planned to start in Q3 2021.

The company is fully funded through 2021 on the basis of the approved budget. Therefore, the financial statements are presented on a going concern assumption.

2 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	684,386	240,467
Pension costs	1,193	933
	685,579	241,400
Staff costs classified as assets	(366,886)	0
	318,693	241,400
Average number of full-time employees	1	0

3 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	0	(45,720)
Change in deferred tax	343,000	(234,000)
Adjustment concerning previous years	0	143,642
	343,000	(136,078)

4 Intangible assets

	Development projects in progress DKK
Cost beginning of year	1,583,533
Additions	2,021,453
Cost end of year	3,604,986
Carrying amount end of year	3,604,986

5 Development projects

The Company continued in 2020 with the development of its lead candidate, the peptide iSD-017 as novel first in class treatment for severe systemic lupus erythematosus (SLE).

Proof-of-Concept studies on the therapeutic effect of iSD-017 on ex vivo and in vivo models of SLE came out very positive and further extended the value and use of the peptide in a chronic autoimmune setting such as SLE.

In 2020 we signed and initiated a strategic research agreement (SRA) and with Biogen Inc .

6 Share capital

A share option scheme has been established according to which a right to subscribe for up to 10,375 new shares in the Company, a total of DKK 10,375 has been earned.

Warrants must be exercised no later than in connection with a sale of the Company.

7 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Subordinate loan capital	1,060,000
	1,060,000

8 Other payables

	2020 DKK	2019 DKK
Wages and salaries, personal income taxes, social security costs, etc payable	168,778	0
Holiday pay obligation	24,386	0
Other costs payable	0	1,116
	193,164	1,116

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.