



# **SEED Capital Management III I/S**

## **Annual Report**

For the year ended 31 December 2016

2<sup>st</sup> financial year

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Registration No. 37 14 02 79

Address: Diplomvej 381, 2800 Kongen Lyngby

Approved at the annual general meeting of shareholders on 31 May 2017

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## Management's statement

The Management have today discussed and approved the annual report of SEED Capital Management III I/S for the financial year 1 June – 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 June – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 31 May 2017

Management:



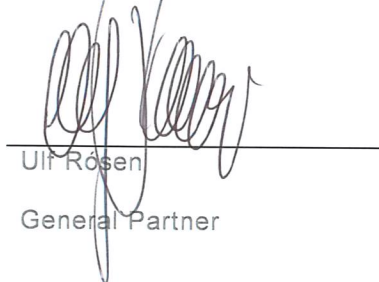
Ulla Brockenhuus-Schack

Managing Partner og  
General Partner



Lars Andersen

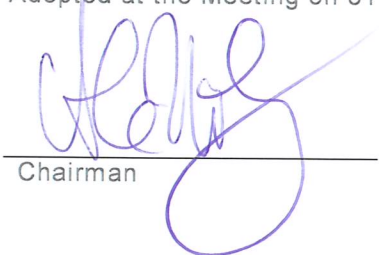
General Partner



Ulf Rosen

General Partner

Adopted at the Meeting on 31 May 2017



Chairman

## Auditors' Report

### Independent Auditors' Report

To the Limited Partners of SEED Capital Management III I/S

#### Opinion

We have audited the financial statements of SEED Capital Management III I/S for the financial year 1 January – 31 December 2016, which comprise summary of significant accounting policies, income statement, balance sheet and notes. 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with 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 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 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.

#### 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 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.



### Auditors' responsibility

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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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 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 conclusion is 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 note 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.

**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 our procedures, 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, 31 May 2017

**Ernst & Young**

Godkendt Revisionspartnerselskab  
Cvr. No. 30 70 02 28



**Peter Gath**  
State Authorised  
Public Accountant

## Information about the Company

SEED Capital Management III I/S  
Diplomvej 381  
2800 Kgs. Lyngby  
Phone: +45 77 34 07 55  
Fax: +45 77 14 15 15  
www.seedcapital.dk  
Registration nr. (Cvr.nr.): 37 14 02 79

### Registered office

Lyngby-Taarbæk Kommune

### Management

Ulla Brockenhuus-Schack (Managing Partner)  
Lars Andersen  
Ulf Rósen

### Auditors

Ernst & Young  
Godkendt Revisionspartnerselskab  
Osvold Helmuhs Vej 4  
Postboks 250  
2000 Frederiksberg

### Bankers

Nykredit Bank A/S

## Management's Review

This annual report relates to the second financial year of SEED Capital Management III I/S for the period 1 January 2016 – 31 December 2016.

### The Company's activities

SEED Capital Management III I/S advise and invest in knowledge-based start-ups. The principal activity of SEED Capital Management III I/S is to act as a management company to the venture fund SEED Capital Denmark III K/S.

The fund invests venture capital in technology based companies focusing on medical technology; information and communication technology and other high growth technology based businesses.

Reference is made to the annual report of SEED Capital Denmark III K/S.

Venture companies	Capital commitment	Formation	End of investment period	Duration	Number of active portfolio companies
SEED Capital Denmark III K/S	DKK 819 million	1 June 2015	31 May 2019	31 May 2025	5

### Activities in 2016

SEED Capital Management III I/S was established in June 2015 for being advisor for SEED Capital Denmark III K/S established in a first closing at the same time. A successful second closing was completed in 2016 with additionally DKK 350 million in commitments. Total commitments in SEED Capital Denmark III K/S is DKK 819 million.

During 2016 SEED Capital Denmark III K/S completed investments in 3 new portfolio companies. There are now 5 active portfolio companies in the fund.

SEED Capital Management III I/S works closely together with Pre-Seed Innovation A/S. During the year, the combined team received and handled approx. 500 inquiries regarding investments, which resulted in 11 investments by pre-Seed Innovation A/S, in which SEED Capital Denmark III K/S invested a minor amount against an option to invest further. In addition, Pre-Seed Innovation granted Discovery Loans to 10 companies some of which may become future portfolio companies in Pre-Seed Innovation A/S and SEED Capital III K/S.



## Events after the balance sheet date

No events have occurred after the balance sheet date, which may materially affect the assessment of the Company's financial position.

## Business development and outlook

The deal flow to SEED Capital has been strengthened over the years and there is still a large and growing market for technological based innovation.

The cooperation with Pre-Seed Innovation A/S identifying and investing in promising new start-ups will continue in 2017. Pre-Seed Innovation A/S is appointed as one of four innovation environments in Denmark until end of 2017 with an optional 2-year extension. Pre-Seed Innovation A/S has cooperation agreements with most of the universities in Denmark ensuring SEED Capital access to exciting research with commercial potential and thus a strong investment pipeline for SEED Capital Denmark III K/S.

It is expected that the results of SEED Capital Management III I/S during the investment period lasting for a few more years will be similar to 2016 and then drop as the fund moves into the realization period where management fees are lower.

## Accounting policies

The Annual Report of SEED Capital Management III I/S has been presented in accordance with the provisions in the Danish Financial Statements Act regarding reporting class B enterprises, adjusted to the Company's special activities as a management company for a venture company.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following areas:

- Recognition of proposed distribution under liabilities

Section 48 of the Danish Financial Statements Act has been repealed meaning that proposed distribution no longer can be recognized as liabilities, but should be recognized as equity.

The change implies that the proposed distribution for 2016 will be recognized as equity instead of liabilities. There has not been any impacts on the income statement or the comparative figures.

Apart from the above new and changed presentation and disclosure requirements, which follow from act. no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

### Reporting currency

The Annual Report has been presented in Danish kroner.

### Foreign currencies

Amounts in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated into Danish kroner at closing rates.

Realised and unrealised exchange gains and losses are recognised in the profit and loss account as financial income and expenses.

### Profit and loss account

#### Turnover

#### Management fee

Management fee comprises administration fee and performance fee for the companies appointed by SEED Capital Management to investment manager.

#### Services

Income from the supply of services is recognized as the services are rendered.

#### Other external costs

Other external costs comprise costs for administration, premises, bad debt losses, operating leases, etc.

**Staff costs**

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

**Tax**

The Company is not a tax-paying entity, thus no tax has been expensed.

**Balance sheet****Tangible fixed assets**

Tangible fixed assets are measured at cost plus revaluations and less accumulated depreciation and write-downs.

**Investments**

Investments in subsidiaries are measured at the company's share of the equity in the subsidiaries (equity method). If cost exceeds the recoverable amount, a write-down is made to this lower value.

**Receivables**

Receivables are amortised at the lower of amortised cost and the net realisable value, calculated by reference to individual assessments of the individual accounts receivable.

**Liabilities**

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other Liabilities are measured at realisable value.

**Contingent liabilities**

Contingencies are not recognised in the balance sheet, but disclosed in the notes only. Liabilities which exist at the balance sheet date, but which cannot be measured, are considered contingent liabilities.

## Profit and loss account for the year ended 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
<b>Gross profit</b>		<b>11.863</b>	<b>6.824</b>
Other external expenses		-1.674	-761
Staff costs	1	-3.424	-2.511
Depreciation tangible fixed assets		<u>0</u>	<u>0</u>
<b>Operating profit</b>		<b>6.766</b>	<b>3.552</b>
Other financial income		<u>-2</u>	<u>0</u>
<b>Profit for the year</b>		<b><u>6.762</u></b>	<b><u>3.552</u></b>

The Management recommends that the profit for the year should be appropriated as follows:

Retained earnings at 1 January 2016		0	0
Net profit for the year		<u>6.762</u>	<u>3.552</u>
<b>Available for appropriation</b>		<b><u>6.762</u></b>	<b><u>3.552</u></b>
<b>Distribution proposed for the year</b>		<b><u>6.762</u></b>	<b><u>3.552</u></b>
Recommended appropriation:			
Retained earnings at 31 december 2016		<u>12</u>	<u>0</u>
Distribution proposed for the year		<u>6.750</u>	<u>3.552</u>
		<b><u>6.762</u></b>	<b><u>3.552</u></b>

## Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Investments</b>			
Investments	2	<u>1</u>	<u>1</u>
<b>Total financial fixed assets</b>		<u>1</u>	<u>1</u>
<b>Total fixed assets</b>		<u>1</u>	<u>1</u>
<b>Current assets</b>			
<b>Receivables</b>			
Other receivables		<u>23</u>	<u>2.719</u>
		<u>23</u>	<u>2.719</u>
<b>Cash in bank and at hand</b>		<u>1.694</u>	<u>1.643</u>
<b>Total current assets</b>		<u>1.717</u>	<u>4.361</u>
<b>TOTAL ASSETS</b>		<u>1.719</u>	<u>4.362</u>



## Balance sheet at 31 December 2016

	Note	2016 (000 DKK)	2015 (000 DKK)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	3		
Investment capital		0	0
Retained earnings		<u>12</u>	<u>0</u>
<b>Total equity</b>		<u>12</u>	<u>0</u>
<b>Provisions</b>			
Provisions, management fee		<u>300</u>	<u>0</u>
<b>Liabilities other than provisions</b>		<u>300</u>	<u>0</u>
<b>Short-term liabilities other than provisions</b>			
Trade payables		0	404
Other payables		<u>1.407</u>	<u>3.958</u>
<b>Current liabilities</b>		<u>1.407</u>	<u>4.362</u>
<b>Total liabilities other than provisions</b>		<u>1.407</u>	<u>4.362</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1.719</u>	<u>4.362</u>
<b>Related parties</b>	4		

## Notes

	2016 (000 DKK)	2015 Jun-Dec (000 DKK)
<b>1 Staff costs</b>		
Analysis of staff costs:		
Wages and salaries	3.163	2.490
Pension costs	246	20
Other social security costs	14	1
	<u>3.424</u>	<u>2.511</u>
Average number of employees	<u>2</u>	<u>2</u>

## Notes

### 2 Investments

	Total
	(000 DKK)
Cost 1 January 2016	1
Additions in the year	0
Cost at 31 December 2016	1
Results and revaluation and write-downs 1 January 2016	0
Revaluation and write-downs in the period	0
Revaluation and write-downs at 31 December 2016	0
<b>Book value at 31 December 2016</b>	<b>1</b>

### 3 Equity

	Investment capital	Retained earnings	Total
Balance 1 January 2016	0	0	0
Net profit for the year 2016	0	6.762	6.762
Distributed regarding 2016	0	-6.750	-6.750
<b>Balance at 31 December 2016</b>	<b>0</b>	<b>12</b>	<b>12</b>

## Notes

### 4 Related parties

The Company's related parties comprise the following:

- SEED Capital Denmark III K/S (1 general partner is CEO)

The general partners of the Company are partially employees by and functions as CEOs in the following companies, for which the Company provides investment consultation:

- Pre-Seed Innovation A/S (1 general partner is CEO)

All transactions between the parties are based on arm length principle.