

# PROJECT SPROUT K/S

## ANNUAL REPORT 2022

Signed at the company's annual general meeting, 18. april 2023

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Conductor

Project Sprout K/S  
c/o Strandvejen 104B, 2900 Hellerup  
CVR 39 47 80 80

Annual report for the period 1 January – 31 December 2022

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# Fund Reporting

## I.1 Fund Overview

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Fund Full Name	Project Sprout K/S
Closing Date	April 30, 2018
Vintage Year	2018
Term	Exp. 17 years - i.e. end of December 2035
Fund Currency	USD
Financial Year-End	December 31
Fund's Domicile	Strandvejen 104B, 2900 Hellerup, Denmark
Legal Form	Limited Liability Partnership
Structure	One General Partner and 6 Limited Partners
General Partner	Project Sprout Management ApS
Investment Manager	Vækstfonden Strandvejen 104B, 2900 Hellerup, Denmark
Registered Office	c/o Vækstfonden Strandvejen 104B, 2900 Hellerup, Denmark
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S, Denmark
Bank	Nordea Bank Danmark A/S Grønjordsvej 10 2300 København S, Denmark

## Statement by the Management

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The Management has today discussed and approved the annual report of Project Sprout K/S for the period 1 January - 31 December 2022

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act with respect to recognition and measurement

We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of Project Sprout K/S's assets, liabilities and financial position at 31 December 2022 as well as of the results of Project Sprout K/S's activities and cash flows for the financial period 1 January – 31 December 2022.

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

Copenhagen, 28 March 2023

Jacob Hübertz  
On behalf of Project Sprout Management ApS

Erik Balck Sørensen  
On behalf of Project Sprout Management ApS

# Independent auditor's report

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To the Limited Partners of Project Sprout K/S

## Opinion

We have audited the financial statements of Project Sprout K/S for the financial year 1 January – 31 December 2022, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2022 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2022 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 this auditor's 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements 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 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 Entity'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 Entity'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 Entity 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.

#### **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 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, 28 March 2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

**Kasper Bruhn Udam**

State Authorised Public Accountant

Identification No (MNE) mne29421

**Jakob Lindberg**

State Authorised Public Accountant

Identification No (MNE) mne40824

## Corporate Responsibility

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Project Sprout K/S is a private investment fund, a so-called 'fund-of-funds', which builds on a collaboration between Vækstfonden and Silicon Valley Bank. Project Sprout K/S is managed by Vækstfonden, and does not have a board, employees, nor an independent ESG-policy. The fund is subject to Vækstfonden's policies and processes in matters of responsible business conduct.

Vækstfonden's Policy for Corporate Social Responsibility and Sustainability describes how Vækstfonden – and the funds that Vækstfonden manages – operates as a responsible investor and organization, in which environmental, social, and governmental considerations are taken into account throughout the investment process. The policy also entails an exclusion list with activities that Vækstfonden do not invest in due to their potential negative impacts on the society. In addition, Vækstfonden has a particular policy on tax, which underscores Vækstfonden's zero-tolerance towards tax-evasion and aggressive tax planning, which all fund managers are expected to adhere to.

Since the fund has no board or employees, it is not subject to the criteria of formulating targets and policies for promoting gender diversity. In this regard, the employees of Vækstfonden constitutes the management of Project Sprout K/S, in which Vækstfonden's Policy for Diversity is applicable.

The policies aim to ensure that we operate in accordance with internationally agreed principles for sustainable social, environmental, and financial development. The responsible investment-approach is based on the UN Guiding Principles on Human Rights and Business and the OECD Guidelines for Multinational Enterprises. Project Sprout K/S is a closed-end fund established for the purpose of carrying out certain specific investments, which implies that no new investment activities are expected. Accordingly, no new ESG screenings are anticipated at this point. Instead, the activities of Project Sprout K/S are being monitored on an ongoing basis in order to ensure compliance with the said policies. Further, any identified or potential unethical, illegal, or irresponsible behavior that contradicts Project Sprout K/S's policies and values can be reported through Vækstfonden's whistleblower program.

To learn more on Vækstfonden's work on sustainability, see [vf.dk](http://vf.dk).



# Management's Review

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## Objective

Project Sprout K/S' objective is to generate income and capital appreciation by investing in the portfolio funds Sprout Endurance Partners, L.P. and Strategic Investors Fund IX, L.P.

## Events During the Year

The financial year shows a result of USD -6,370,223 and the balance statement as of 31 December 2022 shows a capital account of USD 98,601,457.

## Management of the Company

Project Sprout K/S has no employees. A management agreement has been entered between Project Sprout K/S and Vækstfonden.

## Events after the Balance Date

After the end of the financial year, the financial authorities in California closed the American Silicon Valley Bank. The bank was an important financing partner especially for startups in the technology sector. At the time of publication, it is not possible to assess the extent of the potential negative impact on the international venture environment and Danish companies.

## Financial Key Figures

<b>Income Statement (tUSD)</b>	<b>2022</b>	<b>2021</b>
Profit on Investments	(6.269)	22.226
Profit for the Period	(6.370)	22.128
<b>Balance Sheet (tUSD)</b>	<b>2022</b>	<b>2021</b>
Assets	98.608	103.386
Committed Capital from Investors	75.000	75.000
Committed Capital from Limited Partners not yet paid in Capital Account	(15.467)	(17.067)
	98.601	103.372
<b>Statement of Cash Flows (tUSD)</b>	<b>2022</b>	<b>2021</b>
Cash Flow from Operations	(109)	(139)
Cash Flow from Investment Activities	(3.163)	(16.510)
Cash Flow from Financing Activities	1.600	22.037
<b>Key Figures</b>	<b>2022</b>	<b>2021</b>
Total Value to Paid-In (TVPI)	1,66x	1,78x
Residual Value to Paid-In (RVPI)	1,66x	1,78x
Distributions to Paid-In (DPI)	0,00x	0,00x
IRR Gross	22,1%	41,9%
IRR Net	21,6%	41,0%
Number of Portfolio Funds	2	2



# Financial Statements 2022

## 7.1 Accounting Policies

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### Basis of Preparation

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The Financial Statements are presented in USD.

Currency Exchange rate 31 December 2022 (USD/DKK): **6,9722**

Currency Exchange rate 31 December 2021 (USD/DKK): **6,5612**

### Recognition and Measurement

Value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized in the income statement. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement. This includes depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to Project Sprout K/S and the value of the asset can be measured reliably.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Financial Statements, which confirm or invalidate affairs and conditions existing on the balance sheet date.

USD are used as the measurement currency. All other currencies are regarded as foreign currencies.

Due to rounding, there may be minor differences in totals in the notes.

### Conversion Policies

Transactions in foreign currencies are converted at the exchange rates at the transaction date. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized as financial income and expenses in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are converted at the exchange rates on the balance sheet date. Any differences between the exchange rates on the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

## **Income Statement**

### **Result from Investments in Funds**

The item "Profit (loss) on investments" in the income statement includes the proportionate share of the profit for the year in Project Sprout K/S' investments (funds) which includes realized and unrealized profit and loss on investments in portfolio companies.

### **Administrative Expenses**

Administrative expenses are composed of management fee, audit and legal fees as well as other costs related to the administration of Project Sprout K/S.

### **Finance Income and Expenses**

Finance income and expenses are composed of interest and other financial costs related to Project Sprout K/S' bank facilities etc.

### **Tax on Profit/Loss for the Period/Year**

Project Sprout K/S is not an independent tax entity and consequently no tax on the profit for the period/year is recognized in the income statement.

## **Balance Sheet**

### **Investment in Funds**

Investments in unlisted funds are measured at fair value based on Project Sprout K/S' proportionate share of the investments in the funds. In the settlement of the fair value of the funds, the International Private Equity and Venture Capital Valuation Guidelines' (IPEV) valuation principles are applied to the portfolio investments. The value adjustments for the year are recognized in the income statement.

Information on exchange rates, etc. that emerges after the clearance of accounts will only be incorporated if these are significant for the assessment of the annual accounts.

Determining the value of the portfolio companies in the portfolio funds is carried out by the management companies. Fair value is the price that one would receive by selling an asset in an ordinary transaction in the market. The management companies have different valuation methods depending on the portfolio company. For listed investments, the market price on the cut-off date is used. For investments with substantial and continuous cash flow or earnings, multiples based on peer groups are most often used, while investments without significant earnings most often use cost price or price based on the latest investment round.

### **Trade Payables and other Payables**

Trade payables and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are recognized at amortized cost.

## **Cash Flow Statement**

The cash flow statement shows Project Sprout K/S' cash flows for the period/year broken down into operating, investment and financing activities, changes for the period/year in cash and cash equivalents as well as Project Sprout K/S' cash and cash equivalents at the beginning and end of the period/year.

### **Cash Flows from Operating Activities**

The cash flow statement shows Project Sprout K/S' cash flows for the period/year broken down into operating, investment and financing activities, changes for the period/year in cash and cash equivalents as well as Project Sprout K/S' cash and cash equivalents at the beginning and end of the period/year.

### **Cash Flows from Investment Activities**

Cash flows from investment activities are composed of cash flows from payments to and distributions from portfolio funds.

### **Cash Flows from Financing Activities**

Cash flows from financing activities are composed of cash flows from payments from and distributions to Limited Partners.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand and borrowings.

# Financial Statements

## 7.2 Income Statement

USD		01.01.2022	01.01.2021
Note		31.12.2022	31.12.2021
	<b>Profit (Loss) on Investment in Portfolio Funds</b>		
	Value Adjustment of Investments in Portfolio Funds	(6.269.264)	22.226.287
	<b>Total Profit (Loss) on Investments</b>	<b>(6.269.264)</b>	<b>22.226.287</b>
	<b>Administrative Expenses</b>		
	Management Fee	(75.000)	(75.000)
1	Other Administrative Expenses	(26.993)	(20.328)
	<b>Total Administrative Expenses</b>	<b>(101.993)</b>	<b>(95.328)</b>
	<b>Operating Profit (Loss)</b>	<b>(6.371.257)</b>	<b>22.130.959</b>
2	Finance Income and Costs	1.033	(3.455)
	<b>Profit (Loss) for the Period</b>	<b>(6.370.223)</b>	<b>22.127.504</b>
	Recommended Appropriation		
	<b>Retained Earnings at 31 December</b>	<b>(6.370.223)</b>	<b>22.127.504</b>

# Financial Statements

## 7.3 Balance Sheet

USD Note	31.12.2022	31.12.2021	
<b>Assets</b>			
<b>Non-Current Assets</b>			
3	Investment in Funds	98.463.085	101.569.849
	<b>Total Non-Current Assets</b>	<b>98.463.085</b>	<b>101.569.849</b>
<b>Current Assets</b>			
	Cash and Cash Equivalents	107.572	1.778.656
	Other Receivables	37.500	37.500
	<b>Total Current Assets</b>	<b>145.072</b>	<b>1.816.156</b>
	<b>Total Assets</b>	<b>98.608.157</b>	<b>103.386.005</b>
<b>Equity and Liabilities</b>			
<b>Capital Account</b>			
	Total Committed Capital from Limited Partners	75.000.000	75.000.000
	Commitment not yet Paid in by Limited Partners	(15.467.362)	(17.067.362)
	Retained Earnings	39.068.820	45.439.043
	<b>Total Capital Account</b>	<b>98.601.457</b>	<b>103.371.681</b>
<b>Current Liabilities</b>			
	Trade and other Payables	6.700	14.324
	<b>Total Current Liabilities</b>	<b>6.700</b>	<b>14.324</b>
	<b>Total Capital Account and Liabilities</b>	<b>98.608.157</b>	<b>103.386.005</b>

4 Information on Fair Value of the Investments



# Financial Statements

## 7.5 Changes in Equity

USD	Committed Capital	Subscribed not Paid Capital	Retained Earnings	Total
<b>31 December 2019</b>	<b>75.000.000</b>	<b>(56.567.862)</b>	<b>81.755</b>	<b>18.513.892</b>
Contributions by Limited Partners	-	17.463.205	-	17.463.205
Profit (Loss)	-	-	23.229.784	23.229.784
<b>31 December 2020</b>	<b>75.000.000</b>	<b>(39.104.657)</b>	<b>23.311.539</b>	<b>59.206.881</b>
Contributions by Limited Partners	-	22.037.295	-	22.037.295
Profit (Loss)	-	-	22.127.504	22.127.504
<b>31 December 2021</b>	<b>75.000.000</b>	<b>(17.067.362)</b>	<b>45.439.043</b>	<b>103.371.681</b>
Contributions by Limited Partners	-	1.600.000	-	1.600.000
Profit (Loss)	-	-	(6.370.223)	(6.370.223)
<b>31 December 2022</b>	<b>75.000.000</b>	<b>(15.467.362)</b>	<b>39.068.820</b>	<b>98.601.458</b>

# Financial Statements

## 7.4 Cash Flows

USD	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Operating profit (loss)	(6.371.257)	22.127.504
Value Adjustments of Investments in Funds	6.269.264	(22.226.287)
Change in Working Capital	(7.624)	(37.225)
Interest Paid/Received (-/+)	1.033	(3.455)
<b>Cash Flow from Operations</b>	<b>(108.584)</b>	<b>(139.462)</b>
Contributions to Funds	(3.162.500)	(16.510.462)
Distribution from Funds	-	-
<b>Cash Flow from Investment Activities</b>	<b>(3.162.500)</b>	<b>(16.510.462)</b>
Contributions by Limited Partners	1.600.000	22.037.295
Distributions to Limited Partners	-	-
<b>Cash Flow from Financing Activities</b>	<b>1.600.000</b>	<b>22.037.295</b>
Cash and Cash Equivalents at Beginning of Period	1.778.656	(3.612.170)
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>107.572</b>	<b>1.775.201</b>

# Financial Statements

## 7.6 Notes

Note 1 - Other Administrative Expenses USD	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Audit	(7.318)	(7.624)
Lawyer and Consultancy, Other	(15.351)	(6.700)
Project Sprout Management ApS fee	(1.581)	(265)
Other Administrative Expenses	(2.743)	(5.738)
<b>Total Other Administrative Expenses</b>	<b>(26.993)</b>	<b>(20.328)</b>

The company has no employees.

Note 2 - Finance Income and Costs USD	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Interest Income, Bank	2.968	263
Interest Expenses, Bank Overdraft Facility	(1.934)	(3.717)
<b>Total Finance Income and Costs</b>	<b>1.033</b>	<b>(3.455)</b>

Note 3 - Investment in Funds USD	31.12.2022	31.12.2021
Cost at Beginning of Period	55.607.962	39.097.500
Additions	3.162.500	16.510.462
<b>Cost at End of Period</b>	<b>58.770.462</b>	<b>55.607.962</b>
Value Adjustments at Beginning of Period	45.961.888	23.735.601
Value Adjustments for the Period	(6.269.264)	22.226.287
<b>Value Adjustments at End of Period</b>	<b>39.692.624</b>	<b>45.961.888</b>
<b>Net Book Value at End of Period</b>	<b>98.463.086</b>	<b>101.569.849</b>

Note 4 - Information on Fair Value of the Investments USD	01.01.2022 31.12.2022	01.01.2021 31.12.2021
Fair Value 31 December	98.463.086	101.569.849
Unrealised Value Adjustments Recog. Through Profit or Loss	(6.269.264)	22.226.287
Unrealised Value Adjustments Recog. Through Equity	-	-

#### Note 5 - Events after the Balance Date

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After the end of the financial year, the financial authorities in California closed the American Silicon Valley Bank. The bank was an important financing partner especially for startups in the technology sector. At the time of publication, it is not possible to assess the extent of the potential negative impact on the international venture environment and Danish companies.

