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Sundew ApS

Annual report for 2023

(5th Financial year)

C/O Alfa Laval Innovation House
Maskinvej 5
2860 Søborg
CVR no. 39 82 17 02

Adopted at the annual general meeting on 28
June 2024

Neil Goldsmith
chairman



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Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of Sundew ApS for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

The Board recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 28 June 2024

Executive Board

Giovanni Salerno
CEO

Board of Directors

Neil Goldsmith
chairman

Nicky Deasy

Jørgen Hansen

Johan Bitsch Nielsen

John Bosco Carrigan



Independent auditor's report

To the management of Sundew ApS

Auditors' Report on the Financial Statements

Opinion

We have audited the financial statements of Sundew ApS for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our conclusion, we draw attention to the fact that, as described in the management review and note 2, there is uncertainty regarding the valuation of the capital shares in the subsidiary.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

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 management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 management's review.

Report on other legal and regulatory requirements

Violation of Danish VAT legislation

Contrary to Danish VAT legislation, the Company has filed incorrect VAT statements to the Danish Customs and Tax Administration, and Management may incur liability in this respect.

Furthermore the Company has not been registered for VAT in the relevant EU country, the Company has not been registered an exporter or applied for an EORI number, which is in violation of Danish VAT and Customs legislation.

Copenhagen, 28 June 2024

Ri Statsautoriseret Revisionspartnerselskab
CVR no. 44 52 80 45

Joachim Munch
State authorized public accountant
mne42244



Company details

The company

Sundew ApS
C/O Alfa Laval Innovation House
Maskinvej 5
2860 Søborg

Website: www.sundew.bio

CVR no.: 39 82 17 02

Reporting period: 1 January - 31 December 2023

Incorporated: 1 September 2018

Domicile: Copenhagen

Board of Directors

Neil Goldsmith, chairman
Nicky Deasy
Jørgen Hansen
Johan Bitsch Nielsen
John Bosco Carrigan

Executive Board

Giovanni Salerno

Auditors

Ri Statsautoriseret Revisionspartnerselskab
Skagensgade 1
2630 Taastrup



Management's review

Business review

Sundew is developing biological solutions for water-borne pests, diseases and invasive species.

Recognition and measurement uncertainties

As part of Sundew's long-term strategy, the Irish subsidiary MicroSynbiotix Ltd (MSX) was acquired in 2021 since MSX had a technology that was complementary to the Company's existing technology. The intellectual property resides in MSX but further development is carried out by the parent company.

The cost of MSX is recognized at DKK 21,346,059 in the balance sheet. The value depends on Sundew's continuing success in developing the technology which is, inevitably, subject to some uncertainty.

Reference is made to note 2.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of DKK 13,429,203, and the balance sheet at 31 December 2023 shows negative equity of DKK 6,872,047.

Management considers the Company's financial performance in the year satisfactory and in line with the strategic directions.

Capital resources

In May, the Company completed a 17.4M DKK financing from existing investor and loan note holders. Of this, 15.2 MDKK was paid on closing, with a second tranche of 1.2 MDKK expected later in 2024, subject to the Company achieving certain milestones. As part of the same transaction, loan notes valued at 24.98 MDKK were converted to equity. The Company's management and Board consider this financial injection to be sufficient to support the Company's activities over the next two next two years and potentially through to trading profitably.

Reference is made to note 1.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.



Accounting policies

The annual report of Sundew ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

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

The annual report for 2023 is presented in DKK.

Pursuant to sections §110 subsection 1, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Public grants

Grants to cover research and development costs are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

Grants for production assets and development projects are recognised in the balance sheet as deferred income and transferred to other operating income in the income statement in step with depreciation and amortisation of the assets to which the grants relate.



Accounting policies

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue and production costs.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Cost of sales

Cost of sales comprises the cost of acquiring or manufacturing the products sold by the company to generate the year's revenue. Manufacturing companies recognise direct and indirect costs of production, including costs of raw materials and consumables, wages and salaries, energy consumption, maintenance, leasing and depreciation of production plant, adjustments being made for changes in inventories of finished goods and work in progress. Manufacturing companies recognise cost of sales and inventory write-downs for wastage, obsolete inventories and impairment losses.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including public grants, gains on the sale of intangible assets and property, plant and equipment.

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criterias have been met. Grants which must be repaid under certain circumstances are recognised only when they are not expected to be repaid.

Administrative costs

Administrative costs comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.



Accounting policies

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise the year's depreciation, amortisation and impairment of intangible assets and property, plant and equipment.

Research and development costs

Research costs comprises costs not satisfying the criteria for capitalisation. Research costs comprise salaries, patent costs, consultancy fees, clinical trial costs etc.

Development costs comprise costs relating to development projects that do not qualify for recognition in the balance sheet and amortisation of recognised development projects.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Tax of the year includes tax credit for costs incurred in connection with research and development activities under the Danish Tax Credit Regime.

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	2-5 years	0 %



Accounting policies

Assets costing less than DKK 32,000 are expensed in the year of acquisition.

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Investments in subsidiaries, associates and participating interests

Investment in subsidiaries, associates and participating interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of equipment is tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Receivables

Receivables are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Income tax and deferred tax

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.



Accounting policies

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.



Income statement 1 January 2023 - 31 December 2023

	Note	2023 DKK	2022 DKK
Gross profit		78,486	0
Research and development costs	3	-10,810,036	-11,170,652
Administrative costs	3	<u>-2,831,327</u>	<u>-2,000,732</u>
Operating profit/loss		-13,562,877	-13,171,384
Other operating income		<u>213,940</u>	<u>678,635</u>
Profit/loss before financial income and expenses		-13,348,937	-12,492,749
Financial income		2,290	0
Financial costs	4	<u>-2,334,097</u>	<u>-1,780,056</u>
Profit/loss before tax		-15,680,744	-14,272,805
Tax on profit/loss for the year	5	<u>2,251,541</u>	<u>2,337,452</u>
Net profit/loss for the year		<u>-13,429,203</u>	<u>-11,935,353</u>
Proposed distribution of profit			
Retained earnings		<u>-13,429,203</u>	<u>-11,935,353</u>
		<u>-13,429,203</u>	<u>-11,935,353</u>



Balance sheet at 31 December 2023

	Note	2023 DKK	2022 DKK
Assets			
Other fixtures and fittings, tools and equipment	6	<u>1,237,927</u>	<u>1,725,603</u>
Tangible assets		<u>1,237,927</u>	<u>1,725,603</u>
Investments in subsidiaries		<u>21,346,059</u>	<u>21,346,059</u>
Fixed asset investments		<u>21,346,059</u>	<u>21,346,059</u>
Total non-current assets		<u>22,583,986</u>	<u>23,071,662</u>
Trade receivables		74,254	0
Receivables from subsidiaries		11,177	11,177
Other receivables		951,598	1,111,678
Corporation tax		<u>2,251,541</u>	<u>2,339,986</u>
Receivables		<u>3,288,570</u>	<u>3,462,841</u>
Cash at bank and in hand		<u>1,683,024</u>	<u>6,232,956</u>
Total current assets		<u>4,971,594</u>	<u>9,695,797</u>
Total assets		<u>27,555,580</u>	<u>32,767,459</u>



Balance sheet at 31 December 2023

	Note	2023 DKK	2022 DKK
Equity and liabilities			
Share capital		121,125	-381,348
Retained earnings		-6,993,172	6,938,504
Equity		-6,872,047	6,557,156
Convertible and profit-yielding instruments of debt		0	17,072,670
Payables to group enterprises		451,375	0
Payables to associates		215,858	211,626
Other payables		5,498,194	7,596,481
Shareholders and management		97,942	96,021
Total non-current liabilities	7	6,263,369	24,976,798
Short-term part of long-term debt	7	26,650,507	0
Trade payables		860,458	971,332
Payables to associates		79,126	0
Payables to controlling shareholder		0	22
Other payables		574,167	262,151
Total current liabilities		28,164,258	1,233,505
Total liabilities		34,427,627	26,210,303
Total equity and liabilities		27,555,580	32,767,459
Uncertainty about the continued operation (going concern)	1		
Uncertainty in the recognition and measurement	2		
Rent and lease liabilities	8		
Contingent liabilities	9		



Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2023	121,125	6,436,031	6,557,156
Net profit/loss for the year	0	-13,429,203	-13,429,203
Equity at 31 December 2023	<u>121,125</u>	<u>-6,993,172</u>	<u>-6,872,047</u>



Notes

1 Uncertainty about the continued operation (going concern)

The Company's budget for 2024 shows funding needs that exceed the Company's cash and networking capital position at 31 December 2023.

The Company's ability to finance its operating activities in 2024 has been ensured by a financing round in May 2024, where the Company completed a DKK 17.4 million financing from existing investor and loan note holders. Of this, DKK 15.2 million was paid on closing, with a second tranche of DKK 1.2M expected later in 2024, subject to the Company achieving certain milestones. As part of the same transaction, loan notes valued at DKK 24.98 million were converted to equity. The Company's management and Board consider this financial injection to be sufficient to support the Company's activities over the next two years and possibly through to trading profitably.

Based on this, it is Management's assessment that the Company's Annual Report may be presented under the going concern assumption. We agree with that view.

2 Uncertainty in the recognition and measurement

As part of Sundew's long-term strategy, the Irish subsidiary MicroSynbiotix Ltd (MSX) was acquired in 2021 since MSX had a technology that was complementary to the Company's existing technology. The intellectual property resides in MSX but further development is carried out by the parent company.

The cost of MSX is recognized at DKK 21,346,059 in the balance sheet. The value depends on Sundew's continuing success in developing the technology which is, inevitably, subject to some uncertainty.



Notes

	2023 DKK	2022 DKK
3 Staff		
Wages and Salaries	6,689,502	5,151,984
Other social security expenses	59,221	31,466
Other staff expenses	97,259	87,646
	<u>6,845,982</u>	<u>5,271,096</u>
Wages and Salaries, other social security expenses and other staff expenses are recognised in the following items:		
Research and development expenses	6,093,765	4,769,201
Administrative expenses	752,217	501,895
	<u>6,845,982</u>	<u>5,271,096</u>
Including remuneration to the executive board	<u>1,667,000</u>	<u>1,152,000</u>
Number of fulltime employees on average	<u>10</u>	<u>8</u>
4 Financial costs		
Interest paid to subsidiaries	4,201	0
Interest paid to associates	8,359	4,150
Other financial costs	2,320,074	1,762,356
Exchange adjustments costs	1,463	13,550
	<u>2,334,097</u>	<u>1,780,056</u>



Notes

	2023 DKK	2022 DKK
5 Tax on profit/loss for the year		
Current tax for the year	-2,251,541	-2,339,986
Adjustment of tax concerning previous years	0	2,534
	<u>-2,251,541</u>	<u>-2,337,452</u>

6 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2023	<u>2,438,381</u>
Cost at 31 December 2023	<u>2,438,381</u>
Impairment losses and depreciation at 1 January 2023	712,778
Depreciation for the year	<u>487,676</u>
Impairment losses and depreciation at 31 December 2023	<u>1,200,454</u>
Carrying amount at 31 December 2023	<u>1,237,927</u>



Notes

7 Long term debt

	Debt at 1 January 2023	Debt at 31 December 2023	Installment next year	Debt outstanding after 5 years
Convertible and profit-yielding instruments of debt	17,072,670	23,901,410	23,901,410	0
Payables to group enterprises	0	451,375	0	0
Payables to associates	211,626	215,858	0	0
Shareholders and management	96,021	97,942	0	0
Other payables	7,596,481	8,247,291	2,749,097	0
	<u>24,976,798</u>	<u>32,913,876</u>	<u>26,650,507</u>	<u>0</u>

8 Rent and lease liabilities

Operating lease liabilities.

Total future lease payments:

Operating lease liabilities, 3-month period of interminability	252,000	195,000
	<u>252,000</u>	<u>195,000</u>

9 Contingent liabilities

The company has no contingent liabilities.