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Sundew ApS

Annual report for 2020

(2nd Financial year)

c/o Bioinnovation Institute
Ole Maaløes Vej 3
2200 København N
CVR no. 39 82 17 02

Adopted at the annual general meeting on 24
March 2021

Neil Goldsmith
chairman



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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Sundew ApS for the financial year 1 January - 31 December 2020.

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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

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

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

Copenhagen, 24 March 2021

Director

Giovanni Salerno
CEO

Jørgen Hansen
director

Neil Goldsmith
director



Independent auditor's report

To the management of Sundew ApS

Opinion

We have audited the financial statements of Sundew ApS for the financial year 1 January - 31 December 2020, 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 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

With effect from the current financial year, the Company has become subject to statutory audit. We wish to emphasise that, as stated in the financial statements, the comparative figures in the financial statements are not audited.

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.

Copenhagen, 24 March 2021

Ri Statsautoriseret Revisionsaktieselskab
CVR no. 53 37 19 14

Joachim Munch
State authorized public accountant
MNE no. mne42244



Company details

The company

Sundew ApS
c/o Bioinnovation Institute
Ole Maaløes Vej 3
2200 København N

E-mail: info@sundew.bio

Website: www.sundew.bio

CVR no.: 39 82 17 02

Reporting period: 1 January - 31 December 2020

Incorporated: 1 September 2018

Domicile: Copenhagen

Director

Giovanni Salerno
Jørgen Hansen
Neil Goldsmith

Auditors

Ri Statsautoriseret Revisionsaktieselskab
Skagensgade 1
2630 Taastrup



Management's review

Business review

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

Financial review

The company's income statement for the year ended 31 December 2020 shows a loss of DKK 1,231,658, and the balance sheet at 31 December 2020 shows negative equity of DKK 1,516,088.

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

Capital resources

The Company commenced its activities in 2019 and 2020 and in the connection, incurred start-up costs and research and development costs which exceed the income of the company. Consequently, equity at December 31, 2020 was lost. The equity is expected to be reestablished through capital raise.

In February 2020, a grant was awarded to the Company from the Danish funding body GUDP (Grønt Udviklings- og Demonstrationsprogram under Miljø- og Fødevarerministeriet – The Green Development and Demonstration Program of the Danish Ministry of Environment and Food). The grant covers a three-year project focused on developing Sundew's first product, BOKOS, a biological treatment for the important fish disease known as ICH or white spot.

In 2020 the company secured further funding through convertible loans from Novo Nordisk Foundation and Vækstfonden, a total of DKK 12.2 million.

At December 31, 2020 the company had a cash position of approximately DKK 11 million. It is management's assessment, that the company has sufficient funds to meet its operational requirements for 2021. In the case that the secured funding does not meet the cash requirement, Management is able to reduce operational activities and maintain the company as going concern until end of 2021.

References are made to note 1 for further details.

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 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises, 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 2020 is presented in DKK

The Company was founded on 1 September 2018, and the comparative figures therefore covers 16 months.

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.

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 for research and development costs which are recognised directly in the income statement are recognised as other operating income in step with the costs to which the grants relate being incurred.

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

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. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation 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.



Accounting policies

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
Other fixtures and fittings, tools and equipment	2-5 years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries

Investment in subsidiaries 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.



Accounting policies

Receivables

Receivables are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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.

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.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.



Income statement 1 January 2020 - 31 December 2020

	Note	2020 DKK	2019 DKK
Research and development costs		-1,667,462	-368,390
Administrative costs		<u>-377,451</u>	<u>0</u>
Operating profit/loss		-2,044,913	-368,390
Other operating income		<u>754,272</u>	<u>0</u>
Profit/loss before financial income and expenses		-1,290,641	-368,390
Financial costs	3	<u>-285,908</u>	<u>-7,218</u>
Profit/loss before tax		-1,576,549	-375,608
Tax on profit/loss for the year	4	<u>344,891</u>	<u>8,225</u>
Net profit/loss for the year		<u>-1,231,658</u>	<u>-367,383</u>
Proposed distribution of profit			
Retained earnings		<u>-1,231,658</u>	<u>-367,383</u>
		<u>-1,231,658</u>	<u>-367,383</u>



Balance sheet at 31 December 2020

	Note	2020 DKK	2019 DKK
Assets			
Other fixtures and fittings, tools and equipment		<u>282,688</u>	<u>0</u>
Tangible assets	5	<u>282,688</u>	<u>0</u>
Investments in subsidiaries		<u>22</u>	<u>0</u>
Fixed asset investments		<u>22</u>	<u>0</u>
Total non-current assets		<u>282,710</u>	<u>0</u>
Other receivables		710,841	42,804
Corporation tax		<u>344,891</u>	<u>8,225</u>
Receivables		<u>1,055,732</u>	<u>51,029</u>
Cash at bank and in hand		<u>11,030,948</u>	<u>60,484</u>
Total current assets		<u>12,086,680</u>	<u>111,513</u>
Total assets		<u><u>12,369,390</u></u>	<u><u>111,513</u></u>



Balance sheet at 31 December 2020

	Note	2020 DKK	2019 DKK
Equity and liabilities			
Share capital		82,953	50,000
Retained earnings		-1,599,041	-367,383
Equity		-1,516,088	-317,383
Convertible and profit-yielding instruments of debt		12,407,213	0
Payables to associates		155,791	302,632
Shareholders and management		295,701	95,783
Total non-current liabilities	6	12,858,705	398,415
Trade payables		565,256	30,481
Payables to controlling shareholder		22	0
Other payables		291,882	0
Deferred income		169,613	0
Total current liabilities		1,026,773	30,481
Total liabilities		13,885,478	428,896
Total equity and liabilities		12,369,390	111,513
Uncertainty about the continued operation (going concern)	1		
Staff	2		
Rent and lease liabilities	7		
Contingent liabilities	8		



Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2020	50,000	-367,383	-317,383
Cash capital increase	32,953	0	32,953
Net profit/loss for the year	0	-1,231,658	-1,231,658
Equity at 31 December 2020	<u>82,953</u>	<u>-1,599,041</u>	<u>-1,516,088</u>



Notes

1 Uncertainty about the continued operation (going concern)

The Company commenced its activities in 2019 and 2020 and in the connection, incurred start-up costs and research and development costs which exceed the income of the company. Consequently, equity at December 31, 2020 was lost. The equity is expected to be reestablished through capital raise.

In February 2020, a grant was awarded to the Company from the Danish funding body GUDP (Grønt Udviklings- og Demonstrationsprogram under Miljø- og Fødevareministeriet – The Green Development and Demonstration Program of the Danish Ministry of Environment and Food). The grant covers a three-year project focused on developing Sundew's first product, BOKOS, a biological treatment for the important fish disease known as ICH or white spot.

In 2020 the company secured further funding through convertible loans from Novo Nordisk Foundation and Vækstfonden, a total of DKK 12.2 million.

At December 31, 2020 the company had a cash position of approximately DKK 11 million. It is management's assessment, that the company has sufficient funds to meet its operational requirements for 2021. In the case that the secured funding does not meet the cash requirement, Management is able to reduce operational activities and maintain the company as going concern until end of 2021.



Notes

	2020 DKK	2019 DKK
2 Staff		
Wages and Salaries	1,051,614	0
Other social security expenses	865	0
Other staff expenses	60,951	0
	<u>1,113,430</u>	<u>0</u>
	<u>1,113,430</u>	<u>0</u>
Wages and Salaries, other social security expenses and other staff expenses are recognised in the following items:		
Research and development expenses	1,057,387	0
Administrative expenses	56,043	0
	<u>1,113,430</u>	<u>0</u>
	<u>1,113,430</u>	<u>0</u>
Including remuneration to the executive board:		
Executive Board	172,000	0
	<u>172,000</u>	<u>0</u>
	<u>172,000</u>	<u>0</u>
Average number of employees	<u>2</u>	<u>0</u>
	<u>2</u>	<u>0</u>
3 Financial costs		
Interest paid to associates	4,907	1,833
Other financial costs	280,298	5,385
Exchange adjustments costs	703	0
	<u>285,908</u>	<u>7,218</u>
	<u>285,908</u>	<u>7,218</u>
4 Tax on profit/loss for the year		
Current tax for the year	-344,891	-8,225
	<u>-344,891</u>	<u>-8,225</u>
	<u>-344,891</u>	<u>-8,225</u>



Notes

5 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2020	0
Additions for the year	<u>330,050</u>
Cost at 31 December 2020	<u>330,050</u>
Impairment losses and depreciation at 1 January 2020	0
Depreciation for the year	<u>47,362</u>
Impairment losses and depreciation at 31 December 2020	<u>47,362</u>
Carrying amount at 31 December 2020	<u><u>282,688</u></u>

6 Long term debt

	<u>Debt at 1 January 2020</u>	<u>Debt at 31 December 2020</u>	<u>Instalment next year</u>	<u>Debt outstanding after 5 years</u>
Convertible and profit-yielding instruments of debt	0	12,407,213	0	2,500,000
Payables to associates	302,632	155,791	0	0
Shareholders and management	<u>95,783</u>	<u>295,701</u>	<u>0</u>	<u>0</u>
	<u>398,415</u>	<u>12,858,705</u>	<u>0</u>	<u>2,500,000</u>



Notes

	2020 DKK	2019 DKK
7 Rent and lease liabilities		
Operating lease liabilities, 3-month period of interminability	78,000	0
Operating lease liabilities, 12-month period of interminability	<u>168,000</u>	<u>0</u>
	<u>246,000</u>	<u>0</u>
8 Contingent liabilities		
Consultancy agreement, 10-month period of interminability	<u>223,300</u>	<u>-</u>
	<u>223,300</u>	<u>-</u>