

Design Impact Fund II K/S

Wildersgade 60C, 3. tv, 1408 Copenhagen K

CVR no. 42 04 94 33

Annual report 2023

Approved at the Company's annual general meeting on 18 June 2024

Chair of the meeting:

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Liza Chong

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Statement by the Management

Today, the Management has discussed and approved the annual report of Design Impact Fund II K/S for the financial year 1 January - 31 December 2023.

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

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

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 18 June 2024
Executive Board:

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Liza Chong

Management, Design Impact Fund II Komplementar ApS:

Independent auditor's report

To the limited partners of Design Impact Fund II K/S

Opinion

We have audited the financial statements of Design Impact Fund II K/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 the financial statements.

Independent auditor's report

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 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 the work we have performed, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 18 June 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kaare K. Lendorf
State Authorised Public Accountant
mne33819

Emil Johnsen
State Authorised Public Accountant
mne50640

Management's review

Company details

Name	Design Impact Fund II K/S
Address, Postal code, City	Wildersgade 60C, 3. tv, 1408 Copenhagen K
CVR no.	42 04 94 33
Established	22 January 2021
Registered office	Copenhagen
Financial year	1 January - 31 December
Executive Board	Liza Chong
General Partner	Design Impact Fund II Komplementar ApS
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

The limited partnership's purpose is to make, develop and realise minority or majority investments in companies being early stage companies with a strong growth potential.

Financial review

The income statement for 2023 shows a profit of DKK 261,958 against a loss of DKK 1,271,932 last year, and the balance sheet at 31 December 2023 shows equity of DKK 8,214,183. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

DKK	2023	2022
Gross profit/ loss	-313,609	-1,105,246
Fair value adjustment of other investment assets	575,567	-155,964
Profit/ loss before net financials	261,958	-1,261,210
Financial income	0	272
Financial expenses	0	-10,994
Profit/ loss for the year	261,958	-1,271,932
 Recommended appropriation of profit/ loss		
Retained earnings/ accumulated loss	261,958	-1,271,932
	261,958	-1,271,932

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2023	2022
	ASSETS		
	Fixed assets		
5	Investments		
	Other securities and investments	4,923,704	3,787,499
		<u>4,923,704</u>	<u>3,787,499</u>
	Total fixed assets	<u>4,923,704</u>	<u>3,787,499</u>
	Non-fixed assets		
	Receivables		
	Prepayments	50,000	0
		<u>50,000</u>	<u>0</u>
	Cash	<u>3,353,164</u>	<u>4,260,570</u>
	Total non-fixed assets	<u>3,403,164</u>	<u>4,260,570</u>
	TOTAL ASSETS	<u><u>8,326,868</u></u>	<u><u>8,048,069</u></u>
	EQUITY AND LIABILITIES		
	Equity		
6	Investments by limited partners	9,056,243	9,056,243
	Retained earnings	-842,060	-1,104,018
	Total equity	<u>8,214,183</u>	<u>7,952,225</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	3,826	18,860
	Other payables	108,859	76,984
		<u>112,685</u>	<u>95,844</u>
	Total liabilities other than provisions	<u>112,685</u>	<u>95,844</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>8,326,868</u></u>	<u><u>8,048,069</u></u>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 3 Other operating income
- 4 Staff costs
- 7 Contractual obligations and contingencies, etc.
- 8 Security and collateral

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	<u>Investments by limited partners</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2022	4,527,414	167,914	4,695,328
Equity called during the period	4,528,829	0	4,528,829
Transfer through appropriation of loss	0	-1,271,932	-1,271,932
Equity at 1 January 2023	9,056,243	-1,104,018	7,952,225
Transfer through appropriation of profit	0	261,958	261,958
Equity at 31 December 2023	9,056,243	-842,060	8,214,183

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Design Impact Fund II K/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Basis of recognition and measurement

Income is recognised in the profit and loss account concurrently with the realisation, including the recognition of the value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, write-down, provisions, and reversals which are due to changes in estimated amounts are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the Company is liable to achieve future, financial benefits and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at costs. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into considerations, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Income statement

Gross profit/ loss

The items net operating income from properties, other operating income and external expenses have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to administration etc.

Financial income and expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Design Impact Fund II K/S is not a separate entity subject to taxation. The tax liability in respect of the Fund's earnings is incumbent on the individual investors of the Fund. For this reason, no tax is calculated on the Fund's earnings, and withholding of foreign tax on dividends from investments is charged directly to the Fund's investors.

Balance sheet

Investments

Other securities and investments

On initial recognition, other securities and investments are determined at the exchange rates at the transaction date and are subsequently measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on most recent equity raise of the fund.

The fair value measurement is based on recognised valuation methods on the basis of observable market information (fair value hierarchy 3).

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are recognised in the balance sheet at amortised cost, which is equivalent to nominal value less write-down for bad debt losses. Write-downs are made for bad debt losses based on an individual assessment of receivables.

Receivables from limited partners regarding cash calls receivable, etc. are recognised at nominal value.

Cash

Cash comprise cash.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be stated according to the above levels, the asset or liability is measured at cost.

2 Recognition and measurement uncertainties

The determination of the carrying amount of other securities and investments requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are based on the investment's most recent equity raise as an indicator of market value, which are associated with uncertainty and unpredictability due to the investment's early stage business. There are often no current, short-term, future earnings or positive cash flows, which can make it difficult to gauge the probability of the investment's future success.

The assumptions made may prove incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the Fund is subject to risks and uncertainties, which may lead to actual results differing from the estimates.

It may be necessary to change previously made estimates as a consequence of changes in the circumstances on which the previous estimates were based or due to new knowledge or subsequent events.

Estimates essential to the financial reporting may for example comprise determination of the value of the underlying investments. Because of the measurement principles used, the calculation of fair value will be subject to uncertainty.

3 Other operating income

4 Staff costs

The Company has no employees.

5 Investments

DKK	Other securities and investments
Cost at 1 January 2023	3,738,813
Additions	558,968
Cost at 31 December 2023	<u>4,297,781</u>
Value adjustments at 1 January 2023	48,686
Value adjustments for the year	575,567
Impairment losses	1,670
Value adjustments at 31 December 2023	<u>625,923</u>
Carrying amount at 31 December 2023	<u>4,923,704</u>

Financial statement 1 January – 31 December

Notes to the financial statements

5 Investments (continued)

On initial recognition, investments are measured at cost translated at the exchange rates at the transaction date. Subsequently investments are measured at fair value translated at the exchange rate at the balance sheet date. The fair value is determined by each fund based on most recent equity raise.

Design Impact Fund II K/S only invests in early stage businesses, which are not quoted on an active market. The investments in these funds will generally be classified as Level 3 in the fair value hierarchy. There are often no current, short-term, future earnings or positive cash flows, which can make it difficult to gauge the probability of the investment's future success. Design Impact Fund II K/S therefore places an emphasis on market indicators. Design Impact Fund II K/S has determined the best indicator of fair value is the most recent equity raise of the fund. In determining the appropriateness of using the most recent equity raise as an indicator of market value the Fund considers whether there are any factors that could indicate that the most recent raise is not reflective of fair value:

- ▶ Different rights attached to new and existing investments;
- ▶ Disproportionate dilution of existing investors arising from a new investor;
- ▶ Whether the new investor is motivated by a strategic consideration; or
- ▶ Whether the transaction is considered to be a forced sale of 'recuse package.'

If any of the above factors apply, then Design Impact Fund II K/S will make an allowance against the valuation or disregard the equity raise due to it not being reflective of market.

If there has not been a recent equity raise Design Impact Fund II K/S will review all information available to it to determine if there are any other factors that might impact the valuation. In the absence of any contradictory information the valuation is left at the value of the last equity.

The review of the valuation process is performed by the Management of Design Impact Fund II K/S. Management bases their ongoing review of the valuation process on the information reported from the invested funds. In Management's review of the valuation process, the obtained reported information is compared to cost and, if the information is not in accordance with cost, Management engages in dialog with the funds' Management in order to clarify any irregularities. At least once every year, Design Impact Fund II K/S ensures that valuation of all the assets in the funds is carried out.

The following table shows information about the funds used unobservable inputs related to the fair value measurement at 31 December 2023:

Financial statement 1 January – 31 December

Notes to the financial statements

5 Investments (continued)

Fund	Type	Valuation	Unobservable inputs
Mimica Lab	Investment in fund	Most recent equity raise	Price per share
Spot (Palace Inc.)	Investment in fund	Cost	N/A
Catalog Technologies	Investment in fund	Most recent equity raise	Price per share
Exseed Health Limited	Investment in fund	Most recent equity raise	Valuation of the enterprise
Petit Pli	Investment in fund	Cost	N/A
Provenance	Investment in fund	Cost	N/A
Kitepower	Investment in fund	Cost	N/A
Solar Foods	Investment in fund	Cost	N/A

Financial statements 1 January - 31 December

Notes to the financial statements

6 Investments by limited partners

The total subscribed equity capital amounts to DKK 9,056,243, the equity called at year end amounts to DKK 9,056,243.

Limited Partners holding more than 5 % of the subscribed capital:

RH Investments (VIC) PTY LTD ATF The RH Investment Unit Trust
Santo Lira LLC
Marijke Cecile Paul Colruyt
Friederike Holland
Hedaa Holding ApS
Peter Niklaus Wüthrich
Gegers Kronborg ApS
A/S FRYCO

7 Contractual obligations and contingencies, etc.

Other contingent liabilities

There are no contingent liabilities at 31 December 2023.

8 Security and collateral

The Company has not provided any security or other collateral in assets at 31 December 2023.

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"By my signature I confirm all dates and content in this document."

Liza Chong

Executive board

On behalf of: the company

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Kaare Kristensen Lendorf

EY Godkendt Revisionspartnerselskab CVR: 30700228

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

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