

Vivostat A/S

Borupvang 2, 3450 Allerød

Annual report

2022/23

Company reg. no. 10 03 33 65

The annual report was submitted and approved by the general meeting on the 27 June 2023.

Tyge Korsgaard
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Vivostat A/S for the financial year 2022/23.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 April 2023 and of the results of the Company's operations for the financial year 1 May 2022 - 30 April 2023.

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

We recommend that the annual report be approved at the Annual General Meeting.

Allerød, 27 June 2023

Managing Director

Sven Lange

Board of directors

Tyge Korsgaard
Chairman

Sven Lange

John Riis Mortensen

Independent auditor's report

To the Shareholders of Vivostat A/S

Opinion

We have audited the financial statements of Vivostat A/S for the financial year 1 May 2022 - 30 April 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. 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 financial position of the Company at 30 April 2023, and of the results of the Company's operations for the financial year 1 May 2022 - 30 April 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' 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 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 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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.

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.

Independent auditor's report

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 Statement Act. We did not identify any material misstatement of Management's Review.

Risskov, 27 June 2023

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01

Søren Anthon Thorup Pedersen
State Authorised Public Accountant
mne10154

Company information

The company	Vivostat A/S Borupvang 2 3450 Allerød
	Company reg. no. 10 03 33 65 Established: 30 June 2000 Domicile: Allerød Financial year: 1 May - 30 April
Board of directors	Tyge Korsgaard, Chairman Sven Lange John Riis Mortensen
Managing Director	Sven Lange
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Voldbjergvej 16, 2. sal 8240 Risskov
Parent company	Vivostat Holding ApS

Management´s review

The Annual Report of Vivostat A/S 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 selected rules applying to reporting class C.

The annual Report has been prepared under the same accounting policies as last year.

The principal activities of the company

The Company's main activities are to develop, produce and market the Vivostat System. Vivostat was established in 2000 and manufactures equipment and articles to stop bleeding and promote healing processes associated with hospitalizations. The products are used in a variety of contexts, among others during surgery and for the treatment of chronic wounds. "The raw material" is the patient's own blood from which a fibrin sealant or a platelet enriched fibrin product is recovered during a centrifugation process utilizing proprietary technology. 98% of revenue comes from exports to mainly Europe.

Development in activities and financial matters

The income statement of the Company for 2022/23 shows a result of 4.899.048 DKK against 5.668.024 DKK last year. The result for the year is considered satisfactory. The revenue growth rate from 2021/2022 to 2022/23 in ordinary business (ex. EU project) is high (38%), this is partly a post covid effect. Vivostat has made progress in sales for all product brands, including the new brands, Obsidian ASG®, Obsidian RFT® and ArthroZheal®, although sales of the new products are still at a relatively low level.

The project "Obsidian ASG - a powerful and efficient tissue sealant method for reducing the anastomotic leak rate in colorectal surgery" continued in the financial year 2022/23 and approx. 150 patients are enrolled to date in a pivotal randomized clinical trial conducted at 15 hospitals in different countries across Europe. The Obsidian product line seals and heals biologically using the patient's own blood. Observational studies have shown that the use of Obsidian ASG® reduces the anastomotic leakage rate in colorectal surgeries by more than 50%. Vivostat has received a grant from the EIC (European Innovation Council) Accelerator Program to finance 70% of the project. The EU grant has had an impact on the annual report in the form of increased revenues (see note 1) and increased costs. In the financial year, 2022/23, Vivostat acquired certain Intellectual Property Rights and marketing rights for Obsidian ASG covering most countries in Europe and the Middle East. This investment is reflected in the annual report as Goodwill under assets.

Management has positive expectations for the coming financial year (2023/24) with increased turnover and earnings.

Income statement 1 May - 30 April

All amounts in DKK.

<u>Note</u>	<u>2022/23</u>	<u>2021/22</u>
Gross profit	13.468.214	13.999.507
2 Staff costs	-6.846.793	-7.615.081
Depreciation, amortisation, and impairment	-1.544.145	-569.087
Other operating expenses	-15.126	0
Operating profit	5.062.150	5.815.339
Other financial income	1.507	153
3 Other financial costs	-164.609	-147.468
Pre-tax net profit or loss	4.899.048	5.668.024
Tax on ordinary results	0	0
Net profit or loss for the year	4.899.048	5.668.024
 Proposed distribution of net profit:		
Dividend for the financial year	1.500.000	5.000.000
Transferred to retained earnings	3.399.048	668.024
Total allocations and transfers	4.899.048	5.668.024

Balance sheet at 30 April

All amounts in DKK.

Assets		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Non-current assets		
4 Completed development projects, including patents and similar rights arising from development projects	2.864.601	3.877.543
5 Goodwill	3.352.500	0
Total intangible assets	<u>6.217.101</u>	<u>3.877.543</u>
6 Plant and machinery	60.163	65.961
7 Other fixtures and fittings, tools and equipment	1.720.617	1.231.309
Total property, plant, and equipment	<u>1.780.780</u>	<u>1.297.270</u>
8 Deposits	228.410	207.147
Total investments	<u>228.410</u>	<u>207.147</u>
Total non-current assets	<u>8.226.291</u>	<u>5.381.960</u>
Current assets		
Raw materials and consumables	4.937.213	4.632.278
Manufactured goods and trade goods	1.082.575	1.023.475
Total inventories	<u>6.019.788</u>	<u>5.655.753</u>
Trade debtors	4.188.711	4.090.724
Deferred tax assets	2.200.000	2.200.000
Other receivables	761.682	7.213.958
Prepayments	282.299	255.804
Total receivables	<u>7.432.692</u>	<u>13.760.486</u>
Cash on hand and demand deposits	4.820.079	4.578.371
Total current assets	<u>18.272.559</u>	<u>23.994.610</u>
Total assets	<u>26.498.850</u>	<u>29.376.570</u>

Balance sheet at 30 April

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Equity		
Contributed capital	2.000.000	2.000.000
Reserve for development expenditure	3.024.484	3.024.484
Results brought forward	17.818.309	14.419.261
Proposed dividend for the financial year	1.500.000	5.000.000
Total equity	<u>24.342.793</u>	<u>24.443.745</u>
Liabilities other than provisions		
Bank debts	32.227	1.157.569
Trade creditors	1.657.697	2.819.299
Other payables	466.133	955.957
Total short term liabilities other than provisions	<u>2.156.057</u>	<u>4.932.825</u>
Total liabilities other than provisions	<u>2.156.057</u>	<u>4.932.825</u>
Total equity and liabilities	<u>26.498.850</u>	<u>29.376.570</u>

1 Special items

9 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 May					
2021	2.000.000	845.064	15.930.657	0	18.775.721
Profit or loss for the year					
brought forward	0	0	668.024	5.000.000	5.668.024
Transferred from retained earnings	0	2.179.420	0	0	2.179.420
Transferred to reserve for development expenditure	0	0	-2.179.420	0	-2.179.420
Equity 1 May					
2022	2.000.000	3.024.484	14.419.261	5.000.000	24.443.745
Distributed dividend	0	0	0	-5.000.000	-5.000.000
Profit or loss for the year					
brought forward	0	0	3.399.048	1.500.000	4.899.048
	2.000.000	3.024.484	17.818.309	1.500.000	24.342.793

Notes

All amounts in DKK.

1. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as grants for a project. The compensation amounts to DKK 4.785 thousand.

	<u>2022/23</u>	<u>2021/22</u>
2. Staff costs		
Salaries and wages	6.147.643	6.946.079
Pension costs	614.561	587.735
Other costs for social security	21.458	22.343
Other staff costs	63.131	58.924
	<u>6.846.793</u>	<u>7.615.081</u>
Average number of employees	<u>9</u>	<u>10</u>
3. Other financial costs		
Other financial costs	164.609	147.468
	<u>164.609</u>	<u>147.468</u>
	<u>30/4 2023</u>	<u>30/4 2022</u>
4. Completed development projects, including patents and similar rights arising from development projects		
Cost opening balance	24.830.990	21.640.071
Additions during the year	<u>0</u>	<u>3.190.919</u>
Cost end of period	<u>24.830.990</u>	<u>24.830.990</u>
Amortisation and writedown opening balance	-20.953.447	-20.556.656
Amortisation for the year	<u>-1.012.942</u>	<u>-396.791</u>
Amortisation and writedown end of period	<u>-21.966.389</u>	<u>-20.953.447</u>
Carrying amount, end of period	<u>2.864.601</u>	<u>3.877.543</u>

The company is developing new methods and products. The addition in 2021/22 is a large randomized clinical study.

Notes

All amounts in DKK.

	<u>30/4 2023</u>	<u>30/4 2022</u>
5. Goodwill		
Additions during the year	3.725.000	0
Cost end of period	<u>3.725.000</u>	<u>0</u>
Amortisation for the year	-372.500	0
Amortisation and write-down end of period	<u>-372.500</u>	<u>0</u>
Carrying amount, end of period	<u>3.352.500</u>	<u>0</u>
6. Plant and machinery		
Cost opening balance	1.461.995	1.432.644
Additions during the year	26.612	29.350
Cost end of period	<u>1.488.607</u>	<u>1.461.994</u>
Depreciation and writedown opening balance	-1.396.033	-1.373.747
Depreciation for the year	-32.411	-22.286
Depreciation and writedown end of period	<u>-1.428.444</u>	<u>-1.396.033</u>
Carrying amount, end of period	<u>60.163</u>	<u>65.961</u>
7. Other fixtures and fittings, tools and equipment		
Cost opening balance	10.196.671	9.971.664
Additions during the year	650.600	400.007
Disposals during the year	-35.000	-175.000
Cost end of period	<u>10.812.271</u>	<u>10.196.671</u>
Depreciation and writedown opening balance	-8.965.362	-8.815.352
Depreciation for the year	-126.292	-150.010
Depreciation and writedown end of period	<u>-9.091.654</u>	<u>-8.965.362</u>
Carrying amount, end of period	<u>1.720.617</u>	<u>1.231.309</u>

Notes

All amounts in DKK.

	<u>30/4 2023</u>	<u>30/4 2022</u>
8. Deposits		
Cost opening balance	207.147	204.829
Additions during the year	<u>21.263</u>	<u>2.318</u>
Cost end of period	<u>228.410</u>	<u>207.147</u>
Carrying amount, end of period	<u>228.410</u>	<u>207.147</u>

9. Contingencies

Contingent assets

Total amount of accumulated tax deficit is DKK 84.801.205. The total deferred tax asset due to tax loss come to DKK 18.656.265. Only part of this amount has been booked as deferred tax asset.

Contingent liabilities

The company has entered into tenancy agreement with six months notice.

Joint taxation

With Vivostat Holding ApS, company reg. no 37291242 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The total tax payable under the joint taxation scheme totals DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Vivostat A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Income statement

Gross profit

Gross profit comprises the revenue, cost of sales, changes in inventories of finished goods, other operating income, and other external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises and loss on receivables.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including repayment of compensation related to the coronavirus.

Research and development costs

Research and development costs comprise costs, salaries, and wages and depreciation directly or indirectly attributable to the company's research and development activities.

Accounting policies

Research costs are recognised in the income statement in the year incurred. Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. Furthermore, there must be a proven correlation between the costs incurred and future earnings. However, lack of official approvals, customer approvals, and other uncertainties will often imply that the requirements for recognition as assets are not met and that development costs are charged to the income statement as incurred.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses relating to debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

Accounting policies

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 10 years.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Goodwill

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 5 years.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Technical plants and machinery	5-10 years	0
Other fixtures and fittings, tools and equipment	3-5 years	0

Accounting policies

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Financial fixed assets

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Accounting policies

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

According to the rules of joint taxation, Vivostat A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Liabilities concerning payables to suppliers and other payables are measured at amortised cost which usually corresponds to the nominal value.