

Visiopharm A/S

Agern Allé 24, DK-2970 Hoersholm
CVR no. DK 26 18 66 76

Annual report for the financial year 01.10.18 - 30.09.19

This annual report has been adopted at the company's annual general meeting on / 2019

Chairman of the meeting:
Peter Bruun Nikolajsen

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The company

Visiopharm A/S
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DK-2970 Hoersholm
Tel.: 72 40 29 90
Fax: 45 87 19 11
Registered office: Hoersholm
CVR no.: DK 26 18 66 76
Financial year: 01.10 – 30.09

Executive Board

Michael Grunkin
Johan Doré Hansen

Board of Directors

Patrik Olof Dahlén, chairman
Martin Bonde
Claus Henrik Berner Møller
Henrik Stender
Thomas Weilby Knudsen
Susanne Høiberg

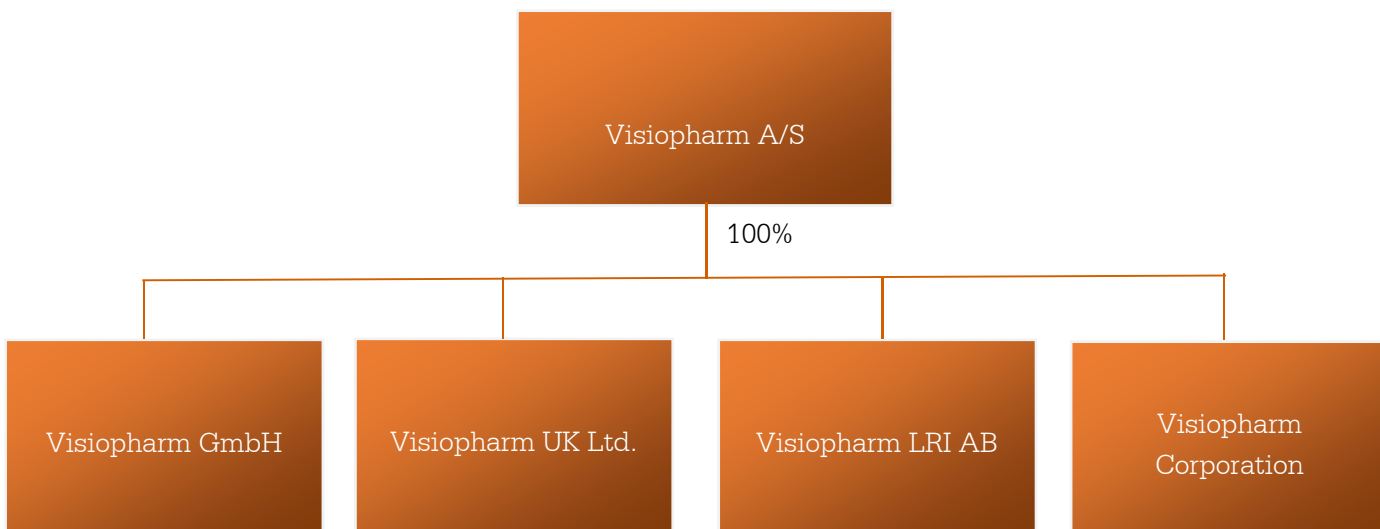
Auditors

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR-no.: DK 32 89 54 68

Subsidiaries

Visiopharm Corporation, USA
Visiopharm LRI AB, Sweden
Visiopharm Limited, England
Visipharm GmbH, Germany



Statement by the Board of Directors and the Executive Board on the annual report

The Board of Directors and the Executive Board have today considered and adopted the annual report of Visiopharm A/S for the financial year 1 October 2018 – 30 September 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements in the Danish Financial Statements Act (*Årsregnskabsloven*) for annual reports of class B companies. The financial statements of the parent company, Visiopharm A/S, have been prepared in accordance with the Danish Financial Statements Act (*Årsregnskabsloven*).

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 30 September 2019 and of the results of the group's and the parent's activities and of the group's cash flows for the financial year 1 October 2018 – 30 September 2019.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Hoersholm, December 6, 2019

Executive Board

Michael Grunkin

Johan Doré Hansen

Board of Directors

Patrik Olof Dahlén
Chairman

Martin Bonde

Claus Henrik Berner Møller

Thomas Weilby Knudsen

Susanne Høiberg

Henrik Stender

To the shareholders of Visiopharm A/S**Opinion**

We have audited the consolidated financial statements and the financial statements of Visiopharm A/S for the financial year 1 October 2018 - 30 September 2019, which comprise the income statement, balance sheet, statement of changes in equity and notes to the consolidated financial statements and the financial statements, including a summary of significant accounting policies, for the group and the company as well as the consolidated statement of comprehensive income and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of class B companies, and the financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the group's assets, equity and liabilities and financial position as at 30 September 2019 and the group's financial performance and cash flows for the financial year 1 October 2018 – 30 September 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of class B companies.

Furthermore, in our opinion, the financial statements present fairly, in all material respects, the company's assets, equity and liabilities and financial position as at 30 September 2019 and the company's financial performance for the financial year 1 October 2018 – 30 September 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and the financial statements' section of the auditor's report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements 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.

Statement regarding the management's review

The management is responsible for the management's review.

Our opinion on the consolidated financial statements and the financial statements does not include the management's review, and we do not express any form of opinion on the management's review.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management's review and in this connection consider whether the management's review is materially inconsistent with the consolidated financial statements or the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the management's review contains the information required under the Danish Financial Statements Act.

Based on the work performed, we believe that the management's review is in accordance with the consolidated financial statements and the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act. We have not detected any material misstatement in the management's review.

Management's responsibilities for the consolidated financial statements and the financial statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of class B companies and for the preparation of financial statements that provide a fair presentation in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the financial statements, the management is responsible for assessing the group's and 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 unless the management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 International Standards on Auditing 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 consolidated financial statements and financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in its preparation of the consolidated financial statements and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Soeborg, December 6, 2019

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Benedictsens-Nislev
State Authorized Public Accountant
MNE no. Mne10444

Henrik Agner Hansen
State Authorized Public Accountant
MNE no. Mne28682

Main activities

The technology focus of the company is Mining of Accurate Knowledge from digitized Tissue Data, which combines Artificial Intelligence, Digital Precision Pathology and High-Throughput Digital Pathology. Key markets and applications are in cancer diagnostics and cancer research, with customers in basic research, clinical research, biopharmaceutical drug development and for in-vitro diagnostics.

Development in the company's financial activities and affairs

Revenues for the closed fiscal year was mDKK 87.9 compared to last year's revenue of mDKK 56.1. Gross profit before other external expenses was mDKK 55.9 compared to last year's mDKK 38.0.

The results achieved in FY2018-19 represented a growth of 57% compared to the previous year on revenues, and 47% on Gross Profit I.

The business focus continues to be within the company's ONCOtopix® products for cancer re-search and diagnostics. ONCOtopix® products are software systems for advanced computer-based image analysis of scanned/digitalized tissue samples.

Cancer diagnostics

ONCOtopix® Dx is a unique and patent protected product that solves key problems within cancer diagnostics: 1) Improving standardization and accuracy of digitized tissue-based assay, which it required for optimal treatment planning and patient care, and 2) Enabling assessment of new and complex diagnostic biomarkers in the tumor micro-environment, which is a pre-requisite for identifying responders to new and promising immunotherapies and 3) increased automation and productivity which addresses an increasing demand for improved turnaround times and a lack of specialized pathologists.

Cancer research

Improved interpretive accuracy is also of key importance in drug development, biomarker development / validation, contract research and in basic cancer research, where important scientific- and business decisions are based on this tissue- and biomarker data. These market segments continue to grow significantly.

The key product in the research segment is ONCOtopix® Discovery. The system is an open platform, which allows for fast/easy development of new APPs, thus enabling fast turnaround of testing new scientific hypotheses as they evolve.

APPs that are developed, tested and validated through the research project can be "locked" and transferred to the diagnostic platform. ONCOtopix® Discovery is today leading as platform technology for tissue based cancer research.

Development in important KPIs**Key figures**

Figures in DKK '000	2018/19	2017/18	2016/17
<i>Profit/loss</i>			
Revenue	87,920	56,156	62,451
Index	141	90	100
Gross profit I	55,856	38,012	40,101
Gross profit I margin	64%	68%	64%
Gross profit II	33,672	22,221	26,786
Gross profit II margin	38%	40%	43%
Profit/loss before depreciation, amortisation, write-downs and impairment losses (EBITDA)	-18,843	-9,340	4,374
EBITDA margin	-22%	-17%	7%
Profit/loss before net financials (EBIT)	-23,305	-12,831	24
EBIT margin	-27%	-23%	0%
Profit/loss before tax (EBT)	-23,746	-13,428	-285
EBT margin	-27%	-24%	0%
Profit/loss for the year	-21,686	-21,961	-351
<i>Balance</i>			
Total assets	115,483	127,659	49,845
Index	232	256	100
Equity	77,115	99,323	21,683
Index	356	458	100
<i>Cash flow</i>			
Operation activities	-13,380	-11,857	-5,327
Investing activities	-7,776	-5,423	543
Financing activities	-824	104,151	0
Cash flow for the year	-21,980	86,871	-4,784

Ratios

Figures in DKK '000	2018/19	2017/18	2016/17
<i>Profitability</i>			
Return on equity	-25%	-20%	-2%
Assets turnover	0,72	0,63	1,78
<i>Equity ratio</i>			
Equity interest	67%	78%	44%
<i>Others</i>			
Number of employees (average)	73	44	37

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin I:	$\frac{\text{Gross profit I} \times 100}{\text{Revenue}}$
Gross margin II:	$\frac{\text{Gross profit II} \times 100}{\text{Revenue}}$
EBITDA margin:	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
EBIT margin:	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
EBT margin:	$\frac{\text{EBT} \times 100}{\text{Revenue}}$
Assets turnover:	$\frac{\text{Revenue}}{\text{Average total assets}}$
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Development of the company

The company is scaling management, organization, and internal processes to the rapid growth of the organization that is required to support the growth plans. This transformation is also well under way, and over the past year the company has invested in hiring several strong management profiles, including both a new Global Chief Commercial Officer and a Chief Marketing Officer.

Treasury shares

	Cost DKK	Quantity	Nominal Value DKK	Percent of capital
Holding of treasury shares as at 01.10.18	6.813.372	33.894	33.894	2,41%
Additions during the year	0	0	0	0
Total as at 30.09.19	6.813.672	33.894	33.894	2,41%

Treasury shares are purchase for use of a partner exit bonus program.

Important events occurring after the end of the financial year

No events having a significant effect on the company's financial position have occurred in the period subsequent to September 30, 2019.

Consolidated income statement and statement of comprehensive income

Note	2018/19 DKK '000	2017/18 DKK '000
3 Revenue	87,920	56,156
Cost of raw materials and consumables	-32,064	-18,144
Gross profit I	55,856	38,012
Other external expenses	-22,184	-15,791
Gross profit II	33,672	22,221
4 Staff costs	-52,615	-31,561
Profit/loss before depreciation, amortisation, write-downs and impairment losses (EBITDA)	-18,943	-9,340
Depreciation, amortisation, write-downs and impairment losses of property, plant and equipment and intangible assets	-4,362	-3,491
Profit/loss before net financials (EBIT)	-23,305	-12,831
7 Financial income	443	0
8 Financial expenses	-884	-597
Profit/loss before tax (EBT)	-23,746	-13,428
9 Tax on profit/loss for the year	2,060	1,467
Profit/loss for the year	-21,686	-11,961
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translation of foreign operations	-522	-283
Other comprehensive income for the year, net of tax	-522	-283
Total comprehensive income	-22,208	-12,244

Consolidated income statement and statement of comprehensive income

Note	2018/19 DKK '000	2017/18 DKK '000
Profit attributable to:		
Owners of the parent company	-21,686	-11,961
Non-controlling interests	0	0
Total	-21,686	-11,961
Total comprehensive income attributable to:		
Owners of the parent company	-22,208	-12,244
Non-controlling interests	0	0
Total	-22,208	-12,244

Consolidated balance sheet

ASSETS		30/09/2019	30/09/2018
Note		DKK '000	DKK '000
10	Completed development projects	13,280	10,588
10	Acquired rights	1,312	993
10	Goodwill	9,728	9,728
11	Other fixtures and fittings, tools and equipment	674	260
9	Deferred tax asset	1,179	31
	Deposits	431	442
Total non-current assets		26,604	22,042
12	Inventories	997	307
13	Trade receivables	21,447	18,320
	Income tax receivable	2,450	749
	Other receivables	703	1,103
	Prepayments	221	97
	Cash	63,061	85,041
Total current assets		88,879	105,617
Total assets		115,483	127,659

EQUITY AND LIABILITIES		30/09/2019	30/09/2018
Note		DKK '000	DKK '000
14	Share capital	1,409	1,409
	Foreign currency translation reserve	-735	-213
	Retained earnings	76,441	98,127
	Total equity	77,115	99,323
15	Payables to other credit institutions	4,820	6,590
	Other Payables	284	0
	Deferred income	299	209
	Total non-current liabilities	5,403	6,799
15	Payables to other credit institutions	1,810	864
	Prepayments received from customers	1,054	0
	Trade payables	12,233	8,239
	Other payables	13,027	9,807
	Deferred income	4,841	2,627
	Total current liabilities	32,965	21,537
	Total liabilities	38,368	28,336
	Total equity and liabilities	115,483	127,659

Consolidated statement of changes in equity

Amounts in DKK '000	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
<i>Statement of changes in equity</i>					
<i>01/10/2017 – 30/09/2018</i>					
Equity as at 01/10/2017	876	0	21,614	70	22,560
Net effect of correction of material errors	0	0	-877	0	-877
Restated equity as at 01/10/2017	876	0	20,737	70	21,683
Net loss for the year	0	0	-11,961	0	-11,961
Other comprehensive income	0	0	0	-283	-283
Comprehensive income	876	0	8,776	-213	9,439
Capital increase	489	97,748	0	0	98,237
Costs of capital increase	0	0	-1,540	0	-1,540
Issue of bonus shares	44	0	-44	0	0
Purchase of treasury shares	0	0	-6,813	0	-6,813
Transfer to/from other reserves	0	-97,748	97,748	0	0
Transactions with owners	533	0	89,351	0	89,884
Equity as at 30/09/2018	1,409	0	98,127	-213	99,323
<i>Statement of changes in equity</i>					
<i>01/10/2018 – 30/09/2019</i>					
Equity as at 01/10/2018	1,409	0	98,127	-213	99,323
Net loss for the year	0	0	-21,686	0	-21,686
Other comprehensive income	0	0	0	-522	-522
Comprehensive income	1,409	0	76,441	-735	77,115
Transactions with owners	0	0	0	0	0
Equity as at 30/09/2019	1,409	0	76,441	-735	77,115

Consolidated cash flow statement

Note	2018/19 DKK '000	2017/18 DKK '000
Profit/loss before tax	-23,746	-13,428
19 Adjustment for non-cash items	3,840	-3,606
Financial income, reversed	-443	0
Financial expenses, reversed	884	597
19 Change in working capital	7,315	4,838
Cash flows from operating activities before net financials	-12,150	-11,599
Financial income received	443	0
Financial expenses paid	-884	-597
Income tax paid/received	-789	339
Cash flows from operating activities	-13,380	-11,857
Purchase of intangible assets	-7,110	-5,008
Purchase of other fixtures and fittings, tools and equipment	-677	-152
Deposits paid	11	-263
Cash flows from investing activities	-7,776	-5,423
Cash capital increase	0	98,237
Transaction cost, cash capital increase	0	-1,540
Arrangement of credit institutions	0	8,000
Repayment of credit institutions	-824	-546
Cash flows from financing activities	-824	104,151
Total cash flows for the year	-21,980	86,871
Cash, beginning of year	85,041	-1,830
Cash, end of year	63,061	85,041

1. Accounting policies
2. Significant accounting estimates and assessments
3. Revenue
4. Staff costs
5. Share-based payments
6. Research and development costs
7. Financial income
8. Financial expenses
9. Tax
10. Intangible assets
11. Other fixtures and fittings, tools and equipment
12. Inventories
13. Trade receivables
14. Equity
15. Payables to credit institutions
16. Security provided
17. Operating lease commitments
18. Adjustment for non-cash items
19. Change in working capital
20. Financial risks and financial instruments
21. Fair value
22. Related parties
23. Events occurring after the balance sheet date
24. Adoption of the annual report for publication
25. New accounting regulation

1. Accounting policies

Visiopharm A/S is a limited liability company domiciled in Denmark. The consolidated financial statements for 2018/19 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for annual reports of class B companies.

Danish kroner (DKK) is the group's presentation currency and the functional currency of the parent company. The consolidated financial statements are presented in Danish kroner (DKK) rounded off to the nearest DKK 1,000.

New financial reporting requirements

A number of changes to accounting standards and interpretations was effective from 1 October 2018 and adopted by the EU. Those of relevance to the Group are:

- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial instruments

Transition to IFRS 9

The Group has adopted IFRS 9 on financial instruments. Adoption of IFRS 9 has had no significant impact on the Group's consolidated financial statements.

Transition to IFRS 15

The Group has adopted IFRS 15 on revenue recognition using the full retrospective method of transition to the new standard. Adoption of IFRS 15 has had no significant impact on the Group's consolidated financial statements, however more extensive disclosures on the Group's revenue transactions has been applied.

Consolidated financial statements

The consolidated financial statements comprise Visiopharm A/S (parent company) and the companies (subsidiaries) controlled by the parent company. A company is regarded as controlled by the parent company when the parent company is exposed or entitled to variable returns on its involvement in the company, and has the ability to affect those returns through its power over the company.

The consolidated financial statements are prepared based on the financial statements of Visiopharm A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature calculated in accordance with the group's accounting policies, eliminating intercompany income and expenditure, intercompany balances and dividends as well as gains and losses on transactions between the consolidated companies.

1. Accounting policies – continued –

Business combinations

Newly acquired or newly founded companies are recognised in the consolidated financial statements as from the time of acquisition and the time of foundation, respectively. The time of acquisition is the time at which control of the company is actually obtained. Divested or discontinued companies are recognised in the consolidated statement of comprehensive income up until the time when control ceases.

When new companies are acquired and the group obtains control of an acquired company, it is recognised in accordance with the acquisition method, according to which the newly acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition.

The acquisition price of a company is the fair value of the price paid for the acquired company. Expenses relating to the acquisition are recognised in the income statement when paid.

Positive differences (goodwill) between the acquisition price of the acquired company on the one hand and the fair value of the assets, liabilities and contingent liabilities acquired on the other are recognised as goodwill and tested for impairment at least once a year.

Figures pertaining to business combinations carried out before 1 October 2016 have not been restated according to the above accounting policies in connection with the transition to presentation of the consolidated financial statements in accordance with IFRS. The carrying amount as at 1 October 2016 of goodwill in connection with business combinations carried out before 1 October 2016 is regarded as the cost of goodwill under IFRS.

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency of the individual company are recognised at the exchange rate applicable at the transaction date. Receivables, payables and other monetary items denominated in foreign currency not settled at the balance sheet date are translated using the exchange rate applicable at the balance sheet date.

Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment and the balance sheet date, respectively, are recognised in the income statement as net financials. Property, plant and equipment and intangible assets, inventories and other non-monetary assets purchased in foreign currency and measured based on historical cost are translated at the exchange rate applicable at the transaction date.

1. Accounting policies – continued –

Leases

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

Tax

Tax for the year, consisting of current tax and changes in deferred tax, is recognised in the income statement with the portion attributable to tax on the profit or loss for the year, and directly in equity or in other comprehensive income with the portion attributable to amounts recognised directly in equity or in other comprehensive income, respectively.

Current tax payables and receivables are recognised in the balance sheet as tax computed on the basis of the taxable income for the year and taxes paid or refunded.

Current tax for the year is computed based on the tax rules and tax rates applicable at the balance sheet date.

Deferred tax is recognised using the balance sheet liability method on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences due to either initial recognition of goodwill or initial recognition of a transaction that is not a business combination, and where the temporary difference ascertained at the time of initial recognition does not affect either the tax results or the taxable income. The deferred tax is calculated based on the planned use of the individual asset or settlement of the individual liability.

Deferred tax is measured applying the tax rules and tax rates expected to be applicable when the deferred tax is expected to crystallise as current tax. Any change in deferred tax as a result of changes in tax rules or rates is recognised in the income statement, unless the deferred tax

1. Accounting policies – continued –

is attributable to transactions that have previously been recognised directly in equity or in other comprehensive income. In the latter case, the change is recognised directly in equity or in other comprehensive income, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised in the balance sheet at the expected realisable value, either through offsetting against deferred tax liabilities or as a net tax asset for offsetting against future positive taxable incomes. An assessment is made on each balance sheet date of whether it is probable that sufficient taxable income will be generated in future to enable utilisation of the deferred tax asset.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue is mainly derived from fees charged for hardware, software licenses, software subscription and service fees. Revenue recognition requires an agreement with the customer which creates enforceable rights and obligations between the parties, has commercial substance, and identifies payment terms. In addition, it must be probable that the consideration determined in the contract will be collected.

Revenue is recognized when the customer has obtained control of the license, good or service and has the ability to use and obtain substantially all the benefits from the license, good or service. For multi-element contracts, the basis for revenue recognition is an assessment of the standalone selling prices for the identified performance obligations, including rebates, discounts, allowances, and inherent interest. The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service.

Hardware

Revenue from sale of hardware is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the equipment at the customer's location.

Software licenses

Standard software licenses provide customers with the right to use the software. The customer obtains control of the license when all of the following criteria are met: a binding contract is entered into; the license is delivered; and the customer has the right to use it. License revenue is therefore generally recognized at that point-in-time. When the contract requires customer acceptance of functionality, the revenue recognition will be deferred until the time of acceptance or delivery.

1. Accounting policies – continued –

The right to use software license is considered a separate performance obligation when it satisfies the following conditions: can be delivered separately from other services, can be installed by a third party, can be used without upgrades, and is functional without upgrades or support.

Software subscription

Software subscription services include the initial software license, software updates and support fees. The software license and the updates are considered highly interrelated and the promise to grant the license is not distinct within the context of the contract. Performance obligations include: unspecified future upgrades, maintenance, and support. Revenue from software subscription services is recognized on a straight-line basis over the contract period.

Services fees

Contractual Research, installation, support, training and other services is recognized when the services have been delivered.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts.

Staff costs

Staff expenses comprise wages and salaries as well as social security expenses, pensions for group staff, other staff-related expenses and share-based payment compensation.

1. Accounting policies – continued –**Share-based payments**

Share-based payments of the Group are cash-settled granted to employees, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a straight-line basis as an expense in the consolidated statement of profit or loss over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in the liability.

Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement. Changes in fair value is recognised in profit or loss for the period.

Net financials

Net financials comprise interest income and expenses as well as realised and unrealised gains and losses on transactions in foreign currency.

Amortisation of capital losses and borrowing costs relating to financial liabilities is recognised on an ongoing basis as part of the interest expenses.

BALANCE SHEET**Completed development projects**

Completed development costs comprise staff expenses and fees for subsuppliers directly attributable to the development projects. Development projects which are clearly defined and whose technical feasibility and sufficiency of resources have been demonstrated and which the company intends to complete and market are recognised as development projects in the balance sheet if the cost can be determined reliably and there is sufficient certainty that the future earnings will cover the development costs. Recognised development projects are measured at cost less accumulated amortisation and impairment losses.

Other development costs are recognised in the income statement under other external expenses or staff expenses.

Once completed, development projects are amortised according to the straight-line method over their estimated useful lives from the time when the asset is ready for use. Development projects are regarded as being ready for use at the time when the new applications/features

1. Accounting policies – continued –

are released in the software licenses available for sale. The amortisation period is usually 5 years. Amortisation methods and useful lives are reviewed every year.

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised according to the straight-line method over their estimated useful lives. The amortisation period is usually 5 years with no residual value. Amortisation methods and useful lives are reviewed every year.

Goodwill

On initial recognition, goodwill is recognised and measured as the difference between the cost of the acquired company and the fair value of the assets, liabilities and contingent liabilities acquired, see the description in the section on business combinations.

On initial recognition, goodwill is allocated to the group activities that generate independent cash flows (cash-generating units). The distribution on cash-generating units follows the management structure and the group's internal financial management.

Goodwill is not amortised, but is tested for impairment at least once a year.

Other fixtures and fittings, tools and equipment

Other fixtures and fittings, tools and equipment are measured in the balance sheet at the lower of cost less accumulated depreciation and recoverable amount.

Cost comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use. The depreciation period is usually 3-5 years with no residual value. Depreciation methods, useful lives and residual values are reviewed every year.

Gains and losses on the disposal of other fixtures and fittings, tools and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

1. Accounting policies – continued –

Non-current financial assets

Other receivables recognised under non-current assets comprise deposits and are measured at the lower of accumulated cost and recoverable amount.

Impairment of assets (impairment test)

The carrying amount of other fixtures and fittings, tools and equipment and intangible assets with determinable useful lives are tested for impairment every year. If indications of impairment are found, the recoverable amount of the asset is calculated to determine the need to write down for impairment and the amount of such impairment loss, if relevant.

The recoverable amount of development projects in progress and goodwill are determined every year, regardless of whether any indications of impairment exists.

If an asset does not produce inflows independently of other assets, the recoverable amount is determined for the smallest cash-generating unit of which the asset forms part.

The higher of fair value less selling costs and value in use is used as the recoverable amount of the asset. The value in use is determined as the present value of the expected net cash flows from use of the asset. If the recoverable amount of the asset is lower than the carrying amount, the carrying amount is written down to the recoverable amount.

In so far as cash-generating units are concerned, the impairment loss is distributed in such a way that goodwill is written down for impairment first, and subsequently any remaining need for impairment is distributed on the other assets in the unit. However, individual assets cannot be written down to a value lower than their fair value less expected selling costs. Impairment losses are recognised in the income statement.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

1. Accounting policies – continued –

Trade receivables and other receivables

Receivables that do not contain a significant financing component are measured at the transaction price less provisions for bad debts. Provisions for bad debts are made based on an individual assessment of the receivables concerned.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of the subsequent financial year. Prepayments are measured at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

Direct and incremental costs associated with capital increases are accounted for as a reduction in the proceeds from the capital increase and recognized in shareholders' equity.

The translation reserve in the consolidated financial statements comprises foreign-exchange differences arising on translation of financial statements of Group entities from their local foreign currencies to the presentation currency used by the Group (DKK). On the disposal, entirely or partially, of a Group entity, the exchange-rate adjustment is recognized in profit or loss as a portion of the gain/loss on the sale.

Liabilities

Non-current liabilities comprise other credit institutions. Payables to credit institutions are measured at cost at the time of contracting such payables (raising of loans). Subsequently, the liabilities are measured at amortised cost, meaning that the difference between the proceeds from the loan and the repayable amount is recognised in the income statement over the period of the loan as a financial expense according to the effective interest method.

Other financial liabilities comprise bank debt, trade payables, other payables to public authorities and other liabilities. On initial recognition, other financial liabilities are measured at fair value less any transaction costs. Subsequently, the liabilities are measured at amortised cost according to the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement as a financial expense over the period of the loan.

1. Accounting policies – continued –**Prepayments received from customers**

Prepayments received from customers comprises payments received in respect of income in subsequent financial years. Prepayments received from customers are measured at cost.

Deferred income

Deferred income under liabilities comprises payments received in respect of revenue in subsequent financial years. Deferred income are measured at cost.

CASH FLOW STATEMENT

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash at the beginning and end of the year. Cash flows from operating activities are presented in accordance with the indirect method and are determined as the operating profit or loss adjusted for non-cash operating items, changes in working capital and paid financial income, financial expenses and income tax.

Cash flows from investing activities comprise payments in connection with the acquisition and sale of companies and financial assets as well as the purchase, development, improvement and sale of property, plant and equipment and intangible assets.

Cash flows from financing activities comprise changes in the parent company's share capital and associated costs as well as the raising and repayment of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividends.

Cash flows in currencies other than the functional currency are recognised in the cash flow statement using average exchange rates, unless they deviate significantly from the actual exchange rates at the transaction dates.

Cash and cash equivalents comprise cash less overdraft facilities that are an integrated part of the cash management.

2. Significant accounting estimates and assessments

In connection with the preparation of the consolidated financial statements, the management makes a number of accounting estimates and assessments that affect the recognised values of assets, liabilities, income, expenses and cash flows as well as their presentation.

Accounting estimates reflect the management's best estimates in terms of amounts where the measurement is subject to uncertainty, typically because the estimate is based on assumptions concerning future events. The accounting estimates are based on historical experience and other assumptions deemed relevant, but the actual results may, naturally, deviate from the estimates made. The estimates are regularly reassessed, and the effect of changes is recognised in the consolidated financial statements.

Accounting judgements reflect decisions made by the management as to how the accounting policies are applied in specific situations where the accounting treatment depends on qualitative assessments. Examples could be when the risk passes or how a certain transaction or item is best presented to provide reliable and relevant information.

The following accounting estimates and judgements have had significant impact on the consolidated financial statements for 2018/19:

Amortisation of development projects

To reflect the use of the development projects in the form of amortization, the time when the asset is ready for use and the expected useful life must be determined. Reference is made to the presentation in the accounting policies.

Impairment test

For use in connection with the impairment test, the management has distributed property, plant and equipment and intangible assets on cash-generating units or groups of cash-generating units generating inflows which are largely independent of other assets or groups of assets. The distribution of assets on cash-generating units is described in note 10, which also disclose information of key assumptions for the determination of the recoverable amount of the cash-generating units.

	2018/19	2017/18
	DKK '000	DKK '000

3. Revenue

Set out below is the disaggregation of the revenue from contract with customers:

Type of good or service

Sale of software (perpetual licenses – right to use)	38,170	22,472
Subscription software (right to access)	5,860	4,327
Sale of hardware	39,316	22,308
Rendering of services	4,574	7,049
Total	87,920	56,156

Geographical markets

Nordics	40,486	29,285
UK & Ireland	11,296	3,043
Latin Europe	4,367	2,807
Germany, Austria & Switzerland	3,719	886
Americas	27,039	19,691
Rest of the world	1,013	444
Total	87,920	56,156

Timing of revenue recognition

Goods and services transferred at a point in time	81,587	51,215
Goods and services transferred over time	6,333	4,941
Total	87,920	56,156

	2018/19	2017/18
	DKK '000	DKK '000
4. Staff costs		
Wages and salaries	50,163	31,074
Pensions	964	493
Other social security costs	3,444	1,636
Other staff costs	3,918	2,527
Total	58,489	35,730

Total staff costs are recognised as follows:

Staff costs in the income statement	52,615	31,561
Development projects	5,874	4,169
Total	58,489	35,730

Average number of employees during the year	73	44
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Compensation for key management personnel of the Group:

Short-term employee benefits	3,295	4,516
Post-employment benefits	50	57
Total remuneration for key management employees	3,345	4,573

5. Share-based payments

Partner bonus pool agreement

On 22 June 2018, the company took over the obligation of a partner bonus pool agreement to employees. The obligation was settled by receiving treasury shares of nominal 33,894 shares.

The employees are granted access to the partner bonus pool arrangement, which entitles them to receive a proportionate share of a total cash bonus of 7,5% of the sales proceeds if the Company is sold. The right to remuneration vested immediately upon granting. The liability for the remuneration is measured, initially and at the end of each reporting period until settled, at fair value.

5. Share based payments – continued –

The carrying amount of the liability at 30 September 2019 was DKK 6,813k (2018: DKK 6,813k).

During 2018/19, the total charge to profit or loss amounted to DKK 0k (2017/18: DKK 0k) recognized as staff expenses.

6. Research and development costs

Research and development costs that are not eligible for capitalization have been expensed in the period incurred (in 2018/19, this was DKK 0k (2017/18: DKK 0k)), and they are recognized in other external expenses and staff expenses.

	2018/19	2017/18
	DKK '000	DKK '000

7. Financial income

Foreign currency translation adjustments	443	0
Total	443	0

8. Financial expenses

Other interest expenses	884	589
Foreign currency translation adjustments	0	8
Total	884	597

2018/19 2017/18
DKK '000 DKK '000

9. Tax

Tax on profit/loss for the year:

Current tax	912	808
Change in deferred tax	1,148	659
Tax on profit/loss for the year (profit)	2,060	1,467

Reconciliation of effective tax rate:

Tax computed on the loss before tax at a tax rate of 22.0%	5,224	2,954
Tax value of non-deductible expenses	-22	-322
Value adjustment of deferred tax assets	-3,197	-1,205
Other adjustments	55	40
Effective tax rate (8,7% /10,9%)	2,060	1,467

Deferred tax is made up as follows:

Amounts in DKK '000	30/09/2019	30/09/2018
Intangible assets	3,210	2,521
Property, plant and equipment	-44	-51
Liabilities	-469	-395
Tax losses carried forward	-3,876	-2,106
Total deferred tax	-1,179	-31

which is distributed as follows:

Deferred tax assets	-1,179	-31
Deferred tax liabilities	0	0
Total	-1,179	-31

Tax losses carried forward can be carried forward indefinitely. The Group's non-capitalized tax assets amounts to DKK 4m (2017/18: DKK 1m).

Deferred tax has been provided at 22% corresponding to the current tax rate.

10. Intangible assets

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Development Projects in progress	Total
<i>Financial year 2018/19</i>					
Cost as at 01/10/2018	17,957	3,263	9,728	0	30,948
Additions during the year	0	665	0	6,445	7,110
Transferred during the year	6,445	0	0	-6,445	0
Disposals during the year	0	0	0	0	0
Cost as at 30/09/2019	24,402	3,928	9,728	0	38,058
Amortisation and impairment losses as at 01/10/2018	-7,369	-2,270	0	0	-9,639
Impairment losses during the year	0	0	0	0	0
Amortisation during the year	-3,753	-346	0	0	-4,099
Disposals during the year	0	0	0	0	0
Amortisation and impairment losses as at 30/09/2019	-11,122	-2,616	0	0	-13,738
Carrying amount as at 30/09/2019	13,280	1,312	9,728	0	24,320
<i>Financial year 2017/18</i>					
Cost as at 01/10/2017	13,670	2,542	9,728	0	25,940
Additions during the year	0	721	0	4,287	5,008
Transferred during the year	4,287	0	0	-4,287	0
Disposals during the year	0	0	0	0	0
Cost as at 30/09/2018	17,957	3,263	9,728	0	30,948
Amortisation and impairment losses as at 01/10/2017	-4,287	-2,032	0	0	-6,319
Impairment losses during the year	0	0	0	0	0
Amortisation during the year	-3,082	-238	0	0	-3,320
Disposals during the year	0	0	0	0	0
Amortisation and impairment losses as at 30/09/2018	-7,369	-2,270	0	0	-9,639
Carrying amount as at 30/09/2018	10,588	993	9,728	0	21,309

Development projects concern the development of image analysis and stereology software to biopharmaceutical companies, hospitals etc.

10. Intangible assets – continued –*Impairment test*

Cash-generating units comprising goodwill are tested for impairment at least once a year and more frequently in case of indications of impairment.

The recoverable amount is determined at a calculated value in use based on budgets and prognoses for the coming 5 financial years.

Distribution of intangible assets on cash-generating units:

Amounts in DKK '000	Completed development projects	Acquired rights	Goodwill	Total
<i>30/09/2019</i>				
CGU, LRI	0	0	9,518	9,518
CGU, software	13,280	1,312	0	14,592
CGU, other	0	0	210	210
Total	13,280	1,312	9,728	24,320
<i>30/09/2018</i>				
CGU, LRI	0	0	9,518	9,518
CGU, software	10,588	993	0	11,581
CGU, other	0	0	210	210
Total	10,588	993	9,728	21,309

10. Intangible assets – continued –

Key assumptions for the determination of the recoverable amount of the cash-generating unit LRI are listed below. Management expectations for the cash-generating unit LRI:

	30/09/2019	30/09/2018
Revenue, yearly growth	0%	0%
Gross margin	39,1%	39,1%
Discount rate (pre tax)	10%	10%
Growth rate beyond budget periods	0%	0%

The management has assessed that reasonably probable changes in the key assumptions will not lead to impairment.

11. Other fixtures and fittings, tools and equipment

Amounts in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01/10/2018	3,374
Additions	677
Cost as at 30/09/2019	4,051
Depreciation and impairment losses as at 01/10/2018	-3,114
Depreciation	-263
Depreciation and impairment losses as at 30/09/2019	-3,377
Carrying amount as at 30/09/2019	674
Cost as at 01/10/2017	3,222
Additions during the year	152
Cost as at 30/09/2018	3,374
Depreciation and impairment losses as at 01/10/2017	-2,943
Depreciation during the year	-171
Depreciation and impairment losses as at 30/09/2018	-3,114
Carrying amount as at 30/09/2018	260

	30/09/2019	30/09/2018
	DKK '000	DKK '000
12. Inventories		
Raw materials	0	0
Work in progress	0	0
Finished goods	997	307
Total	997	307

The amount of inventories recognised as an expense during the period amounted to DKK 32,064k (2017/18: DKK 18,144k)

Write down of inventories recognised as an expense during the period amounted to DKK 0k (2017/18: DKK 0k)

	30/09/2019	30/09/2018
	DKK '000	DKK '000
13. Trade receivables		
Gross receivable	21,497	18,370
Provision for losses	-50	-50
Total	21,447	18,320

The standard credit period on sales is 30 days. Part of trade receivables are overdue, as customers comprise universities, hospitals and major research companies having longer payment procedures. Based on historical experience the group has had no material losses. As of 30 September 2019 DKK 5,217k was overdue (2018: DKK 6,627k).

There is no material difference between the fair value of receivables and their carrying amount.

14. Equity

Share capital

The company's share capital consists of 1,408,965 shares of DKK 1 each (30.09.18: 1,408,965 shares of DKK 1 each). The shares are fully paid in. The shares are not divided into classes, and no shares enjoy special rights at 30/09/19.

Shares issued and fully paid:

	2018/19	2017/18
Shares issued, 01/10	1,408,965	876,268
Cash capital increase on 06/07/2018	0	488,689
Issue of bonus shares 27/06/2018	0	44,008
Shares issued, 30/09	1,408,965	1,408,965

Treasury shares

The group's holding of treasury shares, nominally DKK 33,894, corresponds to 2,41% of the parent company's share capital. The holding comprises 33,894 shares of DKK 1 each.

Capital management

The group aims to ensure structural and financial flexibility as well as competitive strength. For that purpose, the group regularly assesses what the appropriate capital structure for the group is.

Dividend

It is proposed that no dividend be paid.

15. Payables to credit institutions

Amounts in DKK '000	Currency	Term to maturity	Interest	Carrying amount	Fair value
Credit institutions	DKK	3,25 years	3,50%	2,712	2,712
Credit institutions	DKK	4,00 years	5,75%	3,918	3,918
Total as at 30/09/2019				6,630	6,630

Methods and assumptions for the determination of fair value

Floating-rate payables to credit institutions are measured at nominal value.

16. Security provided

As security for debt to credit institutions of DKK 6,630k, a company charge of DKK 12,000k has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories, trade receivables as well as fuels and other ancillary materials. The total carrying amount of the comprised assets is DKK 23,745k.

17. Operating lease commitments

The group has concluded operating leases in respect of office premises. The leases are based on fixed lease payments, which are index-adjusted once every year. The leases are non-terminable.

	30/09/2019 DKK '000	30/09/2018 DKK '000
The total, future minimum lease payments are distributed as follows:		
Within 1 year	2,334	1,471
1-5 year(s)	4,440	4,869
After 5 years	0	11
Total	6,774	6,351
Operating lease payments recognized in the income statement amount to		
	2,418	1,307

	2018/19	2017/18
	DKK '000	DKK '000
18. Adjustment for non-cash items		
Depreciation, amortisation, impairment losses and write-downs	4,362	3,491
Other adjustments	-522	-7,097
Total	3,840	-3,606

19. Change in working capital

Change in inventories	-690	793
Change in receivables	-2,850	5,292
Change in trade payables	3,994	-3,685
Change in other payables	6,861	2,438
Total	7,315	4,838

20. Financial risks and financial instruments

Risk management policy

The group's financial risks are managed by the Executive Board. The group has not prepared particular policies for the identification and handling of risks. The management of the group's risks is included in the Executive Board's day-to-day monitoring of the group.

Interest rate risk

The group is not subject to material interest rate risks.

Currency risk

Since the Group operates internationally, it is exposed to foreign currency risk as part of its normal industrial and commercial business. In particular, the Group is significantly exposed to USD, GBP and SEK risk due to the large value of sales made in the United States, United Kingdom and Sweden. As of 30 September 2019, the group had no hedging activities.

Financial assets by currency:

Financial assets as at 30 September are analysed by currency as follows:

Amounts in DKK '000	Trade receivables	Cash	Total
As at 30/09/2019			
USD	7,094	1,864	8,958
GBP	5,993	2,554	8,547
SEK	4,867	5,892	10,759
As at 30/09/2018			
USD	7,595	4,566	12,161
SEK	8,293	4,002	12,295

20. Financial risks and financial instruments - continued -*Financial liabilities by currency:*

The following table analyses the breakdown of liabilities by currency.

Amounts in DKK '000	Trade payables	Other payables	Total
As at 30/09/2019			
USD	387	592	979
GBP	6,528	714	7,242
SEK	2,204	446	2,650
As at 30/09/2018			
USD	54	610	664
SEK	6,204	169	6,373

Sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in USD, GBP and SEK exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

A 10% increase / decrease in the exchange rate of the DKK against the USD would cut / increase profits before tax by DKK 798k (2017/18: DKK 1,150k).

A 10% increase / decrease in the exchange rate of the DKK against the GBP would cut / increase profits before tax by DKK 131k (2017/18: DKK 0k).

A 10% increase / decrease in the exchange rate of the DKK against the SEK would cut / increase profits before tax by DKK 811k (2017/18: DKK 592k).

20. Financial risks and financial instruments - continued -*Liquidity risk*

The group's liquidity risk covers the risk that the group is not able to meet its liabilities as they fall due.

The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

Amounts in DKK '000	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
<i>As at 30/09/2019</i>					
Other credit institutions	2,106	2,106	3,477	0	7,689
Trade payables	12,233	0	0	0	12,233
Other payables	13,027	284	0	0	13,311
Total	27,366	2,390	3,477	0	32,233

As at 30/09/2018

Other credit institutions	1,209	2,106	5,584	0	8,899
Trade payables	8,239	0	0	0	8,239
Other payables	9,807	0	0	0	9,807
Total	19,255	2,106	5,584	0	26,945

21. Fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 September 2019:

Amounts in DKK '000	Date of valuation	TOTAL	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs
<i>Assets measured at fair value</i>					
None					
<i>Liabilities measured at fair value</i>					
Share-based payment (Cash settled), partner bonus pool	30/09/2019	6,813			6,813

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 September 2018:

Amounts in DKK '000	Date of valuation	TOTAL	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs
<i>Assets measured at fair value</i>					
None					
<i>Liabilities measured at fair value</i>					
Share-based payment (Cash settled), partner bonus pool	30/09/2018	6,813			6,813

There were no transfers between Level 1 and Level 2.

Share-based payment (cash settled)

On 22 June 2018, the company took over the obligation of a partner bonus pool agreement to employees. The obligation was settled by receiving treasury shares of nominal 33,894 shares.

The estimate of the fair value upon the time where the Company took over the obligation are based on the share price at the cash capital increase on 27 June 2018.

The fair value of the partner bonus pool agreement remains unchanged as at 30 September 2018 and 30 September 2019.

22. Related parties

Ownership

No party exercises control of Visiopharm A/S.

Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Amounts in DKK '000		Purchases from related parties	Amounts owed to related parties
<i>Other related parties:</i>			
Services provided	2018/19	392	60
	2017/18	861	13

Services provided

Companies controlled by members of the key management employees has provided other services than management services.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Transactions with key management personnel

Remuneration for the management is disclosed in note 4. There were no other transactions with key management employees.

23. Events occurring after the balance sheet date

No important events have occurred after the end of the financial year.

24. Adoption of the annual report for publication

At the board meeting on 6 December 2019, the Board of Directors adopted this annual report for publication. The annual report will be presented to Visiopharm A/S's shareholders for approval at the annual general meeting on 23 December 2019.

25. New accounting regulation

IASB has published a number of new and changed accounting standards and interpretations, which are not mandatory for the preparation of the consolidated financial statements for 2018/19.

Management has launched an assessment of the impact of IFRS 16 (effective for accounting periods starting 1 January 2019 or later, i.e. annual report 2019/20) on the future financial reporting. The other standards are not expected to impact the group.

IFRS 16 Leases

The Standard replaces IAS 19 and its interpretations. Under IFRS 16 almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

Management anticipates that IFRS 16 will be adopted in the Group's consolidated financial statements when it becomes mandatory, with the following effects:

- For the Group's operating lease commitments, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under IFRS 16. Thus, the Group will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless they qualify for low value or short-term leases upon the application of IFRS 16. Upon implementation on 1 October 2019, the Group is expected to recognize a liability to make lease payments of approximately DKK 10,5 million and an asset representing the right to use the assets during the expected lease term of approximately DKK 10,5 million.

Parent company balance sheet

Note	2018/19 DKK '000	2017/18 DKK '000
Revenue	32,393	25,754
Work performed for own account and capitalised	5,874	4,169
Other operating income	7,548	6,370
Costs of raw materials and consumables	-2,280	-5,300
Other external expenses	-13,673	-10,879
Gross profit	29,862	20,114
1 Staff costs	-36,470	-26,572
Profit/loss before depreciation, amortization, writedowns and impairment losses	-6,608	-6,458
Depreciation, amortization, impairment losses and writedowns of property, plant and equipment	-4,361	-3,533
Profit/loss before net financials	-10,969	-9,991
2 Income from equity investments in group enterprises	-14,126	-5,281
3 Financial income	897	84
Financial expenses	-873	-834
Profit/loss before tax	-25,071	-16,022
Tax on profit or loss for the year	2,407	2,042
Profit/loss for the year	-22,664	-13,980
Proposed appropriation account		
Reserve for net revaluation according to the equity method	0	-487
Retained earnings	-22,664	-13,493
Total	-22,664	-13,980

Parent company balance sheet

ASSETS		30.09.19	30.09.19
Note		DKK '000	DKK '000
	Completed development projects	13,280	10,588
	Acquired rights	1,312	993
	Goodwill	0	0
4	Total intangible assets	14,592	11,581
	Other fixtures and fittings, tools and equipment	674	260
5	Total property, plant and equipment	674	260
6	Equity investments in group enterprises	10,668	10,543
	Deposits	367	358
	Total investments	11,035	10,901
	Total non-current assets	26,301	22,742
	Inventories	0	46
	Total inventories	0	46
	Trade receivables	4,854	5,260
	Receivables from group enterprises	9,602	9,983
	Deferred tax asset	1,179	31
	Income tax receivable	2,361	1,494
	Other receivables	676	1,156
	Prepayments	221	62
	Total receivables	18,893	17,986
	Cash	52,920	76,556
	Total current assets	71,813	94,588
	Total assets	98,114	117,330

Parent company balance sheet

EQUITY AND LIABILITIES		
Note	30.09.19 DKK'000	30.09.18 DKK'000
Share capital	1,409	1,409
Reserve for development costs	8,713	5,577
Retained earnings	64,113	90,435
Total equity	74,235	97,421
7 Payables to other credit institutions	4,820	6,590
7 Other payables	284	0
7 Deferred income	226	209
Total long-term payables	5,330	6,799
7 Short-term portion of long-term payables	1,810	864
Prepayments received from customers	209	0
Trade payables	3,245	1,978
Other payables	11,189	9,028
Deferred income	2,096	1,240
Total short-term payables	18,549	13,110
Total payables	23,879	19,909
Total equity and liabilities	98,114	117,330

8 Contingent liabilities

9 Charges and security

Parent company statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Reserve for develop- ment costs	Retained earnings
Statement of changes in equity for 01.10.17 – 30.09.18				
Equity as at pr. 01.10.17	876	1,670	3,131	17,000
Net effect of correction of material errors	0	-1,183	0	306
Equity as at 01.10.17	876	487	3,131	17,306
Foreign currency translation adjustment of foreign enterprises	0	0	0	-283
Capital increase	489	0	0	97,748
Capital increase through the issue of bonus shares	44	0	0	-44
Cost of changes in capital	0	0	0	-1,540
Purchase of treasury shares	0	0	0	-6,813
Transfers to/from other reserves	0	0	2,446	-2,446
Net profit/loss for the year	0	-487	0	-13,493
Equity as at 30.09.18	1,409	0	5,577	90,435
Statement of changes in equity for 01.10.18 – 30.09.19				
Equity as at pr. 01.10.18	1,409	0	5,577	90,435
Foreign currency translation adjustment of foreign enterprises	0	0	0	-522
Transfers to/from other reserves	0	0	3,136	-3,136
Net profit/loss for the year	0	0	0	-22,664
Equity as at 30.09.19	1,409	0	8,713	64,113

	2018/19 DKK '000	2017/18 DKK '000
1. Staff costs		
Wages and salaries	32,076	24,273
Pensions	600	437
Other social security costs	322	208
Other staff costs	3,472	1,654
Total	36,470	26,572
Average number of employees during the year	49	34

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	-13,148	-4,303
Amortisation of goodwill	-978	-978
Total	-14,126	-5,281

3. Financial income

Interest, group enterprises	303	84
Foreign currency translation adjustments	594	0
Total	897	84

4. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Cost pr. 01.10.18	17,957	3,264	840
Additions during the year	6,445	665	0
Cost as at 30.09.19	24,402	3,929	840
Amortisation and impairment losses pr. 01.10.18	-7,369	-2,271	-840
Amortisation during the year	-3,753	-346	0
Amortisation and impairment losses as at 30.09.19	-11,122	2,617	-840
Carrying amount as at 30.09.19	13,280	1,312	0

Development projects concern the development of image analysis and stereology software to biopharmaceutical companies, hospitals etc.

**5. Other fixtures and fittings,
tools and equipment**

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost pr. 01.10.18	3,374
Additions during the year	677
Cost as at 30.09.19	4,051
Depreciation and impairment losses pr. 01.10.18	-3,114
Depreciation during the year	-263
Depreciation and impairment losses as at 30.09.19	-3,377
Carrying amount as at 30.09.19	674

6. Equity investments in group enterprises

Figures in DKK '000	Equity invest- ments in group enterprises
Cost as at 01.10.18	9,863
Additions during the year	187
Cost as at 30.09.19	10,050
Revaluations as at 01.10.18	2,637
Foreign currency translation adjustment of foreign enterprises	-280
Net profit/loss from equity investments	1,383
Revaluations as at 30.09.19	3,740
Depreciation and impairment losses as at 01.10.18	-1,957
Foreign currency translation adjustment of foreign enterprises	-242
Amortisation of goodwill	-978
Net profit/loss from equity investments	-14,531
Negative equity value impaired in receivables	14,586
Depreciation and impairment losses as at 30.09.19	-3,122
Carrying amount as at 30.09.19	10,668
Group enterprises:	
Visiopharm Corporation, USA	100%
Visiopharm LRI AB, Sweden	100%
Visiopharm Limited, England	100%
Visiopharm GmbH, Germany	100%

7. Longterm payables

Figures in DKK '000	Repayment first year	Total payables at 30.09.19	Total payables at 30.09.18
Payables to other credit institutions	1,810	6,630	7,454
Other payables	0	284	0
Deferred income	0	226	209
Total	1,810	7,140	7,663

8. Contingent liabilities*Lease commitments*

The company has concluded operating leases in respect of office premises. The leases are based on fixed lease payments, which are index-adjusted once every year. The leases are non-terminable.

	30/09/2019 DKK '000	30/09/2018 DKK '000
The total, future minimum lease payments are distributed as follows:		
Within 1 year	1,748	1,324
1-5 year(s)	3,213	4,738
After 5 years	0	11
Total	4,961	6,073

9. Charges and security

As security for debt to credit institutions of DKK 6,630k, a company charge of DKK 12,000k has been provided comprising goodwill, intellectual property rights, motor vehicles, other plant, fixtures and fittings, tools and equipment, inventories and agricultural stock, trade receivables. The total carrying amount of the comprised assets is DKK 23,745k.

10. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) for enterprises in reporting class B with application of provisions for a higher reporting class with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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 depreciation, amortisation, impairment losses and write-downs, 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 such assets 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 such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

Newly acquired or newly founded enterprises are recognised as from the date of acquisition and the date of foundation, respectively. The date of acquisition is the date at which control of the enterprise is obtained. Divested or discontinued enterprises are recognised until the date of divestment or discontinuation. The date of discontinuation is the date at which control of the enterprise passes to a third party.

Newly acquired enterprises are recognised in accordance with the acquisition method, according to which the identifiable assets and liabilities of the newly acquired enterprises are measured at fair value at the date of acquisition.

The cost of the equity investments in the acquired enterprises is offset against the proportionate share of the fair value of the subsidiaries' net assets at the date of the establishment of the group relationship.

10. Accounting policies – continued -

The goodwill (positive difference) determined at the date of acquisition is recognised under equity investments in subsidiaries in the balance sheet. Goodwill is amortised using the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at years in consideration of the expected future net earnings of the enterprise to which goodwill relates. Goodwill from acquired enterprises is adjusted until the end of the year after the year in which the acquisition took place.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation.

CURRENCY

The annual report is presented in Danish kroner.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate applicable at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rate applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement under financial income or expenses.

On recognition of foreign subsidiaries which are independent entities, the income statements are recognised at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are recognised at the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arisen at the conversion of equity at the beginning of the year and income statements at the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

10. Accounting policies – continued -**INCOME STATEMENT****Gross profit**

Gross profit comprises revenue, work performed for own account and capitalised, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Work performed for own account and capitalised

Work performed for own account and capitalised comprises cost of sales, wages and salaries and other internal expenses incurred during the year and included in the cost of self-constructed or self-produced intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

10. Accounting policies – continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortization and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful Lives, Years	Residual Value, Per cent
Completed development projects	5	0
Acquired rights	5	0
Goodwill	5-10	0
Other fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

10. Accounting policies – continued -**Income from equity investments in group enterprises**

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET**Intangible assets***Completed development projects*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly or indirectly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

10. Accounting policies – continued -*Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Other fixtures and fittings, tools and equipment

Other fixtures and fittings, tools and equipment comprise other fixtures and fittings, tools and equipment.

Other fixtures and fittings, tools and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Other fixtures and fittings, tools and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of other fixtures and fittings, tools and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

10. Accounting policies – continued -**Equity investments in group enterprises**

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to

cover the remaining negative equity value are recognised only to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Accounting policies for the acquisition of new enterprises are stated in the 'Business combinations' section.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

10. Accounting policies – continued -**Inventories**

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties is measured at the selling price of the work performed less on account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from the work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

10. Accounting policies – continued -

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investment in subsidiaries is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost, Dividends from subsidiaries which are expected to be adopted before adoption of the annual report for Visiopharm A/S are not tied up in the revaluation reserve.

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer associated with the operations of the enterprise, and the remaining amount will be transferred to retained earnings. In accordance with act no. 738 amending the Danish Financial Statements Act of 1 June 2015, development costs will initially be recognised in the reserve, with initial recognition in the balance sheet from 1 January 2016.

Acquisition costs and consideration for treasury shares as well as dividends therefrom are recognized directly in equity under retained earnings.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax

10. Accounting policies – continued -

purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.