BEIERHOLM
VI SKABER BALANCE

Visiopharm A/S

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

Annual report for the financial year 01.10.17 - 30.09.18

This annual report has been adopted at the company's annual general meeting on 21 / 12 2018

Chairman of the meeting:
Peter Bruun Nikolajsen

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Group information etc.

The company

Visiopharm A/S
Agern Allé 24
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

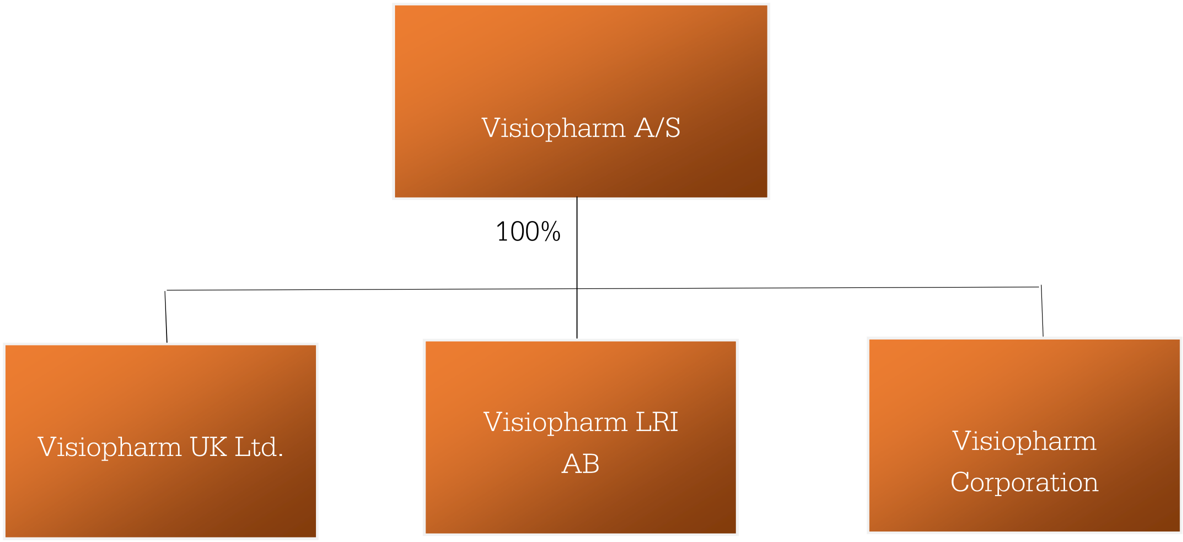
Auditors

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

Subsidiaries

Visiopharm Corporation, USA
Visiopharm LRI AB, Sverige
Visiopharm Limited, England

Group chart


Visiopharm A/S
100%
Visiopharm UK Ltd.
Visiopharm LRI AB
Visiopharm Corporation

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 2017 – 30 September 2018.

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 2018 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 2017 – 30 September 2018.

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 21, 2018

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 2017 - 30 September 2018, 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 2018 and the group's financial performance and cash flows for the financial year 1 October 2017 – 30 September 2018 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 2018 and the company's financial performance for the financial year 1 October 2017 – 30 September 2018 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, Copenhagen, December 21, 2018

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Nislev	Henrik Agner Hansen
State Authorized Public Accountant	State Authorized Public Accountant
MNE no. Mne10444	MNE no. Mne28682

Main activities

The technology focus of the company is Augmented Digital Pathology, which combines Digital Precision Pathology with 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 56.2, which was lower than last year's revenue of mDKK 62.4. Gross profit before other external expenses was mDKK 38.0 down from last years mDKK 40.1.

The results achieved in FY2016-17 represented a growth of 75% compared to the previous year. That was partially driven by the acquisition of the Swedish LRI company, that held a substantial funnel of scanner sales. We knew this would be a hard act to follow in FY2017-18. Still, the result for FY2017-18 is disappointing result after five years of continued double-digit growth.

To understand this, there are three main headlines to consider for FY2017-18:

1. The expectations going into the fiscal year 2017/18 was that growth would be minimal, given that the company was going to embark on an expensive and time-consuming process of raising growth capital. Initially focusing on a listing on Stockholm NASDAQ but ending with raising close to mDKK 100 in a Danish equity round. This process required a lot of management attention, that was diverted from running the sales operation. In particular over the last 6 months of the fiscal year,

2. Over the last 18 months, there has been a gradual shift in market focus from research to diagnostics on the European market, with very long sales cycles, and with many projects in public tenders. Also, the research sales projects internationally have both been larger and to large companies. As a result, we have seen sales cycles in the research market grow longer, and contracts were more complex and took longer time to negotiate. This has resulted in a delay in several large projects.

3. For a tech company as Visiopharm, continuing high scalable and international growth beyond the current level, requires a radical transformation of both sales process and sales organization. Making such a transformation is both expensive and complex. This was one of many reasons that management decided to pursue an injection of growth capital. The transformation of process and organization is well under way.

The business focus continues to be within the company's ONCOtopix® products for cancer research 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) Significant and scientifically documented improvement of data quality enabling 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.

Over a longer period, Visiopharm has continued to invest substantial resources in developing, validating and getting regulatory approval for diagnostic APPs running on the ONCOtopix® Dx diagnostics platform. Over the last year, we have seen significant and growing adoption of the diagnostic solution in the near markets.

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.

Towards the end of FY2017-18, the company released two very important products:

- Oncotopix/Biotopix AI: Comprise the most comprehensive Artificial Intelligence solution for digital pathology available today, implementing the latest technical break-throughs in Deep Learning. The AI module allow pathologists to solve even the most complex and challenging image analysis applications with a simple teach-by-example approach.
- Phenomap: Researchers and scientists are experiencing an increasing need for simultaneous analysis of multiple biomarkers to identify immune cells within the tumor micro-environment (TME). Interpreting high dimensional, multiplexed images represent a significant challenge to the unaided human cognitive system. Phenomap™ offers a streamlined and intuitive workflow for simultaneous analysis of up to 255 channels by automatically identifying individual cells and performing cell-based phenotyping.

These two new products represent a strong competitive differentiation, and several systems were sold even prior to official launch. A robust sales pipeline is building for both products, and has attracted strong interest from international re-sellers.

Development in important KPIs

Professional Services is a substantial part of the revenue increase mainly due to an expansion of active user base, and concomitant increase in recurring revenues from service contracts.

We continue to see an increase both win rate as well as the average deal size, but for the past year also an increase in sales cycle time. This is partially driven by the type of products been sold, but the cycle time is a function of the target segment we are selling into.

Development of the company

As mentioned above, the sales organization and process are undergoing a radical transformation, that allow predictable and scalable continued growth. This has required establishing dedicated sales development teams, training, and developing both processes and a digital infrastructure underpinning the new process. The transformation is well under way, and we are already seeing early results of the transformation that we expect to be completed towards the end of H1.

Moreover, it has been necessary to scale 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.

Although several projects were delayed, we are excited to see that the acquisition of the Swedish company, LRI Imaging, continues to be very successful and has won several major tender projects in Sweden including Stockholm, Linköping, and all of Skåne. These projects will be delivered throughout Q1 and Q2 of this fiscal year, and will create a basis for further revenue growth of diagnostic solutions in Sweden.

As we have closed ~MDKK 9 of Gross Profit Sales in the two first months of Q1, we expect to close Q1 for FY2018-19 on or above target. Furthermore, we note that the sales funnel for Q2 and Q3 are building up to our satisfaction.

Treasury shares

	Cost DKK	Quantity	Nominal Value DKK	Percent of capital
Holding of treasury shares as at 01.10.17	0	0	0	0
Additions during the year	6.813.372	33.894	33.894	2,41%
Total as at 30.09.18	6.813.672	33.894	33.894	2,41%

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

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, 2018.

Consolidated income statement and statement of comprehensive income

Note		2017/18 DKK '000	2016/17 DKK '000
3	**Revenue**	**56,156**	**62,451**
	Cost of raw materials and consumables	-18,144	-22,350
	Other external expenses	-15,791	-13,315
	Gross profit	**22,221**	**26,786**
4	Staff costs	-31,561	-22,412
	Profit/loss before depreciation, amortisation, write-downs and impairment losses (EBITDA)	**-9,340**	**4,374**
	Depreciation, amortisation, write-downs and impairment losses of property, plant and equipment and intangible assets	-3,491	-4,350
	Profit/loss before net financials	**-12,831**	**24**
7	Financial income	0	26
8	Financial expenses	-597	-335
	Profit/loss before tax	**-13,428**	**-285**
9	Tax on profit/loss for the year	1,467	-66
	Profit/loss for the year	**-11,961**	**-351**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences on translation of foreign operations	-283	70
	Other comprehensive income for the year, net of tax	**-283**	**70**
	Total comprehensive income	**-12,244**	**-281**

Consolidated income statement and statement of comprehensive income

Note		2017/18 DKK '000	2016/17 DKK '000
	Profit attributable to:		
	Owners of the parent company	-11,961	-351
	Non-controlling interests	0	0
	Total	**-11,961**	**-351**
	Total comprehensive income attributable to:		
	Owners of the parent company	-12,244	-281
	Non-controlling interests	0	0
	Total	**-12,244**	**-281**

Consolidated balance sheet

ASSETS

Note		30/09/2018 DKK '000	30/09/2017 DKK '000	01/10/2016 DKK '000
10	Completed development projects	10,588	9,383	9,339
10	Acquired rights	993	510	491
10	Goodwill	9,728	9,728	210
11	Other fixtures and fittings, tools and equipment	260	278	269
9	Deferred tax asset	31	0	0
	Deposits	442	179	174
	Total non-current assets	**22,042**	**20,078**	**10,483**
12	Manufactured goods and goods for resale	307	966	41
	Prepayments for goods	0	134	0
	Trade receivables	18,320	21,644	5,519
13	Receivables from group companies	0	0	419
	Income tax receivable	749	270	381
	Other receivables	1,103	2,889	456
	Prepayments	97	279	148
	Cash	85,041	3,585	2,954
	Total current assets	**105,617**	**29,767**	**9,918**
	Total assets	**127,659**	**49,845**	**20,401**

Consolidated balance sheet

EQUITY AND LIABILITIES

Note		30/09/2018 DKK '000	30/09/2017 DKK '000	01/10/2016 DKK '000
	Share capital	1,409	876	745
	Share premium	0	0	0
	Foreign currency translation reserve	-213	70	0
	Retained earnings	98,127	20,737	11,620
14	**Total equity**	**99,323**	**21,683**	**12,365**
15	Payables to other credit institutions	6.590	0	0
9	Provisions for deferred tax	0	618	679
	Deferred income	209	300	185
	Total non-current liabilities	**6,799**	**918**	**864**
15	Payables to other credit institutions	864	5,415	0
	Prepayments received from customers	0	1,656	1,001
	Trade payables	8,239	11,924	1,007
	Other payables	9,807	5,946	3,635
	Deferred income	2,627	2,303	1,529
	Total current liabilities	**21,537**	**27,244**	**7,172**
	Total liabilities	**28,336**	**28,162**	**8,036**
	Total equity and liabilities	**127,659**	**49,845**	**20,401**

Consolidated statement of changes in equity

Amounts in DKK '000	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
Statement of changes in equity 01/10/2016 – 30/09/2017					
Equity as at 01/10/2016	745	0	11,620	0	12,365
Net profit/loss for the year	0	0	-351	0	-351
Other comprehensive income	0	0	0	70	70
Comprehensive income	0	0	-351	70	-281
Capital increase	131	9,468	0	0	9,599
Costs of capital increase	0	0	0	0	0
Transfer to/from other reserves	0	-9,468	9,468	0	0
Transactions with owners	131	0	9,468	0	9,599
Equity as at 30/09/2017	876	0	20,737	70	21,683
Statement of changes in equity 01/10/2017 – 30/09/2018					
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
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	0	0	-11,961	-283	-12.244
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

Consolidated cash flow statement

Note		2017/18 DKK '000	2016/17 DKK '000
	Profit/loss before tax	**-13,428**	**-285**
18	Adjustment for non-cash items	-3,606	4,403
	Financial income, reversed	0	-26
	Financial expenses, reversed	597	335
19	Change in working capital	4,838	-9,445
	Cash flows from operating activities before net financials	**-11,599**	**-5,018**
	Financial income received	0	26
	Financial expenses paid	-597	-335
	Income tax received	339	0
	Cash flows from operating activities	**-11,857**	**-5,327**
	Purchase of intangible assets	-5,008	-4,239
	Purchase of property, plant and equipment	-152	-183
	Purchase of investments	-263	-5
	Disposal of investments	0	0
23	Acquisition of enterprise (net cash acquired)	0	4,970
	Cash flows from investing activities	**-5,423**	**543**
	Cash capital increase	98,237	0
	Transaction cost, cash capital increase	-1,540	0
	Arrangement of credit institutions	8,000	0
	Repayment of credit institutions	-546	0
	Cash flows from financing activities	**104,151**	**0**
	Total cash flows for the year	**86,871**	**-4,784**
	Cash, beginning of year	-1,830	2,954
	Cash, end of year	**85,041**	**-1,830**

Consolidated notes

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. Property, plant 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. Business combinations
24. Events occurring after the balance sheet date
25. The groups transition to IFRS
26. Adoption of the annual report for publication
27. New accounting regulation

1. Accounting policies

Visiopharm A/S is a limited liability company domiciled in Denmark. The consolidated financial statements for 2017/18 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.

Transition to IFRS

The consolidated financial statements of Visiopharm A/S for 2017/18 are the first to be prepared in accordance with IFRS as adopted by the EU. IFRS 1 (transition disclosures) are stated in note 25. Previously, the consolidated financial statements were prepared in accordance with local (Danish) GAAP.

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 subsidiary. 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 –

Material error

The company has identified a material error in the financial statements for 2016/17.

Material error in a subsidiary.

A material error has been identified in the previous year's financial statement of the subsidiary Visiopharm LRI AB. The error is related to accrual for cost of goods sold causing an understatement of the reported total cost of goods sold for the financial year 2016/17.

As at 30.09.18, manufactured goods and goods for resale are negatively impacted by the error by DKK 1.124k and tax are reduced by DKK 247k. This correction has a negative impact on the net loss for the year 2017/18. As at 30.09.18, equity is reduced by DKK 877k and the balance sheet total reduced by DKK 1.124k.

Comparative figures for 2016/17 have been restated in the balance sheet, income statement and notes. The accumulated effect at the beginning of the financial year has been recognized directly in equity.

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.

1. Accounting policies – continued –

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, see note 23.

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.

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.

1. Accounting policies – continued –

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 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.

1. Accounting policies – continued –

STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Software licenses is considered delivered when the software has been installed with the customer. Revenue related to scanners and other hardware components is recognised when ownership is transferred to the customers.

Time-limited subscriptions for cloud-based APP-center and software updates to these are accounted for as subscriptions and recognised over time.

Software maintenance and other consulting services revenue is recognised as services are rendered.

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

Development projects

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 distributed on 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.

Property, plant and equipment

Property, plant 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 property, plant 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 property, plant 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 is 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 –

Receivables

Receivables comprise trade receivables and other receivables. Receivables are included in the category loans and receivables, which are financial assets with fixed or determinable payments that are not listed in an active market and are not derivative financial instruments.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Any write-downs for bad debts are determined on the basis of an individual assessment of the individual receivable.

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 profress is normally calculated as the ration between the resources spent and the total budgeted ressource comsumption. For some work in progress where the resource sonsumption 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.

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 the subsequent financial year. Prepayments are measured at cost.

Cash

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

1. Accounting policies – continued –

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.

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 income in subsequent financial years. Deferred income are measured at cost.

1. Accounting policies – continued –

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 2017/18:

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.

	2017/18 DKK '000	2016/17 DKK '000

3. Revenue

Revenue is distributed as follows:

	2017/18 DKK '000	2016/17 DKK '000
Sale of software	27,154	28,875
Sale of hardware	22,278	25,578
Rendering of services	6,724	7,998
Total	56,156	62,451

4. Staff costs

	2017/18 DKK '000	2016/17 DKK '000
Wages and salaries	31,074	23,824
Pensions	493	433
Other social security costs	1,636	880
Other staff costs	2,527	859
Share-based payment (cash-settled)	0	192
Total	35,730	26,188

Total staff costs are recognised as follows:

	2017/18 DKK '000	2016/17 DKK '000
Staff costs in the income statement	31,561	22,412
Development projects	4,169	3,776
Total	35,730	26,188
Average number of employees during the year	44	37

Compensation for key management personnel of the Group:

	2017/18 DKK '000	2016/17 DKK '000
Short-term employee benefits	4,516	2,152
Post-employment benefits	57	42
Share-based payment	0	192
Total remuneration for key management employees	4,573	2,386

5. Share-based payments

The chairman of the board of directors was entitled to a future cash payment up to 2 % of net sales proceeds in the event of a sale or listing of the Company. The right to remuneration vested linearly over a period of 18 months from the election as chairman in March 2015. The liability for the remuneration was measured, initially and at the end of each reporting period until replacement by cash bonus, at fair value.

On 26 June 2018 this agreement was replaced with a cash bonus of 3.2 mio.DKK.

The carrying amount of the liability at 30 September 2018 was DKK 0k (2017: DKK 1,280k).

In 2017/18, the total charge to profit or loss amounted to DKK 0k (2016/17: DKK 192k) recognized as staff expenses.

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.

The carrying amount of the liability at 30 September 2018 was DKK 6,813k (2017: DKK 0k).

During 2017/18, the total charge to profit or loss amounted to DKK 0k (2016/17: 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 2017/18, this was DKK 0k (2016/17: DKK 0k)), and they are recognized in other external expenses and staff expenses.

	2017/18 DKK '000	2016/17 DKK '000

7. Financial income

	2017/18 DKK '000	2016/17 DKK '000
Interest, group enterprises	0	0
Other interest income	0	26
Total	0	26

8. Financial expenses

	2017/18 DKK '000	2016/17 DKK '000
Other interest expenses	589	194
Foreign currency translation adjustments	8	141
Total	597	335

	2017/18 DKK '000	2016/17 DKK '000

9. Tax

Tax on profit/loss for the year:

	2017/18 DKK '000	2016/17 DKK '000
Current tax	808	-118
Change in deferred tax	659	52
Tax on profit/loss for the year:	1,467	-66

Reconciliation of effective tax rate:

	2017/18 DKK '000	2016/17 DKK '000
Tax computed on the loss before tax at a tax rate of 22.0%	2,954	63
Tax value of non-deductible expenses	-322	-231
Value adjustment of deferred tax assets	-1,205	61
Other adjustments	40	41
Effective tax rate (10,9% / -23,1%)	1,467	-66

Deferred tax is made up as follows:

Amounts in DKK '000	30/09/2018	30/09/2017	01/10/2016
Intangible assets	2,521	2,132	2,129
Property, plant and equipment	-51	-49	-47
Liabilities	-395	-360	-298
Tax losses carried forward	-2,106	-1,105	-1,105
Total deferred tax	-31	618	679

which is distributed as follows:

	30/09/2018	30/09/2017	01/10/2016
Deferred tax assets	-31	0	0
Deferred tax liabilities	0	618	679
Total	-31	618	679

Tax losses carried forward can be carried forward indefinitely.

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
Financial year 2017/18					
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
Financial year 2016/17					
Cost as at 01/10/2016	23,218	2,317	209	0	25,744
Additions relating to mergers and acquisition of enterprises	0	0	9,519	0	-9,519
Additions during the year	0	225	0	4,014	4,239
Transferred during the year	4,014	0	0	-4,014	
Disposals during the year	-13,562	0	0	0	-13,562
Cost as at 30/09/2017	13,670	2,542	9,728	0	25,940
Amortisation and impairment losses as at 01/10/2016	-13,879	-1,827	0	0	-15,706
Impairment losses during the year	0	0	0	0	0
Amortisation during the year	-3,970	-205	0	0	-4,175
Reversal of amortisation of and impairment losses on disposed assets	13,562	0	0	0	13,562
Amortisation and impairment losses as at 30/09/2017	-4,287	-2,032	0	0	-6,319
Carrying amount as at 30/09/2017	9,383	510	9,728	0	19,621

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 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
30/09/2018				
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
30/09/2017				
CGU, LRI	0	0	9,518	9,518
CGU, software	9,383	510	0	9,893
CGU, other	0	0	210	210
Total	9,383	510	9,728	19,621
01/10/2016				
CGU, software	9,339	491	0	9,830
CGU, other	0	0	210	210
Total	9,339	491	210	10,040

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 LIR:

	30/09/2018	30/09/2017	01/10/2016
Revenue, yearly growth	0%	0%	0%
Gross margin	39.1%	39.1%	39.1%
Discount rate (pre tax)	10%	10%	10%
Growth rate beyond budget periods	0%	0%	0%

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

11. Property, plant and equipment

Amounts in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01/10/2017	3,222
Additions	152
Cost as at 30/09/2018	3,374
Depreciation and impairment losses as at 01/10/2017	-2,944
Depreciation	-170
Depreciation and impairment losses as at 30/09/2018	-3,114
Carrying amount as at 30/09/2018	260
Cost as at 01/10/2016	3,039
Additions during the year	183
Cost as at 30/09/2017	3,222
Depreciation and impairment losses as at 01/10/2016	-2,770
Depreciation during the year	-174
Depreciation and impairment losses as at 30/09/2017	-2,944
Carrying amount as at 30/09/2017	278

	30/09/18 DKK '000	30/09/2017 DKK '000	01/10/2016 DKK '000

12. Inventories

	30/09/18	30/09/2017	01/10/2016
Raw materials	0	0	0
Work in progress	0	0	0
Finished goods	307	966	41
Total	307	966	41

The amount of inventories recognised as an expense during the period amounted to DKK 18,144k (2016/17: DKK 22,350k)

Write down of inventories recognised as an expense during the period amounted to DKK 0k (2016/17: DKK 0k)

13. Trade receivables

	30/09/18	30/09/2017	01/10/2016
Gross receivable	18,370	21,694	5,569
Provision for losses	-50	-50	-50
Total	18,320	21,644	5,519

The standard credit period on sales is 8 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 2018 DKK 6,627k was overdue (2017: DKK 8,263k). No trade receivables were individually impaired and 66 % of trade receivables are paid after balance sheet date.

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 (30.09.17: 876,268 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 30/09/18. At 30/09/17 the shares were divided in two classes of shares, nominal DKK 167,004 A-shares (preference shares) and nominal DKK 709,264 B-shares. Prior to the other shareholders, each A-shareholder shall be entitled to receive – pro rata among all A-shareholders in proportion to their ownership of A-shares – a total amount equaling the original subscription amount for the relevant shareholders' shares. Subsequent distributions of the Company's funds shall be distributed pro rata among all shareholders in accordance with their share holdings notwithstanding what share class the share belong to.

Shares issued and fully paid:

	2017/18	2016/17
Shares issued, 01/10	876,268	744,828
Cash capital increase on 06/07/2018	488,689	0
Issue of bonus shares 27/06/2018	44,008	0
Cash capital increase on 29/11/2016	0	131,440
Shares issued, 30/09	1,408,965	876,268

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	4,25 years	3,50%	3,557	3,557
Credit institutions	DKK	5,00 years	5,75%	3,897	3,897
Total as at 30/09/2018				7,454	7,454

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 7,454k, 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 17,147k.

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.

	30/09/2018 DKK '000	30/09/2017 DKK '000
The total, future minimum lease payments are distributed as follows:		
Within 1 year	1,471	635
1-5 year(s)	4,869	188
After 5 years	11	0
Total	6,351	823
Operating lease payments recognized in the income statement amount to	1,307	866

	2017/18 DKK '000	2016/17 DKK '000

18. Adjustment for non-cash items

Depreciation, amortisation, impairment losses and write-downs	3,491	4,350
Other adjustments	-7,097	53
Total	-3,606	4,403

19. Change in working capital

Change in inventories	793	-1,059
Change in receivables	5,292	-15,040
Change in trade payables	-3,685	9,745
Change in other payables	2,438	-3,091
Total	4,838	-9,445

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 and SEK risk due to the large value of sales made in the United States and Sweden.
As of 30 September 2018, 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 30/09/2018			
USD	7,595	4,566	12,161
SEK	8,293	4,002	12,295
As at 30/09/2017			
USD	5,394	2,353	7,747
SEK	12,276	677	12,953

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 30/09/2018			
USD	54	610	664
SEK	6,204	169	6,373
As at 30/09/2017			
USD	4	574	578
SEK	10,260	1,656	11,916

Sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in USD 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 1,150k (2016/17: DKK 717k).
A 10% increase / decrease in the exchange rate of the DKK against the SEK would cut / increase profits before tax by DKK 592k (2016/17: DKK 104k).

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
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
As at 30/09/2017					
Other credit institutions	5,479	0	0	0	5,479
Trade payables	11,924	0	0	0	11,924
Other payables	5,946	0	0	0	5,946
Total	23,349	0	0	0	23,349

21. Fair value

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 unobservable inputs
Assets measured at fair value					
None					
Liabilities measured at fair value					
Share-based payment (Cash settled)	30/09/2018	6,813			6,813

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 September 2017:

Amounts in DKK '000	Date of valuation	TOTAL	*Level 1* Quoted prices in active markets	*Level 2* Significant observable inputs	*Level 3* Significant unobservable inputs
Assets measured at fair value					
None					
Liabilities measured at fair value					
Share-based payment (Cash settled)	30/09/2017	1,280			1,280

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 at 30 September 2018.

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		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Other related parties:					
Services provided					
	2017/18		861		13
	2016/17		464		1
Acquistition of enterprise	2016/17		9,600		0

Services provided

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

Acquisition of entreprise

The group acquired LRI Imaging AB for 131,440 B shares in Visiopharm A/S, whereafter shareholders of LRI Imaging AB holds 15% ownership of Visiopharm A/S. Please refer to note 26 regarding disclosures on the business combination.

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. Business combinations

On 29 November 2016, the Group acquired 100% shares and voting interests of LRI Imaging AB, an unlisted company based in Sweden and specializing in selling Whole slide scanners in the diagnostic segment. The group acquired LRI Imaging AB because of the market access to more than 60% of the diagnostics market.

From the date of acquisition, LRI Imaging AB has contributed TDKK 25,832 of revenue and TDKK 2,594 to the net profit before tax of the Group.

The fair values of the identifiable assets and liabilities of LRI Imaging AB as at the date of acquisition were:

Amounts in DKK '000	Fair value recognised on acquisition
Trade receivables	3,206
Other receivables and prepayments	25
Cash	4,968
Trade payables	-1,172
Other payables	-6,946
Total identifiable net assets at fair value	**81**
Goodwill arising on acquitision	**9,519**
Purchase consideration transferred	**9,600**

Trade receivable
No trade receivables was expected to be uncollectible at the date of acquisition.

Goodwill
Immediate access to diagnostics customers, revenue from scanner sales, cross selling to customers and sales talent all contributed to the amount paid for goodwill. Those assets do not meet the recognition criteria prescribed by IFRS 3 Business Combinations and therefore have not been recognised as separate intangible assets, but subsumed in goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration transferred
The following table summarises the acquisition date fair value of each major class of consideration transferred.

23. Business combinations - continued -

Amounts in DKK '000	
131,440 B shares in Visiopharm A/S, of which 43,812 shares are considered a contingent consideration.	
Fair value of all new shares in Visiopharm A/S as at 29 November 2016	9,600
Total consideration transferred	**9,600**

Contingent consideration

The Group has agreed to transfer all 131,440 B-shares at acquisition date on 29 November 2016. However it is agreed, that the shareholders of LRI Imaging AB is obliged to allow Visiopharm A/S or other shareholders to repurchase up till 43,812 of the shares at nominal value, if certain milestones has not been reached within 1-2 years from acquisition date.

The management strongly expect that all milestones will be 100% fulfilled, and therefore the consideration transferred comprise fair value of all shares transferred to shareholders of LRI Imaging AB, including the contingent consideration on 43,812 of the shares.

Acquisition related costs

The group incurred acquisition related costs of DKK 264k on legal fees and due diligence costs. These costs have been included in Other external expenses.

24. Events occurring after the balance sheet date

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

25. The group's transition to IFRS

These financial statements for the year ended 30 September 2018 with comparative figures, are the first set of financial statements prepared by the Group 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. For periods up to and including the year ended 30 September 2017, Visiopharm A/S prepared its financial statements in accordance with local (Danish) GAAP. The effect of the transition to IFRS for the group is shown in the tables below.

The IFRS opening balance sheet as at 1 October 2016 and the comparative figures for 2016/17 have been prepared in accordance with IFRS, including the transitional provisions of IFRS 1 "First-time adoption of IFRS". The accounting policies are based on the accounting standard and interpretations in effect as at 30 September 2018. The IFRS opening balance sheet as at 1 October 2016 has been prepared as if IFRS had always been applied, except for the transitional provisions in IFRS 1. The following transitional provisions has been applied:

IFRS 3 Business combinations is not applied to business combinations carried out before the IFRS opening balance sheet as at 1 October 2016. The carrying amount of goodwill according to the previous practice, DKK 210k, is consequently used in the IFRS opening balance sheet as at 1 October 2016. The group carried out an impairment test of goodwill as at 1 October 2016.

The cash flow statement is not affected by the transition to IFRS.

25. The group's transition to IFRS - continued -

Effect of transition to IFRS for the income statement for 2016/17

Ref.		Danish GAAP	Effect Transition	IFRS
	Revenue	**62,451**	**0**	**62,451**
	Work performed for own account and capitalised	3,776	-3,776	0
	Cost of raw materials and consumables	-22,350	0	-22,350
A	Other external expenses	-13,051	-264	-13,315
	Gross profit	**30,826**	**-4,040**	**26,786**
B	Staff costs	-25,996	3,584	-22,412
	Profit/loss before depreciation, amortisation, write-downs and impairment losses (EBITDA)	**4,830**	**-456**	**4,374**
A	Depreciation, amortisation, write-downs and impairment losses of property, plant and equipment and intangible assets	-5,496	1,146	-4,350
	Profit/loss before net financials	**-666**	**690**	**24**
	Financial income	26	0	26
	Financial expenses	-335	0	-335
	Profit/loss before tax	**-975**	**690**	**-285**
B	Tax on profit/loss for the year	-108	42	-66
	Profit/loss for the year	**-1,083**	**732**	**-351**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
	Exchange differences on translation of foreign operations	0	70	70
	Other comprehensive income for the year, net of tax	**0**	**70**	**70**
	Total comprehensive income	**-1,083**	**802**	**-281**

25. The group's transition to IFRS – continued –

Effect of transition to IFRS for the balance sheet as at 1 October 2016

ASSETS

Ref.	Amounts in DKK '000	Danish GAAP	Effect Transition	IFRS
	Completed development projects	9,339	0	9,339
	Acquired rights	491	0	491
A	Goodwill	210	0	210
	Other fixtures and fittings, tools and equipment	269	0	269
	Deposits	174	0	174
	Total non-current assets	**10,483**	**0**	**10,483**
	Manufactured goods and goods for resale	41	0	41
	Prepayments for goods	0	0	0
	Trade receivables	5,519	0	5,519
	Receivables from group companies	419	0	419
	Income tax receivable	381	0	381
	Other receivables	456	0	456
	Prepayments	148	0	148
	Cash	2,954	0	2,954
	Total current assets	**9,918**	**0**	**9,918**
	Total assets	**20,401**	**0**	**20,401**

25. The group's transition to IFRS – continued –

Effect of transition to IFRS for the balance sheet as at 1 October 2016

EQUITY AND LIABILITIES

Ref.	Amounts in DKK '000	Danish GAAP	Effect Transition	IFRS
	Share capital	745	0	745
	Share premium	0	0	0
	Reserve for development costs	0	0	0
	Foreign currency translation reserve	0	0	0
A, B	Retained earnings	12,469	-849	11,620
	Total equity	**13,214**	**-849**	**12,365**
B	Provisions for deferred tax	918	-239	679
	Deferred income	185	0	185
	Total non-current liabilities	**1,103**	**-239**	**864**
	Payables to other credit institutions	0	0	0
	Prepayments received from customers	1,001	0	1,001
	Trade payables	1,007	0	1,007
B	Other payables	2,547	1,088	3,635
	Deferred income	1,529	0	1,529
	Total current liabilities	**6,084**	**1,088**	**7,172**
	Total liabilities	**7,187**	**849**	**8,036**
	Total equity and liabilities	**20,401**	**0**	**20,401**

25. The group's transition to IFRS – continued –

Effect of transition to IFRS for the balance sheet as at 30 September 2017

ASSETS

Ref.	Amounts in DKK '000	Danish GAAP	Effect Transition	IFRS
	Completed development projects	9,383	0	9,383
	Acquired rights	510	0	510
A	Goodwill	8,846	882	9,728
	Other fixtures and fittings, tools and equipment	278	0	278
	Deposits	179	0	179
	Total non-current assets	**19,196**	**882**	**20,078**
	Manufactured goods and goods for resale	966	0	966
	Prepayments for goods	134	0	134
	Trade receivables	21,644	0	21,644
	Receivables from group companies	0	0	442
	Income tax receivable	270	0	23
	Other receivables	2,889	0	2,447
	Prepayments	279	0	279
	Cash	3,585	0	3,585
	Total current assets	**29,767**	**0**	**29,767**
	Total assets	**48,963**	**882**	**49,845**

25. The group's transition to IFRS – continued –

Effect of transition to IFRS for the balance sheet as at 30 September 2017

EQUITY AND LIABILITIES

Ref.	Amounts in DKK '000	Danish GAAP	Effect Transition	IFRS
	Share capital	876	0	876
	Share premium	0	0	0
	Reserve for development costs	3,131	-3,131	0
	Foreign currency translation reserve	0	70	70
A, B	Retained earnings	17,793	2,944	20,737
	Total equity	**21,800**	**-117**	**21,683**
B	Provisions for deferred tax	899	-281	618
	Deferred income	300	0	300
	Total non-current liabilities	**1,199**	**-281**	**918**
	Payables to other credit institutions	5,415	0	5,415
	Prepayments received from customers	1,656	0	1,656
	Trade payables	11,924	0	11,924
B	Other payables	4,666	1,280	5,946
	Deferred income	2,303	0	2,303
	Total current liabilities	**25,964**	**1,280**	**27,244**
	Total liabilities	**27,163**	**999**	**28,162**
	Total equity and liabilities	**49,963**	**882**	**49,845**

Note A

According to previous practice, goodwill is amortised over 5 years. According to IFRS, goodwill is not amortised, but is tested for impairment every year (impairment test).

Further, According to previous practice, transaction cost regarding business combinations is capitalized together with acquired goodwill. According to IFRS, transaction cost is not capitalised, but is recognized in profit or loss.

Note B

Cash-settled share-based payments to key management personnel is recognized in profit or loss according to IFRS.

26. Adoption of the annual report for publication

At the board meeting on 23 November 2018, 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 ?? December 2018.

27. 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 2017/18.

The management has launched an assessment of the impact of IFRS 9 on financial instruments (effective for accounting periods starting 1 January 2018 or later, i.e. annual report 2018/19), IFRS 15 on revenue recognition (effective for accounting periods starting 1 January 2018 or later, i.e. annual report 2018/19) and 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 impact the group.

IFRS 9 Financial instruments

The Standard replaces IAS 39 and all the previous versions of IFRS 9. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

IFRS 9 will be adopted in the Group's consolidated financial statements when it becomes mandatory. The Management has performed a preliminary assessment of the impact of IFRS 9 on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at 30 September 2018 based on the facts and circumstances that exist at that date. The Management does not anticipate that the application of the IFRS 9 will have a material impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The Standard replaces IAS 11, IAS 18 and their interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.).

27. New accounting regulation - continued -

IFRS 15 will be adopted in the Group's consolidated financial statements when it becomes mandatory, and they intend to use the full retrospective method of transition to the new Standard.

Based on the current accounting treatment of the Group's major sources of revenue the Management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group, apart from providing more extensive disclosures on the Group's revenue transactions. However, as the Management is still in the process of assessing the full impact of the application of IFRS 15 on the Group's financial statements, it is not practicable to provide a final estimate of the effect until the Management has completed the detailed review.

IFRS 16 Leases

The Standard replaces IAS 17 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.

The 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, assuming that no new material leases are entered into and no amendments to existing leases are made, the Group is expected to recognize a liability to make lease payments of approximately DKK 7 million and an asset representing the right to use the assets during the expected lease term of approximately DKK 7 million.

Parent company balance sheet

Note		2017/18 DKK '000	2016/17 DKK '000
	Revenue	**25,754**	**27,192**
	Work performed for own account and capitalised	4,169	3,776
	Other operating income	6,370	3,094
	Costs of raw materials and consumables	-5,300	-3,152
	Other external expenses	-10,879	-9,509
	Gross profit	**20,114**	**21,401**
1	Staff costs	-26,572	-18,536
	Proftt/loss before depreciation, amortization, writedowns and impairment losses	**-6,458**	**2,865**
	Depreciation, amortization, impairment losses and writedowns of property, plant and equipment	-4,511	-5,496
	Profit/loss before net financials	**-10,969**	**-2,631**
2	Income from equity investments in group enterprises	-4,303	1,395
3	Financial income	84	68
	Financial expenses	-834	-318
	Profit/loss before tax	**-16,022**	**-1,486**
	Tax on profit or loss for the year	2,042	403
	Profit/loss for the year	**-13,980**	**-1,083**

Proposed appropriation account

Reserve for net revaluation according to the equity method	-487	488
Retained earnings	-13,493	-1,571
Total	**-13,980**	**-1,083**

Parent company balance sheet

ASSETS

Note		30.09.18 DKK '000	30.09.17 DKK '000
	Completed development projects	10,588	9,383
	Acquired rights	993	510
	Goodwill	0	42
4	**Total intangible assets**	**11,581**	**9,935**
	Other fixtures and fittings, tools and equipment	260	278
5	**Total property, plant and equipment**	**260**	**278**
6	Equity investments in group enterprises	10,543	10,657
	Deposits	358	179
	Total investments	**10,901**	**10,836**
	Total non-current assets	**22,742**	**21,049**
	Manufactured goods and goods for sale	46	40
	Total inventories	**46**	**40**
	Trade receivables	5,260	5,947
	Receivables from group enterprises	9,983	5,753
	Deferred tax asset	31	0
	Income tax receivable	1,494	774
	Other receivables	1,156	636
	Prepayments	62	279
	Total receivables	**17,986**	**13,389**
	Cash	**76,556**	**651**
	Total current assets	**94,588**	**14,080**
	Total assets	**117,330**	**35,129**

Parent company balance sheet

EQUITY AND LIABILITIES

Note		30.09.18 DKK'000	30.09.17 DKK'000
	Share capital	1,409	876
	Reserve for net revaluation according to the equity method	0	487
	Reserve for development costs	5,577	3,131
	Retained earnings	90,435	17,306
	Total equity	**97,421**	**21,800**
	Provisions for deferred tax	0	908
	Total provisions	**0**	**908**
7	Payables to other credit institutions	6.590	0
7	Deferred income	209	300
	Total long-term payables	**6,799**	**300**
7	Short-term portion of long-term payables	864	0
	Payables to other credit institutions	0	5,415
	Prepayments received from customers	0	1,102
	Trade payables	1,978	1,660
	Other payables	9,028	2,436
	Deferred income	1,240	1,508
	Total short-term payables	**13,110**	**12,121**
	Total payables	**19,909**	**12,421**
	Total equity and liabilities	**117,330**	**35,129**

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 01.10.16 – 30.09.17				
Equity as at 01.10.16	745	0	0	12,469
Foreign currency translation adjustments of foreign enterprises	0	0	0	70
Capital increase	131	0	0	9,469
Transfers to/from other reserves	0	0	3,131	-3,131
Net profit/loss for the year	0	487	0	-1,571
Equity as at 30.09.17	876	487	3,131	17,306
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

	2017/18 DKK '000	2016/17 DKK '000

1. Staff costs

	2017/18 DKK '000	2016/17 DKK '000
Wages and salaries	24,273	17,106
Pensions	437	392
Other social security costs	208	187
Other staff costs	1,654	851
Total	26,572	18,536
Avarage number of employees during the year	34	30

2. Income from equity investments in group enterprises

	2017/18 DKK '000	2016/17 DKK '000
Income from equity investments in group enterprises	-4,303	1,395
Total	-4,303	1,395

3. Financial income

	2017/18 DKK '000	2016/17 DKK '000
Interest, group enterprises	84	60
Other interest income	0	8
Total	84	68

4. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Goodwill
Cost pr. 01.10.17	13,671	2,543	840
Additions during the year	4,287	721	0
Cost as at 30.09.18	17,958	3,264	840
Amortisation and impairment losses pr. 01.10.17	-4,288	-2,033	-798
Amortisation during the year	-3,082	-238	-42
Amortisation and impairment losses as at 30.09.18	-7,370	-2,271	-840
Carrying amount as at 30.09.18	10,588	993	0

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

5. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost pr. 01.10.17	3,222
Additions during the year	152
Cost as at 30.09.18	3,374
Depreciation and impairment losses pr. 01.10.17	-2,944
Depreciation during the year	-170
Depreciation and impairment losses as at 30.09.18	-3,114
Carrying amount as at 30.09.18	260

6. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.10.17	9,864
Additions during the year	0
Cost as at 30.09.18	9,864
Revaluations as at 01.10.17	2,649
Foreign currency translation adjustment of foreign enterprises	-312
Net profit/loss from equity investments	1,176
Other adjustment relation to equity investment	-877
Revaluations as at 30.09.18	2,636
Depreciation and impairment losses as at 01.10.17	-979
Foreign currency translation adjustment of foreign enterprises	30
Amortisation of goodwill	-978
Net profit/loss from equity investments	-5,479
Negative equity value impaired in receivables	5,449
Depreciation and impairment losses as at 30.09.18	-1,957
Carrying amount as at 30.09.18	10,543

Group enterprises:

Visiopharm Corporation, USA	100%
Visiopharm LRI AB, Sverige	100%
Visiopharm Limited, England	100%

7. Longterm payables

Figures in DKK '000	Repayment first year	Total payables at 30.09.18	Total payables at 30.09.17
Payables to other credit institutions	864	7,454	0
Deferred income	0	209	300
Total	864	7,663	300

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.

	30/09/2018 DKK '000	30/09/2017 DKK '000
The total, future minimum lease payments are distributed as follows:		
Within 1 year	1,324	508
1-5 year(s)	4,738	104
After 5 years	11	0
Total	6,073	612

9. Charges and security

As security for debt to credit institutions of DKK 7,454k, 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 17,147k.

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.

10. Accounting policies – continued -

Material error

The company has identified a material error in the financial statements for 2016/17.

Material error in a subsidiary.

A material error has been identified in the previous year's financial statement of the subsidiary Visiopharm LRI AB. The error is related to accrual for cost of goods sold causing an understatement of the reported total cost of goods sold for the financial year 2016/17.

As at 30.09.18, equity investment in subsidiaries are negatively impacted by the error by DKK 877k. This correction has a negative impact on the net loss for the year 2017/18. As at 30.09.18, equity is reduced by DKK 877k and the balance sheet total reduced by DKK 877k.

Comparative figures for 2016/17 have been restated in the balance sheet, income statement and notes. The accumulated effect at the beginning of the financial year has been recognized directly in equity.

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.

10. Accounting policies – continued -

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.

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.

10. Accounting policies – continued -

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.

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.

10. Accounting policies – continued -

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.

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 plant, 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.

10. Accounting policies – continued -

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.

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 directlyor indirectly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects

10. Accounting policies – continued -

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.

Acquired rights

Aquired 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.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant 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.

10. Accounting policies – continued -

Property, plant 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 property, plant 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.

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

10. Accounting policies – continued -

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.

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 profress is normally calculated as the ration between the resources spent and the total budgeted ressource comsumption. For some work in progress where the resource sonsumption 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.

10. Accounting policies – continued -

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.

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.

10. Accounting policies – continued -

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

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.

10. Accounting policies – continued -

Deferred income

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