LBN Medical ApS

Gugvej 70, 9210 Aalborg SØ

Company reg. no. 27 09 82 90

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 11 April 2024.

Jesper Knud Nielsen
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of LBN Medical ApS for the financial year 1 January - 31 December 2023.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2023.

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

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

Aalborg, 11 April 2024

Managing Director

Jesper Knud Nielsen

Board of directors

Bradley William De Koning

Jesper Knud Nielsen

Jonathan Alan Spero

David Mendels Peterson

Independent auditor's report

To the Shareholders of LBN Medical ApS

Opinion

We have audited the financial statements of LBN Medical ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management’s Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management’s Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management’s Review.

Aalborg, 11 April 2024

Redmark
Godkendt Revisionspartnerselskab
Company reg. no. 29 44 27 89

Johny Jensen	Malene Schröder Pedersen
State Authorised Public Accountant	State Authorised Public Accountant
mne32798	mne49093

Company information

The company	LBN Medical ApS Gugvej 70 9210 Aalborg SØ	
	Phone	96886500
	Fax	96730815
	Company reg. no.	27 09 82 90
	Established:	1 April 2003
	Domicile:	Aalborg
	Financial year:	1 January - 31 December
Board of directors	Bradley William De Koning Jesper Knud Nielsen Jonathan Alan Spero David Mendels Peterson	
Managing Director	Jesper Knud Nielsen	
Auditors	Redmark Godkendt Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
Bankers	Jyske Bank, Østre Havnegade 65, 4. sal, 9000 Aalborg	

Financial highlights

DKK in thousands.	2023	2022	2021	2020
Income statement:				
Gross profit	47.147	44.571	43.985	33.080
Profit from operating activities	12.574	10.114	11.209	4.916
Net financials	-448	-448	-167	-741
Net profit or loss for the year	9.446	7.550	8.635	3.242
Statement of financial position:				
Balance sheet total	69.776	63.537	55.308	57.230
Investments in plant and equipment	1.685	1.972	1.666	571
Equity	33.651	24.205	16.656	9.521
Cash flows:				
Operating activities	5.597	-9.595	4.366	13.929
Investing activities	-1.699	-1.149	-1.516	-573
Financing activities	0	-360	-1.149	-1.535
Total cash flows	3.898	-11.104	1.701	11.821
Employees:				
Average number of full-time employees	52	53	51	49
Key figures in %:				
Solvency ratio	48,2	38,1	30,1	16,6
Return on equity	32,7	37,0	66,0	68,1

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The financial highlights solely comprise 3 years as there was no requirement for this for the previous period.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Solvency ratio $$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity $$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Management´s review

Description of key activities of the company

The company's main activity is purchase and sale of medical equipment and spare parts.

Development in activities and financial matters

The annual result shows a profit of tDKK 12.126 before tax.

The balance sum amounts to tDKK 69.776 by the end of 2023. Equity amounts to DKK 33.651, which gives a solvency ratio of 48 %.

The annual result is lower than expected according to budget 2023 but the result from 2023 is as expected higher compared to 2022 and is therefore to be described as satisfactory.

Expected developments

The company is expecting a development in 2024 affecting the result positively, and the result for 2024 is expected to be better than in 2023.

Knowledge resources

The ambition to be market leader and at the forefront of technological development means that the company is characterized by a dynamic and rapidly changing knowledge environment. This places particularly high demands on the company when it comes to gathering and disseminating new knowledge, and effective standardization of the products is difficult. At the same time, the individual solutions are characterized by a complexity where the individual employee's personal knowledge plays an essential role.

Environmental issues

The company refurbishes newer, used medical equipment, but has no production, and as a result the company's activities have no immediate impact on the external environment. When scrapped, medical equipment is disposed of in accordance with applicable legislation. Used packaging is also recycled via local collaborations when possible.

Operational risks

One of the basic elements of the company's business strategy is fast and safe delivery in accordance with customer expectations. To be able to always meet this requirement, the company has chosen to stock essential products. A consequence of this strategy is a warehouse which constitutes a significant part of the company's total assets. As a result, assessment of the market opportunities is an important parameter in connection with the assessment of whether there is an operational risk connected to the inventory. The inventory is consequently assessed continuously to ensure that the valuation at all times is made taking into account marketability, unsaleability, and expected development in sales price.

Financial risks and the use of financial instruments

With increased globalization and internationalization comes an increased exposure to the development of exchange rates in general, including USD and EUR, which are the most frequently used currencies for trading in the international markets.

Foreign currency risks

Purchases and sales are generally made in foreign currency, while the costs, including salaries, primarily are paid in Danish kroner. Virtually all the group's activities are consequently affected by changes in the exchange rates, with USD and EUR as the most significant.

It is the company’s policy not to engage in active speculation foreign currency risks, which is why the ongoing financial assessment and management only targets already assumed foreign currency risks.

Credit risks

The company's credit risks are particularly linked to primary financial assets corresponding to the values recognized in the balance sheet.

The company's policy for assuming credit risks means that all major customers and other business partners are continuously credit assessed. The company mainly insures the amounts due in cases where advance payment is not received from the customers.

Income statement 1 January - 31 December

DKK thousand.

Note		2023	2022
	Gross profit	**47.147**	**44.571**
1	Staff costs	-32.961	-33.186
	Depreciation and impairment of tangible fixed assets	-1.612	-1.184
	Other operating expenses	0	-87
	Operating profit	**12.574**	**10.114**
	Other financial income from group enterprises	68	0
	Other financial income	99	0
	Other financial expenses	-615	-448
	Pre-tax net profit or loss	**12.126**	**9.666**
	Tax on net profit or loss for the year	-2.680	-2.116
2	**Net profit or loss for the year**	**9.446**	**7.550**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2023	2022
	Non-current assets		
3	Plant and machinery	13	23
4	Other fixtures, fittings, tools and equipment	2.806	2.722
	Total property, plant, and equipment	2.819	2.745
5	Deposits	326	313
	Total investments	326	313
	Total non-current assets	**3.145**	**3.058**
	Current assets		
	Manufactured goods and goods for resale	47.688	45.017
	Prepayments for goods	2.440	1.888
	Total inventories	50.128	46.905
	Trade receivables	6.771	8.255
	Receivables from group enterprises	1.168	0
6	Deferred tax assets	133	79
	Income tax receivables	0	383
	Other receivables	945	771
7	Prepayments	445	329
	Total receivables	9.462	9.817
	Cash and cash equivalents	7.041	3.757
	Total current assets	**66.631**	**60.479**
	Total assets	**69.776**	**63.537**

Balance sheet at 31 December

DKK thousand.

Note	Equity and liabilities	2023	2022
	Equity		
	Contributed capital	6.000	6.000
	Retained earnings	27.651	18.205
	Total equity	**33.651**	**24.205**
	Liabilities other than provisions		
	Prepayments received from customers	8.743	7.399
	Trade payables	18.262	24.627
	Income tax payable	2.734	0
	Other payables	5.889	6.732
8	Deferred income	497	574
	Total short term liabilities other than provisions	36.125	39.332
	Total liabilities other than provisions	**36.125**	**39.332**
	Total equity and liabilities	**69.776**	**63.537**

9 Charges and security

10 Contingencies

11 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	6.000	10.656	16.656
Profit or loss for the year brought forward	0	7.549	7.549
Equity 1 January 2022	6.000	18.205	24.205
Profit or loss for the year brought forward	0	9.446	9.446
	6.000	**27.651**	**33.651**

Statement of cash flows 1 January - 31 December

DKK thousand.

Note		2023	2022
	Net profit or loss for the year	9.446	7.550
12	Adjustments	4.739	3.835
13	Change in working capital	-6.733	-18.423
	Cash flows from operating activities before net financials	7.452	-7.038
	Interest received, etc.	163	-1
	Interest paid, etc.	-1	-35
	Cash flows from ordinary activities	7.614	-7.074
	Income tax paid	-2.017	-2.521
	Cash flows from operating activities	**5.597**	**-9.595**
	Purchase of tangible fixed assets	-1.685	-1.972
	Sale of tangible fixed assets	0	834
	Purchase of fixed asset investments	-14	-11
	Cash flows from investment activities	**-1.699**	**-1.149**
	Long-term payables incurred	0	695
	Pay off lease debt	0	-1.055
	Cash flows from financing activities	**0**	**-360**
	Change in cash and cash equivalents	**3.898**	**-11.104**
	Cash and cash equivalents at 1 January 2023	3.757	15.274
	Foreign currency translation adjustments (cash and cash equivalents)	-614	-413
	Cash and cash equivalents at 31 December 2023	**7.041**	**3.757**

	2023	2022
Cash and cash equivalents		
Cash and cash equivalents	7.041	3.757
Cash and cash equivalents at 31 December 2023	**7.041**	**3.757**

Notes

DKK thousand.

		2023	2022
1.	**Staff costs**		
	Salaries and wages	28.830	29.571
	Pension costs	3.709	3.181
	Other costs for social security	422	434
		32.961	**33.186**
	Executive board		2.754
	Board of directors		10
	Executive board and board of directors		**2.764**
	Average number of employees	52	53

The company have applied the exeption provision in ÅRL section 98b, subsection 3 therefore the remuneration to the management have not been specified in 2023.

		2023	2022
2.	**Proposed distribution of net profit**		
	Transferred to retained earnings	9.446	7.550
	Total allocations and transfers	**9.446**	**7.550**

		31/12 2023	31/12 2022
3.	**Plant and machinery**		
	Cost 1 January 2023	62	557
	Additions during the year	0	695
	Disposals during the year	0	-1.190
	Cost 31 December 2023	**62**	**62**
	Depreciation and write-down 1 January 2023	-39	-164
	Depreciation for the year	-10	-144
	Depreciation, amortisation and writedown for the year, assets disposed of	0	269
	Depreciation and write-down 31 December 2023	**-49**	**-39**
	Carrying amount, 31 December 2023	**13**	**23**

Notes

DKK thousand.

		31/12 2023	31/12 2022
4.	**Other fixtures, fittings, tools and equipment**		
	Cost 1 January 2023	6.597	5.320
	Additions during the year	1.685	1.277
	Cost 31 December 2023	**8.282**	**6.597**
	Depreciation and write-down 1 January 2023	-3.875	-2.836
	Depreciation for the year	-1.601	-1.039
	Depreciation and write-down 31 December 2023	**-5.476**	**-3.875**
	Carrying amount, 31 December 2023	**2.806**	**2.722**
5.	**Deposits**		
	Cost 1 January 2023	312	302
	Additions during the year	14	11
	Cost 31 December 2023	**326**	**313**
	Carrying amount, 31 December 2023	**326**	**313**
6.	**Deferred tax assets**		
	Deferred tax assets 1 January 2023	79	211
	Deferred tax of the net profit or loss for the year	54	-132
		133	**79**
	The following items are subject to deferred tax:		
	Tangible fixed assets	115	43
	Current assets	18	36
		133	**79**

The recognised tax asset is expected to be utilised within the next 3 to 5 years.

Notes

DKK thousand.

		31/12 2023	31/12 2022
7.	**Prepayments**		
	Other prepayments	445	329
		445	**329**

Other prepayments consist of prepaid costs.

		31/12 2023	31/12 2022
8.	**Deferred income**		
	Deferred income	497	574
		497	**574**

Deferred income consists of payments received concerning future income.

9. Charges and security

No charges or security as of 31 December 2023.

10. Contingencies

Contingent liabilities

Lease liabilities

The company has entered into operational leases with terms to maturity of 6 - 26 months with a residual obligation on a total of tDKK 148.

The company has concluded lease agreements concerning lease of buldings. The leases can be terminated with a remaining period of 6 months. The annual lease on buildings is tDKK 1.471.

Joint taxation

With LBN Bidco ApS, company reg. no 42995061 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

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

The total tax payable under the joint taxation scheme is disclosed in the administration company's annual report.

Notes

DKK thousand.

10. Contingencies (continued)

Joint taxation (continued)

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

11. Related parties

Controlling interest

LBN Bidco ApS, Gugvej 70, 9010 Aalborg SØ	Majority shareholder

Transactions

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms’ length.

Consolidated financial statements

The company is included ind the consolidated financial statements of the parent DirectMed Parts & Service, LLC. The annual report for DirectMed Parts & Service, LLC can be requested by contacting the company.

Notes

DKK thousand.

		2023	2022
12.	**Adjustments**		
	Depreciation, amortisation, and impairment	1.611	1.184
	Profit from disposal of non-current assets	0	87
	Other financial income	-167	0
	Other financial expenses	615	448
	Tax on net profit or loss for the year	2.680	2.116
		4.739	**3.835**

		2023	2022
13.	**Change in working capital**		
	Change in inventories	-3.223	-19.740
	Change in receivables	2.429	-2.242
	Change in trade payables and other payables	-5.939	3.559
		-6.733	**-18.423**

Accounting policies

The annual report for LBN Medical ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

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

Recognition and measurement in general

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

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

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

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

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

Foreign currency translation

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

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

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Accounting policies

Income statement

Gross profit

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

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. The timing of delivery and passing of risk to the buyer is based on standardized delivering conditions based on Incoterms® 2020. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

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

Staff costs

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

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of tangible assets.

Accounting policies

Financial income and expenses

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

Tax on net profit or loss for the year

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

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

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

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

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

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

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

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

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

	Useful life	Residual value
Plant and machinery	3-6 years	0 %
Other fixtures and fittings, tools and equipment	3-5 years	0 %

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

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

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

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

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

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Deposits

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

Inventories

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

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

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

Receivables

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

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

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

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Income tax and deferred tax

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

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

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

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

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

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

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

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Deferred income

Payments received concerning future income are recognised under deferred income.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and short-term financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.