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# ***Advalight ApS***

Industriparken 22A, DK-2750 Ballerup

## **Annual Report for 1 January - 31 December 2021**

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CVR No 29 93 52 70

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
23/05 2022

Patrik Olof Dahlén  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Advalight ApS for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ballerup, 9 May 2022

## Executive Board

Jacob Lundgreen Philipsen

Morten Thorhauge

## Board of Directors

Patrik Olof Dahlén  
Chairman

Ole Kring  
Deputy Chairman

Nis Isak Alstrup

Søren Isaksen

Niels Henrik Findsen

Jesper Liltorp Mortensen

Jacob Kildegaard Larsen

Jeppe Bygholm

# Independent Auditor's Report

To the Shareholders of Advalight ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Advalight ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We refer to note 1 to the Financial Statements, which shows that the Company has a uncovered capital requirement. This fact indicates that there is a significant uncertainty that can raise significant doubts about the company's ability to continue operations. However, as stated in note 1, the management expects that the company will receive sufficient liquidity until the operation becomes liquidity-generating.

Our opinion has not been modified in respect of this matter.

## 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.

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 Financials Statements Act.

# Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## 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.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- 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.

Hillerød, 9 May 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen  
State Authorised Public Accountant  
mne17120

Preben Bøgeskov Eriksen  
State Authorised Public Accountant  
mne23370

## Company Information

### The Company

Advalight ApS  
Industriparken 22A  
DK-2750 Ballerup

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E-mail: [info@advalight.com](mailto:info@advalight.com)  
Website: [www.advalight.com](http://www.advalight.com)

CVR No: 29 93 52 70  
Financial period: 1 January - 31 December  
Municipality of reg. office: Ballerup

### Board of Directors

Patrik Olof Dahlé, Chairman  
Ole Kring  
Nis Isak Alstrup  
Søren Isaksen  
Niels Henrik Findsen  
Jesper Liltorp Mortensen  
Jacob Kildegaard Larsen  
Jeppe Bygholm

### Executive Board

Jacob Lundgreen Philipsen  
Morten Thorhauge

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Milnersvej 43  
DK-3400 Hillerød

# Management's Review

## Key activities

The Company's main activity is to develop, manufacture, and sell medical laser equipment to the dermatology and aesthetics markets and other activities related hereto.

## Development in the year

The income statement of the Company for 2021 shows a loss of DKK 28,021,435, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 6,256,817.

Since 2018, the Company has made commercial sales of its dermatological laser equipment, ADVATx®.

After a challenging 2020, in which the Company's markets were strongly affected by the global COVID-19 pandemic, the Company returned to strong growth in 2021, which was reinforced by an expansion of the Company's salesforce. The value proposition of the Company's product continues to be confirmed by user feedback and clinical studies.

## Financial resources

The Company expects to raise additional equity from both new and current investors during 2022. It is the management's expectation that the Company will obtain sufficient liquidity to continue its operations until these become liquidity-generating. Based on this, the management has decided to present the annual report under the assumption of going concern.

## Subsequent events

In April 2022, the Company has raised an additional DKK 15.M in equity from its existing shareholders. No other events have occurred after the balance sheet date which could significantly affect the Company's financial position.



## Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>-18.940.015</b>	<b>-22.711.192</b>
Distribution expenses	2	-4.901.293	-3.168.807
Administrative expenses	2	-3.731.058	-4.217.636
<b>Operating profit/loss</b>		<b>-27.572.366</b>	<b>-30.097.635</b>
Other operating expenses		-157.774	-340.375
<b>Profit/loss before financial income and expenses</b>		<b>-27.730.140</b>	<b>-30.438.010</b>
Income from investments in subsidiaries		1.485	9.070.396
Financial income	3	1.470.904	1.188.974
Financial expenses	4	-3.618.405	-6.321.817
<b>Profit/loss before tax</b>		<b>-29.876.156</b>	<b>-26.500.457</b>
Tax on profit/loss for the year	5	1.854.721	1.728.047
<b>Net profit/loss for the year</b>		<b>-28.021.435</b>	<b>-24.772.410</b>

## Distribution of profit

### Proposed distribution of profit

Other statutory reserves	5.330.964	5.195.738
Retained earnings	-33.352.399	-29.968.148
	<b>-28.021.435</b>	<b>-24.772.410</b>

# Balance Sheet 31 December

## Assets

	Note	2021 DKK	2020 DKK
Completed development projects		15.136.759	14.419.500
Acquired patents		335.038	212.051
Development projects in progress		9.838.273	6.661.202
<b>Intangible assets</b>	<b>6</b>	<b>25.310.070</b>	<b>21.292.753</b>
Other fixtures and fittings, tools and equipment		395.796	389.530
Leasehold improvements		603.668	1.080.014
<b>Property, plant and equipment</b>	<b>7</b>	<b>999.464</b>	<b>1.469.544</b>
Investments in subsidiaries	8	0	0
Receivables from group enterprises		10.817.424	5.380.963
Other receivables		528.309	512.075
<b>Fixed asset investments</b>		<b>11.345.733</b>	<b>5.893.038</b>
<b>Fixed assets</b>		<b>37.655.267</b>	<b>28.655.335</b>
Raw materials and consumables		3.768.105	2.493.732
Work in progress		1.290.157	1.194.881
Finished goods and goods for resale		861.546	886.704
<b>Inventories</b>		<b>5.919.808</b>	<b>4.575.317</b>
Trade receivables		3.801.109	1.372.624
Other receivables		302.374	1.306.995
Corporation tax		1.854.721	1.728.047
Prepayments		802.184	267.146
<b>Receivables</b>		<b>6.760.388</b>	<b>4.674.812</b>
<b>Cash at bank and in hand</b>		<b>8.446.193</b>	<b>18.917.546</b>
<b>Currents assets</b>		<b>21.126.389</b>	<b>28.167.675</b>
<b>Assets</b>		<b>58.781.656</b>	<b>56.823.010</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		3.924.581	3.385.358
Reserve for development costs		10.526.702	5.195.738
Retained earnings		-8.194.466	-6.151.455
<b>Equity</b>		<b>6.256.817</b>	<b>2.429.641</b>
Convertible and profit-yielding instruments of debt		0	8.769.227
Other payables		38.445.837	36.373.810
Deferred income		1.349.203	796.773
<b>Long-term debt</b>	9	<b>39.795.040</b>	<b>45.939.810</b>
Credit institutions		868	1.509
Trade payables		3.917.396	2.155.713
Other payables	9	7.698.475	6.296.337
Deferred income	9	1.113.060	0
<b>Short-term debt</b>		<b>12.729.799</b>	<b>8.453.559</b>
<b>Debt</b>		<b>52.524.839</b>	<b>54.393.369</b>
<b>Liabilities and equity</b>		<b>58.781.656</b>	<b>56.823.010</b>
Financial resources	1		
Contingent assets, liabilities and other financial obligations	10		
Accounting Policies	11		

## Statement of Changes in Equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	3.385.358	0	0	-955.717	2.429.641
Net effect of correction of material misstatements	0	0	5.195.738	-5.195.738	0
Adjusted equity at 1 January	3.385.358	0	5.195.738	-6.151.455	2.429.641
Cash capital increase	539.223	31.309.388	0	0	31.848.611
Development costs for the year	0	0	5.330.964	0	5.330.964
Net profit/loss for the year	0	0	0	-33.352.399	-33.352.399
Transfer from share premium account	0	-31.309.388	0	31.309.388	0
<b>Equity at 31 December</b>	<b>3.924.581</b>	<b>0</b>	<b>10.526.702</b>	<b>-8.194.466</b>	<b>6.256.817</b>

# Notes to the Financial Statements

## 1 Financial resources

The company has after the balance sheet date raised DKK 15.4M in additional capital and will continue dialog with new investors to carry through one more capital increase in 2022. The management has presented a budget for the coming years, which shows that the company will be self-financing from Q4 2023. The basis for this plan is the continued growth of the company together with the launch of the new version ADVATx® in April 2022. Against this background, the management expects that the company will be able to raise the necessary financing until the operation generates liquidity.

Based on this, the management has presented the accounts on the assumption of going concern.

Due to the uncertainty surrounding the budget, including sales targets and the need for debt capital, a significant uncertainty exists that may raise significant doubts about the company's continued operations.

	<u>2021</u> DKK	<u>2020</u> DKK
<b>2 Staff</b>		
Wages and Salaries	15.301.481	12.743.913
Pensions	552.258	415.460
Other social security expenses	293.670	138.488
Other staff expenses	416.550	285.903
	<u><b>16.563.959</b></u>	<u><b>13.583.764</b></u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	12.988.788	10.825.870
Distribution expenses	1.919.401	949.416
Administrative expenses	1.655.770	1.808.478
	<u><b>16.563.959</b></u>	<u><b>13.583.764</b></u>
<b>Average number of employees</b>	<u><b>24</b></u>	<u><b>22</b></u>
	<u>2021</u> DKK	<u>2020</u> DKK
<b>3 Financial income</b>		
Other financial income	0	39
Exchange adjustments	764.436	1.150.626
Exchange gains	706.468	38.309
	<u><b>1.470.904</b></u>	<u><b>1.188.974</b></u>

## Notes to the Financial Statements

### 4 Financial expenses

Other financial expenses	3.402.948	4.407.603
Exchange adjustments, expenses	215.457	1.914.214
	<u>3.618.405</u>	<u>6.321.817</u>

### 5 Tax on profit/loss for the year

Current tax for the year	-1.854.721	-1.728.047
	<u>-1.854.721</u>	<u>-1.728.047</u>

The company has an unrecognized deferred tax asset of TDKK 33,039, primarily relating to tax losses.

## Notes to the Financial Statements

### 6 Intangible assets

	Completed development projects DKK	Acquired pa- tents DKK	Development projects in progress DKK
Cost at 1 January	29.402.393	1.913.476	6.661.202
Additions for the year	0	215.452	7.027.070
Transfers for the year	3.849.999	0	-3.849.999
Cost at 31 December	<u>33.252.392</u>	<u>2.128.928</u>	<u>9.838.273</u>
Impairment losses and amortisation at 1 January	14.982.893	1.701.425	0
Amortisation for the year	3.132.740	92.465	0
Impairment losses and amortisation at 31 December	<u>18.115.633</u>	<u>1.793.890</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>15.136.759</u></b>	<b><u>335.038</u></b>	<b><u>9.838.273</u></b>

Development projects relate to the development of ADVATx®. The company has launched the dermatological laser equipment, ADVATx® in 2018. Since its launch, there has been an increasing demand for the product, which has confirmed the management's expectations. A budget and business plan have been prepared for the coming years, which forms the basis for the continued recognition and valuation of the completed development projects. Part of this plan is to optimize production so that increasing sales in the coming years will be more profitable.

Additions to development projects in 2021 relates to the development of a new 2nd generation laser module based on experience with the existing technology with the aim of optimizing the assembly process, stability, and adding new functionalities to ADVATx®

Management has positive expectations of the market potential for ADVATx®.

# Notes to the Financial Statements

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	1.128.859	2.573.288
Additions for the year	344.830	0
Disposals for the year	-224.124	0
Cost at 31 December	<u>1.249.565</u>	<u>2.573.288</u>
Impairment losses and depreciation at 1 January	739.329	1.493.274
Depreciation for the year	207.826	476.346
Impairment and depreciation of sold assets for the year	-93.386	0
Impairment losses and depreciation at 31 December	<u>853.769</u>	<u>1.969.620</u>
<b>Carrying amount at 31 December</b>	<b><u>395.796</u></b>	<b><u>603.668</u></b>

## 8 Investments in subsidiaries

	2021 DKK	2020 DKK
Cost at 1 January	<u>1.164.743</u>	<u>1.164.743</u>
Cost at 31 December	<u>1.164.743</u>	<u>1.164.743</u>
Value adjustments at 1 January	-7.049.879	-15.990.100
Exchange adjustment	-31.090	1.034.569
Net profit/loss for the year	689.613	7.563.063
Change in intercompany profit on inventories	-657.037	342.589
Value adjustments at 31 December	<u>-7.048.393</u>	<u>-7.049.879</u>
Equity investments with negative net asset value amortised over receivables	<u>5.883.650</u>	<u>5.885.136</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>0</u></b>



# Notes to the Financial Statements

## 9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021 DKK	2020 DKK
<b>Convertible and profit-yielding instruments of debt</b>		
Between 1 and 5 years	0	8.769.227
Long-term part	0	8.769.227
Within 1 year	0	0
	<b>0</b>	<b>8.769.227</b>
<b>Other payables</b>		
Between 1 and 5 years	38.445.837	36.373.810
Long-term part	38.445.837	36.373.810
Within 1 year	3.991.071	3.369.698
Other short-term payables	3.707.404	2.926.639
Short-term part	7.698.475	6.296.337
	<b>46.144.312</b>	<b>42.670.147</b>
<b>Deferred income</b>		
Between 1 and 5 years	1.349.203	796.773
Long-term part	1.349.203	796.773
Within 1 year	0	0
Other deferred income	1.113.060	0
	<b>2.462.263</b>	<b>796.773</b>

## Notes to the Financial Statements

	2021 DKK	2020 DKK
<b>10 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers:		
Other fixtures and fittings, patents and completed development projects, inventories, receivables with a total carrying amount of	36.131.025	29.727.065
The company has pledged a corporate mortgage in the above assets for TDKK 23,250.		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	17.400	17.400
Between 1 and 5 years	4.350	21.750
	<b>21.750</b>	<b>39.150</b>
Rental obligations, non-cancellable	3.691.074	3.903.659

# Notes to the Financial Statements

## 11 Accounting Policies

The Annual Report of Advalight ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

### Correction of material misstatements

As a result of the amendments to the Danish Financial Statements Act in 2016, development costs shall be distributed to other statutory reserve in the equity and will be released in connection with the amortization of the development costs. Reserve for development costs of DKK 5,196k relating to development costs incurred in 2020 has not been provided for. Thus a correction of DKK 5,196k has been adjusted to the equity at 1 January 2021. There has been no impact to the profit and loss accounts. The comparative figures for 2020 have been changed accordingly.

### Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Furthermore, amortisation of goodwill is included to the extent that goodwill relates to production activities. Finally, provisions for losses on contract work are recognised.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, cost of sales and other operating income.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### **Distribution expenses**

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### **Income from investments in subsidiaries**

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## **Balance Sheet**

### **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

statement as costs in the year of acquisition. Development costs are amortised over 10 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Other fixed asset investments

Other fixed asset investments consist of deposits.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the de-

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

ferred tax relates to items recognised in equity.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Other debts are measured at amortised cost, substantially corresponding to nominal value.

### **Deferred income**

Deferred income comprises payments received in respect of income in subsequent years.