
Advalight ApS

Industriparken 22A, DK-2750 Ballerup

Annual Report for 1 January - 31 December 2022

CVR No 29 93 52 70

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/5 2023

Patrik Olof Dahlén
Chairman of the General
Meeting



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Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	2
Independent Auditor's Report	3
Company Information	
Company Information	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	8
Balance Sheet 31 December	9
Statement of Changes in Equity	11
Notes to the Financial Statements	12

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 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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, 10 May 2023

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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.

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.

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 misstate-

Independent Auditor's Report

ment, 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, 10 May 2023

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
Website: 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 Dahln, 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 2022 shows a loss of DKK 29,971,238, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 2,318,824.

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

Financial resources

The Company has received an additional DKK 30.M in equity in February 2023. It is the management's expectation that the Company has obtained sufficient liquidity to continue its operations until the operations become liquidity-generating. Based on this, the management has decided to present the annual report under the assumption of going concern.

Subsequent events

In February 2023, the Company has raised an additional DKK 30.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	2022 DKK	2021 DKK
Gross profit/loss		-18.280.618	-18.940.015
Distribution expenses	1	-6.585.083	-4.901.293
Administrative expenses	1	-4.290.480	-3.731.058
Operating profit/loss		-29.156.181	-27.572.366
Other operating expenses		0	-157.774
Profit/loss before financial income and expenses		-29.156.181	-27.730.140
Income from investments in subsidiaries		357.765	1.485
Financial income	2	2.111.628	1.470.904
Financial expenses	3	-5.093.914	-3.618.405
Profit/loss before tax		-31.780.702	-29.876.156
Tax on profit/loss for the year	4	1.809.464	1.854.721
Net profit/loss for the year		-29.971.238	-28.021.435

Distribution of profit

Proposed distribution of profit

Other statutory reserves	4.234.445	5.330.964
Retained earnings	-34.205.683	-33.352.399
	-29.971.238	-28.021.435

Balance Sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Completed development projects		27.463.570	15.136.759
Acquired patents		488.312	335.038
Development projects in progress		0	9.838.273
Intangible assets	5	27.951.882	25.310.070
Other fixtures and fittings, tools and equipment		516.270	395.796
Leasehold improvements		127.322	603.668
Property, plant and equipment	6	643.592	999.464
Investments in subsidiaries	7	0	0
Receivables from group enterprises		16.613.500	10.817.424
Other receivables		528.309	528.309
Fixed asset investments		17.141.809	11.345.733
Fixed assets		45.737.283	37.655.267
Raw materials and consumables		5.802.665	3.768.105
Work in progress		436.613	1.290.157
Finished goods and goods for resale		1.929.819	861.546
Inventories		8.169.097	5.919.808
Trade receivables		2.761.375	3.801.109
Other receivables		537.286	302.374
Corporation tax		1.809.464	1.854.721
Prepayments		295.268	802.184
Receivables		5.403.393	6.760.388
Cash at bank and in hand		3.364.097	8.446.193
Currents assets		16.936.587	21.126.389
Assets		62.673.870	58.781.656

Balance Sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital		4.387.806	3.924.581
Reserve for development costs		14.761.147	10.526.702
Retained earnings		-16.830.129	-8.194.466
Equity		2.318.824	6.256.817
Other provisions	8	6.409.946	0
Provisions		6.409.946	0
Other payables		38.462.953	38.445.837
Deferred income		3.392.416	1.349.203
Long-term debt	9	41.855.369	39.795.040
Credit institutions		33.214	868
Trade payables		6.025.854	3.917.396
Other payables	9	5.631.556	7.698.475
Deferred income	9	399.107	1.113.060
Short-term debt		12.089.731	12.729.799
Debt		53.945.100	52.524.839
Liabilities and equity		62.673.870	58.781.656
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	3.924.581	0	10.526.702	-8.194.466	6.256.817
Cash capital increase	463.225	25.570.020	0	0	26.033.245
Development costs for the year	0	0	4.234.445	0	4.234.445
Net profit/loss for the year	0	0	0	-34.205.683	-34.205.683
Transfer from share premium account	0	-25.570.020	0	25.570.020	0
Equity at 31 December	4.387.806	0	14.761.147	-16.830.129	2.318.824

Notes to the Financial Statements

	2022	2021
	DKK	DKK
1 Staff		
Wages and Salaries	18.356.664	15.301.481
Pensions	669.737	552.258
Other social security expenses	227.744	293.670
Other staff expenses	506.262	416.550
	19.760.407	16.563.959
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	15.057.219	12.988.788
Distribution expenses	2.791.576	1.919.401
Administrative expenses	1.911.612	1.655.770
	19.760.407	16.563.959
Average number of employees	28	24
2 Financial income		
Other financial income	17.373	0
Exchange adjustments	2.094.255	764.436
Exchange gains	0	706.468
	2.111.628	1.470.904
3 Financial expenses		
Other financial expenses	3.186.754	3.402.948
Exchange adjustments, expenses	1.907.160	215.457
	5.093.914	3.618.405

Notes to the Financial Statements

	2022	2021
	DKK	DKK
4 Tax on profit/loss for the year		
Current tax for the year	-1.809.464	-1.854.721
	-1.809.464	-1.854.721

The company has an unrecognized deferred tax asset of DKK 39,192 primarily relating to tax losses.

5 Intangible assets

	Completed development projects	Acquired pa- tents	Development projects in progress
	DKK	DKK	DKK
Cost at 1 January	33.252.392	2.128.928	9.838.273
Additions for the year	0	299.511	6.549.999
Transfers for the year	16.388.272	0	-16.388.272
Cost at 31 December	<u>49.640.664</u>	<u>2.428.439</u>	<u>0</u>
Impairment losses and amortisation at 1 January	18.115.633	1.793.890	0
Amortisation for the year	4.061.461	146.237	0
Impairment losses and amortisation at 31 December	<u>22.177.094</u>	<u>1.940.127</u>	<u>0</u>
Carrying amount at 31 December	<u>27.463.570</u>	<u>488.312</u>	<u>0</u>

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 & 2022 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

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	1.249.565	2.573.288
Additions for the year	297.508	0
Cost at 31 December	<u>1.547.073</u>	<u>2.573.288</u>
Impairment losses and depreciation at 1 January	853.769	1.969.620
Depreciation for the year	177.034	476.346
Impairment losses and depreciation at 31 December	<u>1.030.803</u>	<u>2.445.966</u>
Carrying amount at 31 December	<u>516.270</u>	<u>127.322</u>

	2022	2021
	DKK	DKK
7 Investments in subsidiaries		
Cost at 1 January	1.164.743	1.164.743
Cost at 31 December	<u>1.164.743</u>	<u>1.164.743</u>
Value adjustments at 1 January	-7.048.393	-7.049.879
Exchange adjustment	-644.607	-31.090
Net profit/loss for the year	1.834.078	689.613
Change in intercompany profit on inventories	-831.703	-657.037
Value adjustments at 31 December	<u>-6.690.625</u>	<u>-7.048.393</u>
Equity investments with negative net asset value amortised over receivables	<u>5.525.882</u>	<u>5.883.650</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>

Notes to the Financial Statements

8 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Other provisions of tDKK 6.410 have been recognised for expected warranty claims. The amount is subject to uncertainty, as no or limited historical data is available as a basis for the assessment.

Other provisions	6.409.946	0
	<u>6.409.946</u>	<u>0</u>

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:

	2022 DKK	2021 DKK
Other payables		
Between 1 and 5 years	38.462.953	38.445.837
Long-term part	<u>38.462.953</u>	<u>38.445.837</u>
Within 1 year	3.066.684	3.991.071
Other short-term payables	2.564.872	3.707.404
Short-term part	<u>5.631.556</u>	<u>7.698.475</u>
	<u>44.094.509</u>	<u>46.144.312</u>
Deferred income		
After 5 years	1.795.981	0
Between 1 and 5 years	1.596.435	1.349.203
Long-term part	<u>3.392.416</u>	<u>1.349.203</u>
Within 1 year	399.107	1.113.060
Short-term part	<u>399.107</u>	<u>1.113.060</u>
	<u>3.791.523</u>	<u>2.462.263</u>

Notes to the Financial Statements

	<u>2022</u> DKK	<u>2021</u> DKK
10 Contingent assets, liabilities and other financial obligations		
Charges and security		
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	40.069.600	36.131.025
The company has pledged a corporate mortgage in the above assets for TDKK 23,250.		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	17.400	17.400
Between 1 and 5 years	<u>0</u>	<u>4.350</u>
	<u>17.400</u>	<u>21.750</u>
Rental obligations, non-cancellable	3.283.719	3.691.074

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Advalight ApS for 2022 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 2022 are presented in DKK.

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.

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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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, other operating income.

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.

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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

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 deferred 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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.