
Samplix ApS

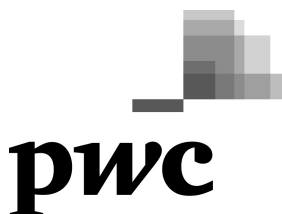
Mileparken 28, DK-2730 Herlev

Annual Report for 1 January - 31 December 2020

CVR No 32 30 93 21

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
26/5 2021

Frank Rossen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Samplix ApS for the financial year 1 January - 31 December 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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

Herlev, 24 March 2021

Executive Board

Lars Kongsbak
CEO

Board of Directors

Erik Max Michael Obermayer
Chairman

Ole Kring

Lars Krogsgaard

Rodney Weldon Turner

Independent Auditor's Report

To the Shareholders of Samplix ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Samplix ApS for the financial year 1 January - 31 December 2020, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

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

Independent Auditor's Report

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.

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.

Independent Auditor's Report

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.

Hillerød, 24 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

Company Information

The Company

Samplix ApS
Mileparken 28
DK-2730 Herlev

CVR No: 32 30 93 21
Financial period: 1 January - 31 December
Municipality of reg. office: Herlev

Board of Directors

Erik Max Michael Obermayer, Chairman
Ole Kring
Lars Krogsgaard
Rodney Weldon Turner

Executive Board

Lars Kongsbak

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Management's Review

Key activities

DNA sequencing is instrumental in modern healthcare. Next Generation Sequencing makes it possible to decipher all genes of human beings, which may reveal genetic variations important for diagnosis and personalized treatment. In the past 10 years, sequencing has paved the way for astonishing discoveries within medicine.

Samplix has developed proprietary products for targeted single molecule enrichment of DNA. Samplix' technologies are based on advanced microfluidics which in a simple work process partitions millions of molecules in droplets thereby enabling high quality targeted enrichment of large fragments (>100 kb) for subsequent sequencing.

At Samplix we share the vision of better healthcare by providing genomics tools that help determine the genetic architecture of most human diseases and traits. Future healthcare will increasingly depend on accurate detection of genetic variations by genomic analyses.

Samplix' proprietary droplet technologies have proven to accurately validate gene therapy, identify unintended CRISPR edits, decipher complex genomics structures important for the development of many disease such as neurological disorders like ALS, Alzheimer's disease etc.

2020 - First commercial year

Xdrop® was launched for beta-testing in September 2019 and for commercial use in January 2020. Despite the Covid-19 pandemic has hit Samplix at a vulnerable time only few months after market introduction, 2020 has proven commercial traction as the first Xdrop® instruments were sold under standard commercial terms.

As many customers had to close their laboratories as a consequence of the pandemic, it became increasingly more difficult to sell laboratory equipment like Xdrop®. To accommodate the new market conditions, Samplix launched in May 2020 its Service business which allows customers to have Samplix perform the Xdrop® DNA analysis.

The Service business has been well received. The Service offering has lowered the entry barrier and customers see this offering as an easy way to test the performance of Xdrop®.

Samplix has continued its focus on building the patent portfolio that protects the product offering. At the end of the year Samplix had 10 patent families and 18 issued patents.

With the objective of becoming a global provider of tools for sample preparation we maintain focus on building a multidisciplinary and multinational organisation. We are now 25 employees, with equal gender balance and 9 different nationalities. 60% of the workforce holds a Ph.D. degree covering a wide array of disciplines including molecular biology, microfluidics, programming, bioinformatics, cell biology, genomics, biochemistry, instrument engineering etc.

Management's Review

Development in the year

The income statement of the Company for 2020 shows a loss of DKK 24,124,578, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 35,963,202.

Financing

In January 2019, Samplix was awarded a grant of €1.9m from the European Union's Horizon 2020 – SME instrument program. Only 3% out of +1.800 applications were awarded grants. The funding is paid over a duration of 24 months starting in May 2019 and completing in April 2021.

In December 2020, Samplix increased its capital by €2.2m from existing shareholders and new shareholders. In addition, the convertible bonds incl. accrued interest, issued in October 2019, February 2020, and June 2020, was converted to share capital.

Due to the adverse impact from the Covid-19 pandemic, Samplix was also granted a government sponsored 'Syndication loan' of €2.7m, which was paid on 8 January 2021.

Subsequent events

Covid-19 has negatively impacted commercial role out. Except for the additional financing in 2021 and the negative impact from Covid-19 no events have occurred after the balance sheet date of importance to the Annual Report.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		8,639,633	3,656,602
Sales and marketing expenses	2	-8,538,946	-5,534,059
Research and development expenses	2	-19,654,104	-20,363,218
General and administrative expenses	2	-6,792,179	-7,006,517
Operating profit/loss		-26,345,596	-29,247,192
Profit/loss before financial income and expenses		-26,345,596	-29,247,192
Financial income		0	24,054
Financial expenses		-3,107,204	-550,922
Profit/loss before tax		-29,452,800	-29,774,060
Tax on profit/loss for the year	3	5,328,222	5,367,748
Net profit/loss for the year		-24,124,578	-24,406,312

Distribution of profit

	2020 DKK	2019 DKK
Proposed distribution of profit		
Retained earnings	-24,124,578	-24,406,312
	-24,124,578	-24,406,312

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Completed development projects		5,995,943	0
Acquired patents		1,746,362	1,817,323
Acquired licenses		87,315	165,360
Development projects in progress		8,412,673	6,662,159
Intangible assets	4	16,242,293	8,644,842
Other fixtures and fittings, tools and equipment		657,151	831,106
Leasehold improvements		50,448	85,607
Property, plant and equipment	5	707,599	916,713
Deposits		340,740	460,740
Fixed asset investments	6	340,740	460,740
Fixed assets		17,290,632	10,022,295
Finished goods and goods for resale		5,568,524	4,582,610
Prepayments for goods		0	831,650
Inventories		5,568,524	5,414,260
Trade receivables		765,876	51,306
Other receivables		203,754	396,930
Corporation tax		5,328,222	5,403,723
Prepayments		145,985	177,640
Receivables		6,443,837	6,029,599
Cash at bank and in hand		17,156,591	6,212,912
Currents assets		29,168,952	17,656,771
Assets		46,459,584	27,679,066

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		960,328	598,742
Reserve for development costs		11,238,721	5,196,484
Retained earnings		23,764,153	-1,405,397
Equity		35,963,202	4,389,829
Other payables		1,881,147	651,817
Long-term debt	7	1,881,147	651,817
Convertible instruments of debt		0	15,260,896
Trade payables		3,236,973	3,308,237
Other payables	7	5,006,185	1,399,876
Deferred income		372,077	2,668,411
Short-term debt		8,615,235	22,637,420
Debt		10,496,382	23,289,237
Liabilities and equity		46,459,584	27,679,066
Going concern	1		
Contingent assets, liabilities and other financial obligations	8		
Accounting Policies	9		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	598,742	5,196,484	-1,405,397	4,389,829
Capital increase	361,586	0	55,336,365	55,697,951
Development costs for the year	0	6,561,885	-6,561,885	0
Depreciation, amortisation and impairment for the year	0	-519,648	519,648	0
Net profit/loss for the year	0	0	-24,124,578	-24,124,578
Equity at 31 December	960,328	11,238,721	23,764,153	35,963,202

Notes to the Financial Statements

1 Going concern

Many financial statement items cannot be measured but must be estimated. Such estimates comprise judgments based on the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

Samplix' accounts are prepared on a going concern basis based on a strategy with accompanying budgets, which inherently are subject to a number of assumptions and uncertainties including an assumption of continued financing of the Company's work towards full commercialization of the instrument and associated consumables from January 2020.

Executive Management acknowledges that there are risks associated with executing the planned strategy and achieving the budget approved by the Board of Directors of the Company. Executive Management is convinced that the Company has sufficient capital to fund the current strategy throughout 2021.

Samplix was granted a government sponsored 'Syndication loan' of €2.7m, which was paid on 8 January 2021. Furthermore, the Company is eligible for cash inflow related to accelerated R&D tax returns.

2 Staff

	2020 DKK	2019 DKK
Wages and Salaries	19,717,856	15,341,157
Pensions	1,744,015	1,068,277
Other social security expenses	428,035	222,938
Other staff expenses	386,750	1,231,175
	22,276,656	17,863,547
Average number of employees	27	20

68,648 warrants are issued by resolution of the general meeting on 27 August 2020. The warrants may be exercised at any time up until 28 Februar 2024. The warrants may be exercised at a price from EUR 12 to EUR 25.

Incentive programmes are not recognised in the Financial Statements.

Notes to the Financial Statements

	2020 DKK	2019 DKK
3 Tax on profit/loss for the year		
Current tax for the year	-5,328,222	-5,367,748
	-5,328,222	-5,367,748

4 Intangible assets

	Completed development projects DKK	Acquired pa- tents DKK	Acquired licenses DKK	Development projects in progress DKK
Cost at 1 January	0	1,988,922	260,546	9,125,159
Additions for the year	0	62,982	0	8,412,673
Disposals for the year	0	0	0	-2,463,000
Transfers for the year	6,662,159	0	0	-6,662,159
Cost at 31 December	<u>6,662,159</u>	<u>2,051,904</u>	<u>260,546</u>	<u>8,412,673</u>
Impairment losses and amortisation at 1 January	0	171,599	95,186	2,463,000
Amortisation for the year	666,216	133,943	78,045	0
Reversal for the year of previous years' impairment losses	<u>0</u>	<u>0</u>	<u>0</u>	<u>-2,463,000</u>
Impairment losses and amortisation at 31 December	<u>666,216</u>	<u>305,542</u>	<u>173,231</u>	<u>0</u>
Carrying amount at 31 December	<u>5,995,943</u>	<u>1,746,362</u>	<u>87,315</u>	<u>8,412,673</u>

Development projects consist of development of products for which management evaluates a great market potential.

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	1,506,835	105,453
Additions for the year	507,031	0
Disposals for the year	-285,750	0
Cost at 31 December	1,728,116	105,453
Impairment losses and depreciation at 1 January	675,729	19,846
Depreciation for the year	486,522	35,159
Reversal of impairment and depreciation of sold assets	-91,286	0
Impairment losses and depreciation at 31 December	1,070,965	55,005
Carrying amount at 31 December	657,151	50,448

6 Fixed asset investments

	Deposits DKK
Cost at 1 January	340,740
Cost at 31 December	340,740
Carrying amount at 31 December	340,740

7 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:

	2020 DKK	2019 DKK
Other payables		
Between 1 and 5 years	1,881,147	651,817
Long-term part	1,881,147	651,817
Other short-term payables	5,006,185	1,399,876
	6,887,332	2,051,693

Notes to the Financial Statements

	2020	2019
	DKK	DKK
8 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Rental obligation, 6 months (2019: 9 months)	362,784	455,301
Leasing obligation, 19 - 23 months (2019: 4 - 35 months)	378,069	660,062
	740,853	1,115,363

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of Samplix ApS for 2020 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 2020 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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, provisions and adjustments as a consequence of changes to accounting estimates.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction.

Notes to the Financial Statements

9 Accounting Policies (continued)

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.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an out-flow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

Income Statement

Revenue

Product sales:

Revenue from the sale of goods comprises the sale of instruments and consumables 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. If all risks and rewards have not been transferred, the revenue is recognised as deferred income until all components of the transaction have been completed.

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

Notes to the Financial Statements

9 Accounting Policies (continued)

Cost of sales

Cost of goods sold includes the cost of materials, direct labor and manufacturing, overhead costs used in the manufacture and supply chain handling of instruments and consumables, including royalties on product sales. Cost of goods sold also includes cost of instruments sold to customers, amortization of licenses related to products and other costs such as product technical support. The Company procures both instruments and consumables from contract manufacturers and expects cost of goods sold to increase as the Company places additional instruments and consumables. Gross margins related to all products, however, the Company expects will increase as a percentage of sales as products mature and production volumes increase.

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.

Sales and marketing expenses

Sales and marketing expenses include costs associated with the Company's direct sales force, sales management, marketing, technical support, business development activities and shipping and handling. These expenses primarily consist of salaries, commissions, benefits, travel, advertising, promotions, product samples and trade show expenses in addition to the costs of product shipments. The Company expects sales and marketing expenses to increase when the Company builds a commercial organisation and increases efforts to expand the Company's customer base.

Research and development expenses

Research and development expenses primarily include costs associated with the development of the Company's instrument and associated consumables including related protocols. These expenses also include intellectual property prosecution and maintenance costs, and quality assurance expenses. The expenses primarily relates to salaries, benefits, outside product design and consulting services, laboratory supplies and equipment, costs of consumables and materials used in house for product development, and allocated facility and information technology costs. Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

General and administrative expenses

The Company's general and administrative expenses include expenses related to the board of directors, executive management, accounting and finance, information technology, legal, facilities, human resource, administrative and investor related activities. These expenses consist primarily of salaries, benefits, independent auditor costs, legal and consulting fees, travel, and insurance costs.

Notes to the Financial Statements

9 Accounting Policies (continued)

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.

Government grants

Government grants are recognised as other income when there is reasonable assurance that the Company will comply with the conditions attached to them and receive the grants. Government grants for expenses incurred are recognised as other income over the periods in which Samplix recognises as expenses the related costs for which the grants are intended to compensate. Government grants for the purchasing of property, plant and equipment are recognized as deferred income over the useful lives of the related assets.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

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

Development projects, patents and licences

Costs of acquired development projects and intellectual property comprise salaries, amortisation and other expenses directly or indirectly attributable to such assets.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as

Notes to the Financial Statements

9 Accounting Policies (continued)

expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item “Reserve for development costs”. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight line basis over the period of the expected economic benefit from the assets. The amortisation period for acquired intellectual property rights is 10 years and is 5 years for other assets.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 20 years. Software licences are amortised over the period of the agreement.

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:

Company instruments placed under rental reagent agreements	2 - 5	years
Other fixtures and fittings, tools and equipment	3 - 5	years
Leasehold improvements	3	years

The fixed assets’ residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

9 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and 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.

Fixed asset investments

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 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 measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

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, including the tax base of tax loss carry-forwards, 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

Notes to the Financial Statements

9 Accounting Policies (continued)

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.

Financial debts

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. Deferred income primarily relates to government grants prepayments.