Saniona A/S

Smedeland 26B

2600 Glostrup

Central Business Registration No 34049610

Annual Report 2023

The Annual General Meeting adopted the annual report
on 21 May, 2024

Chairman of the General Meeting

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Name: Søren Skjærbæk

Contents

Entity details

Saniona A/S

Smedeland 26B

2600 Glostrup

Central Business Registration No: 34049610

Registered in: Albertslund

Financial year: 01.01.2023 – 31.12.2023

Board of Directors

Jørgen Drejer, Chairman

Karl Johan Bertil Sundberg

Anna Helena Constance Ljung

Pierandrea Muglia

Executive Board

Thomas Feldthus, CEO

Auditors

PricewaterhouseCoopers

Strandvejen 44

2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Saniona A/S for the financial year 01.01.2023 - 31.12.2023.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Glostrup, May 21, 2024

Executive Board

Thomas Feldthus

CEO

Board of Directors

Jørgen Drejer	Anna Helena Constance Ljung	Karl Johan Bertil Sundberg
Chairman		

Pierandrea Muglia

Independent auditor's report

To the shareholders of Saniona A/S

Opinion

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

We have audited the Financial Statements of B-Company for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Financial 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 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.
- 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.

Hellerup, May 21, 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
mne18651

André Nielsen
State Authorised Public Accountant
mne46624

Management commentary

About Saniona

Saniona is a clinical-stage biopharmaceutical company leading the way in ion channel modulation for the treatment of epilepsy and other neurological disorders. Saniona's epilepsy pipeline features SAN711, a Phase 2-ready candidate drug targeting absence seizures, SAN2219 for acute repetitive seizures, and SAN2355, addressing refractory focal onset seizures. Beyond epilepsy, Saniona oversees four clinical programs poised for collaboration. Tesofensine, Saniona's most advanced candidate, is progressing towards regulatory approval for obesity in Mexico through a partnership with Medix. Tesomet™ is ready for Phase 2b, targeting rare eating disorders, while SAN903 is ready for Phase 1 for inflammatory bowel disease and SAN2465 is set for preclinical development for major depressive disorder. Saniona has esteemed partners, including Boehringer Ingelheim GmbH, Productos Medix, S.A de S.V, AstronauTx Limited, and Cephagenix ApS. Saniona is based in Copenhagen and the parent Company, Saniona AB is listed on Nasdaq Stockholm Main Market. For more information, please visit www.saniona.com.

Development in activities and finances

In 2023, the Company reported revenues and other operating income of DKK 12,077 thousand in total and net loss before tax of DKK 38,686 thousand. The Company had positive equity of DKK 84,303 thousand, and a cash position of DKK 19,103 thousand at the end of 2023.

Events after the balance sheet date

On January 2, 2024, Saniona announced selection of SAN2465 as a preclinical candidate for major depressive disorder.

On February 7, Saniona AB announced the outcome in rights issue of a proceed of approximately SEK 88.9 million before issue costs and a directed issue of units to guarantors in the rights issue as well as convertibles of SEK 10 million to Formue Nord.

Income statement for 2023

DKK	Note	2023	2022
Revenue		11,198,265	9,931,778
Other operating income		878,372	2,625,705
Costs of raw materials and consumables		-3,281,049	-3,123,974
Other external expenses		-29,321,950	-47,293,460
Gross profit/loss		**-20,526,362**	**-37,859,951**
Staff costs	2	-20,681,774	-27,178,868
Depreciation, amortization and impairment losses		-6,273,973	-4,547,129
Operating profit/loss		**-47,482,109**	**-69,585,948**
Other financial income	3	10,914,628	9,840,726
Income/expenses from other investments	4	—	-7,814,818
Income/expenses from associates	5	-871,260	-1,466,170
Reduction of carrying value of investment in subsidiary		—	-74,167,873
Other financial expenses	6	-1,246,977	-9,832,687
Profit/loss before tax		**-38,685,717**	**-153,026,770**
Tax on profit/loss for the year	7	5,500,000	4,681,442
Profit/loss for the year		**-33,185,717**	**-148,345,328**
Proposed distribution of profit/loss			
Retained earnings		-33,185,717	-148,345,328
		-33,185,717	**-148,345,328**

Balance sheet

DKK	Notes	2023	2022
Acquired intangible assets	8	3,315,789	4,500,000
Intangible assets		**3,315,789**	**4,500,000**
Other fixtures and fittings, tools and equipment	9	3,318,859	4,661,252
Leasehold improvements	9	423,372	1,480,634
Land and buildings	9	3,324,972	4,345,807
Tangible assets		7,067,203	10,487,693
Investment in associates	5	262,569	533,830
Other financial assets	10	1,912,115	1,769,039
Other investments	11	160,942	160,942
Financial assets		2,335,626	2,463,811
Non-current assets		**12,718,618**	**17,451,504**
Trade receivables		1,693,008	3,091,089
Receivables from group companies	12	57,003,028	33,925,629
Current tax assets		5,500,000	5,500,000
Other assets		1,722,327	1,856,061
Current receivables		**65,918,363**	**44,372,779**
Cash		**19,103,464**	**73,127,414**
Current assets		**85,021,827**	**117,500,193**
Total assets		**97,740,445**	**134,951,697**

Balance sheet

DKK	Notes	2023	2022
Share capital		504,000	504,000
Retained earnings		83,799,311	114,868,809
Equity		**84,303,311**	**115,372,809**
Lease liabilities	13	459,741	3,381,631
Other liabilities	14	1,651,143	1,596,916
Non-current liabilities		**2,110,884**	**4,978,547**
Lease liabilities	13	3,676,040	3,888,774
Trade payables		5,093,993	8,861,679
Current tax liabilities		—	818,558
Other financial liabilities		1,536,207	967,521
Other liabilities		1,020,010	63,809
Current liabilities		**11,326,250**	**14,600,341**
Total liabilities		**13,437,134**	**19,578,888**
Total equity and liabilities		**97,740,445**	**134,951,697**
Going concern	1		
Related parties with controlling interest	15		

Statement of changes in equity for 2023

DKK	Share capital	Retained earnings	Shareholders' equity
Equity beginning of year	504,000	114,868,809	115,372,809
Profit/loss of the year	—	-33,185,717	-33,185,717
Increase of capital	—	—	—
Share-based compensation expenses	—	2,116,219	2,116,219
Equity end of year	**504,000**	**83,799,311**	**84,303,311**

Notes

Note 1 Going concern

The financial statements have been prepared on a going concern basis.

As of December 31, 2023, Saniona A/S' current assets exceed its current liabilities by DKK 73.5 million. Current assets include among other receivables from Group companies of DKK 57.0 million, and cash and cash equivalents of DKK 19.1 million.

In February 2024, the parent company, Saniona AB, raised SEK 88.9 million before issue costs through a rights issue. Prior to this financing Saniona AB agreed with Formue Nord to use SEK 20 million of the net proceeds to pay off debt in Saniona AB. Saniona AB may receive additional proceeds in April 2025 in relation to the exercise of issued series TO 4 warrants granted in connection with the rights issue.

From the rights issue net proceed Saniona A/S has received DKK 33.2 million from Saniona AB, and the receivables from Group companies is hereafter DKK 23.8 million.

The company is pursuing partnering activities and the management is in discussions with several companies on different assets with the aim of securing additional partnerships in 2024. In addition, Saniona's partner Medix has filed for market approval of the company's most advanced asset, tesofensine, which could result in milestone payments in the near future.

There is a risk that the Company will not be able to retain or obtain additional partnerships, tesofensine will not be approved in Mexico, the Company will not be able to raise additional capital or obtain other co-financing on acceptable terms or at all. This could result in a temporary halt to the Company's development programs or that the Company is forced to run operations at a lower rate than desired, which could adversely affect the Company's operations.

Based on the above described factors, the Board has a reasonable expectation that the Group has and will have adequate resources to continue in operation existence during the financial year.

Note 2 Staff costs

DKK	2023	2022
Wages and salaries	17,234,121	23,890,648
Pension costs	1,431,896	1,524,697
Share-based payment	2,116,219	1,977,013
Other social security costs	-545,648	-597,941
Other staff costs	445,186	384,451
	20,681,774	**27,178,868**
Average number of employees	**23**	**25**

Share based payments

Employees in Saniona A/S are participating in the warrant programs in the parent Company.

Note 3 Other financial income

DKK	2023	2022
Financial income from group enterprises	8,582,584	5,279,316
Other financial income	1,399,311	416,877
Foreign exchange gain	932,733	4,144,533
Total	**10,914,628**	**9,840,726**

Note 4 Income/expenses from other investments

DKK	2023	2022
Other investments	—	-7,814,818
Total	**0**	**-7,814,818**

Note 5 Investments in associates

Associates	Share of equity	Share of voting power	Carrying amount in Parent company DKK
Cephagenix ApS Smedeland 26B 2600 Glostrup	33.3%	33.3%	262,569

DKK	2023	2022
Cost on January 1	2,000,000	750,000
Additions	600,000	1,250,000
Cost on December 31	**2,600,000**	**2,000,000**
Write-down on January 1	1,466,170	—
Loss for the year	871,261	1,466,170
Write-down on December 31	**2,337,431**	**1,466,170**
Carrying amount December 31	**262,569**	**533,830**

Note 6 Other financial expenses

DKK	2023	2022
Financial expenses from group enterprises	—	-8,454,001
Interest expense	-955,291	-238,973
Other financial expenses	-291,686	-1,139,713
Total	**-1,246,977**	**-9,832,687**

Note 7 Tax on profit/loss for the year

DKK	2023	2022
Tax on current year taxable income	5,500,000	4,681,442
Total	**5,500,000**	**4,681,442**

Note 8 Intangible assets

DKK	Acquired intangible assets
Cost on January 1	5,500,000
Additions	—
Cost on December 31	**5,500,000**
Depreciation on January 1	1,000,000
Depreciation	1,184,211
Depreciation on December 31	**2,184,211**
Carrying amount December 31	**3,315,789**

Note 9 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Land & building	Total
Cost on January 1	10,178,278	2,578,386	10,429,938	23,186,602
Additions and remeasurements	82,622	—	2,166,091	2,248,713
Disposals	-10,392	—	—	-10,392
Cost on December 31	**10,250,508**	**2,578,386**	**12,596,029**	**25,424,923**
Depreciation on January 1	-5,517,026	-1,097,752	-6,084,131	-12,698,909
Depreciation*	-1,425,015	-1,057,262	-3,186,926	-5,669,203
Disposals	10,392	—	—	10,392
Depreciation on December 31	**-6,931,649**	**-2,155,014**	**-9,271,056**	**-18,357,720**
Carrying amount December 31	**3,318,859**	**423,372**	**3,324,972**	**7,067,203**
Recognised assets not owned by the entity	**670,157**	—	**3,324,972**	**3,995,129**

*) In 2023 a part of the depreciation has been expensed with 579,441 DKK under other external expenses.

Note 10 Other financial assets

DKK	2023	2022
Cost of January 1	1,769,039	1,671,290
Additions	143,076	97,749
Disposals	—	—
Cost on December 31	**1,912,115**	**1,769,039**

Note 11 Other investments

DKK	2023	2022
Cost of January 1	7,975,760	13,298,886
Fair value adjustment	—	—
Payment received	—	-5,323,126
Cost on December 31	**7,975,760**	**7,975,760**
Impairment on January 1	-7,814,818	—
Impairment	—	-7,814,818
Impairment on December 31	**-7,814,818**	**-7,814,818**
Carrying amount December 31	**160,942**	**160,942**

12. Receivables from group companies

Receivables from group companies of DKK 57.0 million are receivables from the parent company Saniona AB.

13. Lease liabilities

DKK	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	4,169,215	493,175	3,676,040
Between one and five years	471,736	11,995	459,741
Total	**4,640,951**	**505,170**	**4,135,781**

14. Other liabilities

DKK	2023	2022
Cost of January 1	1,596,916	—
Additions	68,098	1,596,916
Disposals	-13,871	—
Cost on December 31	**1,651,143**	**1,596,916**

15. Related parties with controlling interest

The Company has registered the following shareholder to have the controlling interest of the company:
Saniona AB, Smedeland 26B, 2600 Glostrup, 100 %.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The Company has applied IFRS 15 and IFRS 16 as interpretation under Danish GAAP.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Leases

A lease asset (right-of-use asset) and a similar lease liability are recognised for all leases for which the Entity is a lessee. However, this policy does not apply to short-term leases (i.e. leases with a lease term ending within 12 months) and contracts to lease assets of low value. For such leases, lease payments are recognised as an expense on a straight-line basis over the lease term.

If the lease contains non-lease components (e.g. a service agreement on the lease assets), such components are recognised separately.

Lease assets and liabilities are further described under assets and liabilities below.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses.

Income statement

Revenue

i. General

Saniona generates revenue from out-licensing of intellectual property and from providing research and development services, either in combination with an out-licensing arrangement, or standalone. For all contracts with customers, Saniona (1) identifies the performance obligations in the contract, (2) determines the transaction price, (3) allocates the transaction price to the performance obligations in the contract, and (4) recognizes revenue when or as Saniona satisfies a performance obligation.

ii. License arrangements and research collaborations agreements

For out-licensing arrangements that include promises in addition to the promised license, Saniona determines if the license is ‘distinct’ by assessing whether the customer can benefit from the license on its own or together with other resources that are readily available, and whether the license is separately identifiable from other goods or services in the contract. If the license is not distinct, then Saniona recognizes revenue for the single performance obligation when or as the combined goods or services are transferred to the customer.

If the license is distinct and provides the customer with the right to use Saniona IP, then the promise is satisfied at a point in time.

License agreements and research and collaboration agreements may include rights to variable consideration that is contingent on meeting specific develop or commercial milestones or other performance criteria. Given the significant uncertainties associated with achieving such milestones, we consider such consideration constraint and do not recognize such consideration until the performance criteria are highly probable of being met

iii. Service revenue

Revenue from providing R&D services is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised services to the customer.

Costs of raw materials

Costs of raw materials include expenses relating to the Entity's activities in the laboratories on the site, related to own research activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Share-based incentive programmes

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the equity instruments is calculated using the Black-Scholes.

Depreciation, amortization and impairment losses

Amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortization, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from associates

Income from investments in associates comprises pro rata share of the individual enterprises' profit/loss after proportionate elimination of internal profit or losses.

Income from other investments

Income from other financial assets includes returns by way of fair value adjustments etc. of financial assets that are not investments in group enterprises or associates.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortization of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortization of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Land and buildings (lease assets)	3-5 years
Other fixtures and fittings, tools and equipment	1-10 years
Leasehold improvements	5 years

For leasehold improvements, the depreciation period cannot exceed the contract period.

Expected useful lives and residual values are reassessed annually.

Items of plant and equipment are written down to the lower of recoverable amount and carrying amount.

Lease assets

On initial recognition, lease assets are measured at the amount of the initial measurement of the lease liabilities, any lease payments made before the commencement date less any lease incentives received, and any initial direct costs incurred by the lessee.

An estimate of costs to be incurred by the lessee in dismantling and removing the lease as-sets, or restoring the underlying assets, are recognised as a separate provision. The costs are added to the cost of the lease assets. Subsequently, lease assets are measured at cost less accumulated depreciation and impairment losses.

Lease assets are depreciated over the lower of the lease term and the useful life of the under-lying assets. If the lease transfers the ownership of the lease assets by the end of the lease term or if the exercise of a purchase option is expected, the lease assets are depreciated over their useful life. Depreciation begins at the commencement date.

Lease assets are written down to the lower of recoverable amount and carrying amount.

Lease assets are adjusted upon remeasurement of the lease liabilities; see below in the lease liability section.

Lease assets are recognised as fixed assets within the asset item in which the underlying as-sets of the lease would be recognised if the Entity owned them.

Investments in group enterprises

Investments in subsidiaries are measured at cost. The investment is written down to the lower of the recoverable amount and the carrying amount.

Investments in associates

Investments in associates are recognized and measured according to the equity method. This means that investments are measured at the pro rate share of the enterprises' equity value plus unamortized goodwill and plus or minus unrealized internal profits and losses.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Other investments

Other securities and investments include unlisted securities, which are measured at fair value at the balance sheet date.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

Income tax payable or receivable

Current tax payable or receivable is recognized in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Lease liabilities

On initial recognition, lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Entity's incremental borrowing rate shall be used.

Lease payments included in the measurement of the lease liability comprise the following payments:

Fixed payments less any lease incentives provided by the lessor to the lessee.

Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Amounts expected to be payable under residual value guarantees.

The exercise price of a purchase option if it is reasonably certain to exercise that option.

Payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate are recognised in the income statement as "Other external expenses" in the period in which the event or the circumstance triggering the payments in question takes place.

On subsequent measurement, lease liabilities are adjusted for accrued interest and repayments made, calculated by the effective interest rate method.

Lease liabilities are remeasured, and the corresponding lease assets are similarly adjusted when:

There is a change in the lease term, e.g. as a result of a change in the assessment of whether an option to extend or to purchase will be exercised. Remeasurement takes place by discounting the revised lease payments using a discount rate revised at the time of changing the lease.

There is a change in lease payments resulting from a change in an index or a rate, or in the amounts expected to be payable under a residual value guarantee. Remeasurement takes place by discounting the revised lease payments using the original discount rate. However, a revised discount rate is used if the change reflects a change in the floating interest rate.

There is a lease modification that is not accounted for as a separate lease. Remeasurement takes place by discounting the revised lease payments using a revised discount rate.

If the remeasurement results in the reduction of a lease liability exceeding the carrying amount of the corresponding lease asset, the excess amount is recognised in the income statement.

Other financial liabilities

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.