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# ***Oncology Venture Product Development ApS***

Venlighedsvej 1, DK-2970 Hoersholm

## **Annual Report for 1 January - 31 December 2018**

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CVR No 34 62 35 62

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
10/6 2019

Anders Carstensen  
Chairman of the General  
Meeting



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## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Oncology Venture Product Development ApS for the financial year 1 January - 31 December 2018.

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

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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

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

Hoersholm, 10 June 2019

### **Executive Board**

Peter Buhl  
CEO

# **Independent Auditor's Report**

To the Shareholder of Oncology Venture Product Development ApS

## **Report on the Financial Statements**

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Oncology Venture Product Development ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet 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.

### **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 deter-

# Independent Auditor's Report

mines 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

# Independent Auditor's Report

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.

## Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

### Non-compliance with the Danish Tax at Source Act in respect of A tax

The CEO and 4 consultants are hired by the Company and/or Oncology Venture A/S ("the companies") as consultants. After the merger of the former Parent Company and Oncology Venture A/S on 21 August 2018, the companies are to be seen as one group, why the consultancy contracts should have been converted to employment contracts. Because of the consultancy contracts, the companies have not withheld and reported A tax at source to the Danish Tax Authorities for paying fees to the CEO and the 4 consultants for the period 21 August 2018 – February 2019, by which Management may incur liability.

Hellerup, 10 June 2019

### PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Torben Jensen  
statsautoriseret revisor  
mne18651

Thomas Lauritsen  
statsautoriseret revisor  
mne34342

## **Company Information**

### **The Company**

Oncology Venture Product Development ApS  
Venlighedsvej 1  
DK-2970 Hoersholm

CVR No: 34 62 35 62

Financial period: 1 January - 31 December

Municipality of reg. office: Rudersdal

### **Executive Board**

Peter Buhl

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## **Management's Review**

Financial Statements of Oncology Venture Product Development ApS for 2018 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 Annual Report has been prepared under the same accounting policies as last year.

### **Key activities**

Oncology Venture Product Development ApS is a Danish Drug Development company formed in 2012 dedicated to unlock the potential of new oncology products, and rescue failed - to improve the efficacy of the drugs, increase the response rate in cancer patients, reduce timelines and through this improve success rates in Oncology Drug Development.

### **Development in the year**

The income statement of the Company for 2018 shows a loss of DKK 30,821 thousands, and at 31 December 2018 the balance sheet of the Company shows negative equity of DKK 94,539 thousands.

### **Capital resources**

As a development company, and like other similar companies, Oncology Venture Product Development ApS has shown negative cash flow over the years, why the Company is dependent on financing until reaching the point where a positive cash flow begins. The Board of Directors and Management are constantly monitoring the Company's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company. In the year 2018, the Company recorded a loss of DKK 30.821 thousands and the Company's liabilities exceeds the Company's assets by DKK 94.539 thousands. The Company is financed by a long-term loan from the Parent Company, Oncology Venture A/S. The Parent Company has issued a letter of financial support to the Company, and following this letter, as well as the Parent Company's funding options, the Board of Directors and Management has confidence in the Company's ability as a going concern.

For further information, reference is being made to note 1 of the Financial Statement.

### **Unusual events**

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events.

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income Statement 1 January - 31 December

	Note	2018 DKK '000	2017 DKK '000
<b>Gross profit/loss</b>		<b>-40.913</b>	<b>-32.987</b>
Staff expenses	2	-2.133	-2.053
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.605	-3.410
<b>Profit/loss before financial income and expenses</b>		<b>-46.651</b>	<b>-38.450</b>
Income from investments in associates		10.864	0
Financial income	3	5.153	2.739
Financial expenses	4	-3.464	-13.392
<b>Profit/loss before tax</b>		<b>-34.098</b>	<b>-49.103</b>
Tax on profit/loss for the year	5	3.277	5.499
<b>Net profit/loss for the year</b>		<b>-30.821</b>	<b>-43.604</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-30.821	-43.604
		<b>-30.821</b>	<b>-43.604</b>

# Balance Sheet 31 December

## Assets

	Note	2018 DKK '000	2017 DKK '000
Acquired patents		939	743
Development projects in progress		15.306	21.375
<b>Intangible assets</b>	6	<b>16.245</b>	<b>22.118</b>
Plant and equipment		236	333
Other fixtures and fittings, tools and equipment		12	34
<b>Property, plant and equipment</b>	7	<b>248</b>	<b>367</b>
Investments in subsidiaries	8	3.345	40
Deposits		206	201
<b>Fixed asset investments</b>		<b>3.551</b>	<b>241</b>
<b>Fixed assets</b>		<b>20.044</b>	<b>22.726</b>
<b>Inventories</b>		<b>0</b>	<b>6.919</b>
Receivables from group enterprises		6.466	0
Other receivables		2.393	1.527
Corporation tax		3.279	5.499
Prepayments		687	2.044
<b>Receivables</b>		<b>12.825</b>	<b>9.070</b>
<b>Cash at bank and in hand</b>		<b>19</b>	<b>6.261</b>
<b>Currents assets</b>		<b>12.844</b>	<b>22.250</b>
<b>Assets</b>		<b>32.888</b>	<b>44.976</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 DKK '000	2017 DKK '000
Share capital		2.197	2.197
Retained earnings		-96.736	-65.915
<b>Equity</b>	9	<b>-94.539</b>	<b>-63.718</b>
Payables to group enterprises (long-term)		98.451	74.115
<b>Long-term debt</b>	10	<b>98.451</b>	<b>74.115</b>
Credit institutions		4	0
Trade payables		5.608	4.735
Payables to group enterprises	10	20.802	14.226
Payables to associates		0	1.497
Other payables		2.562	14.121
<b>Short-term debt</b>		<b>28.976</b>	<b>34.579</b>
<b>Debt</b>		<b>127.427</b>	<b>108.694</b>
<b>Liabilities and equity</b>		<b>32.888</b>	<b>44.976</b>
Capital resources	1		
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# Notes to the Financial Statements

## 1 Capital resources

As a development company, and like other similar companies, Oncology Venture Product Development ApS has shown negative cash flow over the years, why the Company is dependent on financing until reaching the point where a positive cash flow begins. The Board of Directors and Management are constantly monitoring the Company's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company. In the year 2018, the Company recorded a loss of DKK 30.821 thousands and the Company's liabilities exceeds the Company's assets by DKK 94.539 thousands. The Company is financed by a long-term loan from the Parent Company, Oncology Venture A/S.

On 8 March 2019 the Company received a letter of financial support from the Parent Company Oncology Venture A/S. In the letter, the Parent Company stated that they will:

- 1) Support the Company financially
- 2) The loan to the Company will not be recalled, unless the liquidity position of the Company is adequate to justify such repayment
- 3) The Parent Company and group enterprises will subordinate their receivables in favour of other creditors of the Company.

The letter is effective until 31 May 2020.

On 20 March 2019, the Parent Company presented its Annual Report for the year 2018, presenting a total equity of DKK 180,141 thousands and total assets of DKK 206,078 thousands. The Consolidated Financial Statements of the Oncology Venture A/S Group showed a total equity of DKK 181,856 thousands and total assets of DKK 251,497 thousands, corresponding to a solvency ratio of 72%.

By the end of 2018 the Parent Company arranged a financing agreement with the European High Growth Opportunities Securitization Fund, advised by Alpha Blue Ocean, which allows the Parent Company to receive additional funding, should it be necessary, in return of issuance of convertible notes and warrants.

On 16 May 2019 the Parent Company executed a cash capital increase of SEK 80 million.

On this basis, the Board of Directors and Management have confidence in the Company as a going concern, and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

## Notes to the Financial Statements

	2018 <u>DKK '000</u>	2017 <u>DKK '000</u>
<b>2 Staff expenses</b>		
Wages and salaries	2.041	1.985
Pensions	70	47
Other social security expenses	20	18
Other staff expenses	<u>2</u>	<u>3</u>
	<b><u>2.133</u></b>	<b><u>2.053</u></b>
<b>Average number of employees</b>	<b><u>3</u></b>	<b><u>3</u></b>
<b>3 Financial income</b>		
Other financial income	168	0
Exchange gains	<u>4.985</u>	<u>2.739</u>
	<b><u>5.153</u></b>	<b><u>2.739</u></b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	956	1.437
Other financial expenses	56	11.817
Exchange loss	<u>2.452</u>	<u>138</u>
	<b><u>3.464</u></b>	<b><u>13.392</u></b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	-3.281	-5.500
Adjustment of tax concerning previous years	<u>4</u>	<u>1</u>
	<b><u>-3.277</u></b>	<b><u>-5.499</u></b>

# Notes to the Financial Statements

## 6 Intangible assets

	Acquired pa- tents	Development projects in progress
	DKK '000	DKK '000
Cost at 1 January	1.876	24.354
Additions for the year	509	6.348
Disposals for the year	0	-9.244
Cost at 31 December	<u>2.385</u>	<u>21.458</u>
Impairment losses and amortisation at 1 January	1.133	2.979
Amortisation for the year	313	3.173
Impairment losses and amortisation at 31 December	<u>1.446</u>	<u>6.152</u>
<b>Carrying amount at 31 December</b>	<b><u>939</u></b>	<b><u>15.306</u></b>

## 7 Property, plant and equipment

	Plant and equipment	Other fixtures and fittings, tools and equipment
	DKK '000	DKK '000
Cost at 1 January	487	65
Cost at 31 December	<u>487</u>	<u>65</u>
Impairment losses and depreciation at 1 January	154	31
Depreciation for the year	97	22
Impairment losses and depreciation at 31 December	<u>251</u>	<u>53</u>
<b>Carrying amount at 31 December</b>	<b><u>236</u></b>	<b><u>12</u></b>

## Notes to the Financial Statements

	2018 DKK '000	2017 DKK '000
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	40	40
Additions for the year	3.305	0
<b>Carrying amount at 31 December</b>	<b>3.345</b>	<b>40</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
OV-SPV2 ApS	Denmark	45%
Oncology Venture US Inc.	USA	84%

## Notes to the Financial Statements

### 9 Equity

	Share capital DKK '000	Retained earnings DKK '000	Total DKK '000
Equity at 1 January	2.197	-65.915	-63.718
Net profit/loss for the year	0	-30.821	-30.821
<b>Equity at 31 December</b>	<b>2.197</b>	<b>-96.736</b>	<b>-94.539</b>

The share capital is broken down as follow:

	Number	Nominal value DKK '000
A-shares	1.768.639	1.769
B-shares	427.654	428
		<b>2.197</b>

The share capital has developed as follows:

	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000
Share capital at 1 January	2.197	2.197	2.197	1.170	1.170
Capital increase	0	0	0	1.027	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>2.197</b>	<b>2.197</b>	<b>2.197</b>	<b>2.197</b>	<b>1.170</b>



# Notes to the Financial Statements

## 10 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:

	2018 DKK '000	2017 DKK '000
<b>Payables to group enterprises (long-term)</b>		
Between 1 and 5 years	98.451	74.115
Long-term part	98.451	74.115
Other short-term debt to group enterprises	20.802	14.226
	<b>119.253</b>	<b>88.341</b>

Long-term debt carries an interest of 1% p.a.

## 11 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Rental obligation, without option to terminate for 6 months	247	245
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### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Oncology Venture A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 12 Related parties

### Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the Parent Company.

<u>Name</u>	<u>Place of registered office</u>
Oncology Venture A/S	Denmark

# Notes to the Financial Statements

## 13 Accounting Policies

The Annual Report of Oncology Venture Product Development ApS for 2018 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 2018 are presented in DKK thousands.

### 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.

### Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### 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.

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.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from the sale of test data is recognised when the risks and rewards relating to the test data 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.

#### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

#### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

#### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

#### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### 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.

The Company is jointly taxed with other companies in the Oncology Venture A/S Group. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

#### *Development projects, patents and licences*

Patents and licences, as well as acquired development projects, 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, and licences are amortised over the licence period; however not exceeding 6 years, with no residual value. Depreciation methods, useful lives and residual values are reviewed every year.

Cost of development projects comprises the acquisition price, costs directly related to the acquisition and costs for preparation of the asset until such time as the asset is ready for use, including cost for licences, cost of drugs and other expenses directly or indirectly attributable to the Company's development activities.

Costs incurred in relation to individual development projects are capitalized only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) Management has the intention and ability to complete the intangible asset and use or sell it.

Since our development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied. Management assess on a continuous basis, whether there is reasonable certainty of receiving future cash flows that will cover the development costs incurred regarding our own development projects.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

### 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:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

### 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 measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Equity investments are classified as investments in subsidiaries if the Company exercised the main control over the subsidiary, whether the control is exercised through ownership or other direct and/or indirect structures.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### **Other fixed asset investments**

Other fixed asset investments consist of depositories. Depositories are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value.

Depositories are classified as a fixed asset when it is not considered probable that the deposit will be paid in full during the following 12 months after the balance sheet date.

### **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 raw materials and consumables equals landed cost.

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

### **Receivables**

Receivables are 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 are measured at cost and comprise prepaid expenses concerning rent, insurance premiums etc.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **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 elimi-

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

nation 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.

### **Financial debts**

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