Grant Thornton
Statsautoriseret
Revisionspartnerselskab

Stockholmsgade 45
2100 København Ø
CVR-nr. 34209936

T (+45) 33 110 220

www.grantthornton.dk

Cardlab Innovation ApS

c/o Cardlab Aps, Hørkær 14 C, 1, 2730 Herlev

Company reg. no. 34 62 61 89

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 11 June 2020.

Katrine Bjarni
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Cardlab Innovation ApS for the financial year 1 January - 31 December 2019 of Cardlab Innovation ApS.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Herlev, 10 June 2020

Managing Director

Frank Sandeløv

Board of directors

Kim Wagner Jørgensen	Noriaki Okubo	Steen L. Hørdum
Susan Ponthus Jackson		

Independent auditor's report

To the shareholders of Cardlab Innovation ApS

Qualified opinion

We have audited the financial statements of Cardlab Innovation ApS for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the effects of the matter described in the paragraph "Basis for qualified opinion", the financial statements give a true and fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the profit of operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

It hasen't been possible to obtain suitable and sufficient audit evidence about the presence and valuation of the company's inventory. The company's inventories amounted as at 31 December 2019 DKK 4,486,946.

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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 qualified opinion.

Material uncertainties concerning the company's ability to continue as a going concern

We point out that there is considerable uncertainty, that can raise considerable doubts about the company's ability to continue it's operations. We refer to note 1 in the financial statements, which states that it is currently uncertain how new capital will be obtained, but the management believes that the total planned activities will provide the necessary liquidity. In addition, the company's parent company issues a declaration of support.

Our conclusion is not modified as a result of this matter.

Emphasis of matter

We refer to note 1 in the financial statements and Management's review, in which the management describe the expectations for a significant improvement in earnings, which is a prerequisite for the value of the recognized intangible assets amounting to DKK 26 milion as at 31 December 2019.

Our conclusion it not modified as a resultat of this matter.

Independent auditor's report

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report

- Conclude on the appropriateness of management’s preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Independent auditor's report

Copenhagen, 10 June 2020

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Ole Skou
State Authorised Public Accountant
mne15007

Company information

The company	Cardlab Innovation ApS c/o Cardlab Aps Hørkær 14 C, 1 2730 Herlev	
	Company reg. no.	34 62 61 89
	Financial year:	1 January - 31 December
Board of directors	Kim Wagner Jørgensen Noriaki Okubo Steen L. Hørdum Susan Ponthus Jackson	
Managing Director	Frank Sandeløv	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	

Management commentary

The principal activities of the company

The company's purpose is to conduct development, production and sale of electronic products, to license patents and other intellectual property rights from the mother company Cardlab ApS for the commercial exploitation, and any other related activities.

Uncertainties about recognition or measurement

Investment in development activities is in nature related with risk, and the assessment of the investments is therefore related with some uncertainty. It's Management's assessment that the value of intangible assets as a minimum have a value corresponding to the value accounted for in the financial statements. The transition of the company from a development company to technology and card supplier company is however ongoing and confirmed by significant interest from major industry players in the technology. On basis of this a substantial sale is foreseen and a capital raise is ongoing to strengthen the position of the company as a strong going concern in expansion. It’s the management’s assessment that the increased sale, capital raise and transition into a production company will secure the Company as a strong going concern.

Development in activities and financial matters

The company did again in 2019 receive recognition and awards as one of the leading innovative companies in EU and continued under the Horizon 2020 to develop card solutions to provide protection of critical infrastructure. The company continued in the EU business acceleration program with participation in several events to promote the company.

The company has in 2019 decided to write down the development cost and raw material stock for the dynamic magstripe solution due to the stronger focus on biometric card sales.

The company focus on the biometric area with the completion of the Horizon 2020 project with 4 standard biometric cards ready for sale mid 2020 is by the management considered a safe road to stable growth, as we towards the end of the year have seen an increased inflow of new biometric card orders and strong customer interest.

The Parent Company have invested in the company and have undertaken to invest further capital in execution of the planned development activities. Based the increased customer activity further operation and expansion should be possible via organic growth but can be accelerated by injection of further funding.

Research and development activities

Technologically 2019 yielded continuation of the Company’s biometric card project with 4 standard biometric cards in preparation for sale and further development of customer card products, which have now progressed into the initial production phase.

Management commentary

Expected developments

It is expected that 2020 will yield an increase of turnover, partly through new client related development agreements and license agreements, and a volume based breakthrough for products based on the Companies technologies and standard Horizon 2020 card solutions.

Events occurring after the end of the financial year

After the end of the financial year, the company have experienced a considerable uncertainty around some customer's ability to complete their projects after the outbreak of the Covid-19 pandemic with a lockdown of significant parts of the world causing uncertainty among both suppliers and customers. The company expect it will be negatively affected in the first half of 2020, but increased demand for secure and hygienic products is expected to cause a strong increase in demand of the Company's card products, fulfilling all requirement to security and hygiene with extreme low risk of transferring infectious diseases in for instance access control systems.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross profit	**2.843.537**	**-1.578.923**
2	Staff costs	-2.571.148	-2.138.363
	Depreciation, amortisation, and impairment	-6.233.934	-2.107.053
	Operating profit	**-5.961.545**	**-5.824.339**
	Other financial income	94.088	39.493
3	Other financial costs	-62.995	-60.669
	Pre-tax net profit or loss	**-5.930.452**	**-5.845.515**
	Tax on net profit or loss for the year	1.222.505	1.707.522
	Profit or loss from ordinary activities after tax	**-4.707.947**	**-4.137.993**
	Net profit or loss for the year	**-4.707.947**	**-4.137.993**
	Proposed appropriation of net profit:		
	Allocated to other reserves	871.466	1.227.823
	Allocated from retained earnings	-5.579.413	-5.365.816
	Total allocations and transfers	**-4.707.947**	**-4.137.993**

Statement of financial position at 31 December

All amounts in DKK.

Assets

Note		2019	2018
	Non-current assets		
4	Completed development projects, including patents and similar rights arising from development projects	4.212.415	7.186.133
5	Development projects in progress and prepayments for intangible assets	21.769.620	23.770.923
	Total intangible assets	25.982.035	30.957.056
6	Plant and machinery	197.916	511.164
7	Other fixtures and fittings, tools and equipment	0	7.671
	Total property, plant, and equipment	197.916	518.835
	Deposits	150.507	140.717
	Total investments	150.507	140.717
	Total non-current assets	**26.330.458**	**31.616.608**
	Current assets		
	Raw materials and consumables	3.734.394	2.787.764
	Work in progress	495.040	418.712
	Manufactured goods and goods for resale	357.512	312.015
	Total inventories	4.586.946	3.518.491
	Trade receivables	154.404	517.910
	Receivables from group enterprises	1.355.283	1.164.296
	Income tax receivables	982.726	1.025.358
	Other receivables	416.225	352.000
	Prepayments and accrued income	17.233	82.579
	Total receivables	2.925.871	3.142.143
	Cash on hand and demand deposits	532.571	363.113
	Total current assets	**8.045.388**	**7.023.747**
	Total assets	**34.375.846**	**38.640.355**

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities

Note		2019	2018
	Equity		
8	Contributed capital	7.760.000	7.760.000
9	Other reserves	6.157.551	5.286.085
10	Retained earnings	-1.191.691	4.384.313
	Total equity	**12.725.860**	**17.430.398**
	Liabilities other than provisions		
	Prepayments received from customers	5.276.228	5.878.492
	Total long term liabilities other than provisions	5.276.228	5.878.492
	Trade payables	356.708	2.289.477
	Payables to group enterprises	15.390.862	12.481.134
	Other payables	626.188	560.854
	Total short term liabilities other than provisions	16.373.758	15.331.465
	Total liabilities other than provisions	**21.649.986**	**21.209.957**
	Total equity and liabilities	**34.375.846**	**38.640.355**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

11 Charges and security

12 Contingencies

Notes

All amounts in DKK.

		2019	2018

1. Uncertainties concerning the enterprise's ability to continue as a going concern

Investment in development activities is in nature related with risk, and the assessment of the investments made is therefore related with some uncertainty. It's management's assessment that the value of intangible assets as a minimum have a value corresponding to booked value, and are therefore measured at cost in the financial statements. The transition of the company from a development company to technology and card supplier company is however confirmed by the interest from major industry players in the technology. On basis of this a substantial sale is foreseen and a capital raise is ongoing to strengthen the position of the company as a strong going concern in expansion. It’s the management’s assessment that the increased sale, capital raise and transition into a production company will secure the Company as a strong going concern.

2. Staff costs

	2019	2018
Salaries and wages	2.257.087	1.932.627
Pension costs	298.851	191.283
Other costs for social security	15.210	14.453
	2.571.148	**2.138.363**
Average number of employees	7	7

3. Other financial costs

	2019	2018
Other financial costs	62.995	60.669
	62.995	**60.669**

Notes

All amounts in DKK.

4. Completed development projects, including patents and similar rights arising from development projects

Cost 1 January 2019	16.483.889	15.725.113
Additions during the year	95.080	758.776
Disposals during the year	-6.160.912	0
Transfers	1.567.722	0
Cost 31 December 2019	**11.985.779**	**16.483.889**
Amortisation and writedown 1 January 2019	-9.297.756	-7.595.746
Amortisation for the year	-1.852.724	-1.702.010
Depreciation, amortisation and writedown for the year, assets disposed of	3.377.116	0
Amortisation and writedown 31 December 2019	**-7.773.364**	**-9.297.756**
Carrying amount, 31 December 2019	**4.212.415**	**7.186.133**

Development costs are capitalized in the balance sheet when they are taken into production or improvement of existing products that provide a real increase in value for the customers. Progress in development projects and sales potential follows the company's expectations.

The company's capitalized development projects are continuously reviewed for indications of impairment. If this is the case, write-downs are made to lower recoverable value. The ongoing measurement of the recoverable amount of the company's development projects is inherently discretionary.

5. Development projects in progress and prepayments for intangible assets

Cost 1 January 2019	23.770.923	21.368.940
Additions during the year	2.990.292	2.401.983
Disposals during the year	-1.321.315	0
Transfers	-3.670.280	0
Cost 31 December 2019	**21.769.620**	**23.770.923**
Carrying amount, 31 December 2019	**21.769.620**	**23.770.923**

Notes

All amounts in DKK.

		31/12 2019	31/12 2018
6.	**Plant and machinery**		
	Cost 1 January 2019	2.399.509	2.399.509
	Cost 31 December 2019	**2.399.509**	**2.399.509**
	Depreciation and writedown 1 January 2019	-1.888.345	-1.550.836
	Depreciation for the year	-313.248	-337.509
	Depreciation and writedown 31 December 2019	**-2.201.593**	**-1.888.345**
	Carrying amount, 31 December 2019	**197.916**	**511.164**
7.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2019	142.995	173.296
	Additions during the year	0	11.436
	Disposals during the year	0	-41.737
	Cost 31 December 2019	**142.995**	**142.995**
	Amortisation and writedown 1 January 2019	-135.324	-67.791
	Depreciation for the year	-7.671	-67.533
	Amortisation and writedown 31 December 2019	**-142.995**	**-135.324**
	Carrying amount, 31 December 2019	**0**	**7.671**
8.	**Contributed capital**		
	Contributed capital 1 January 2019	7.760.000	7.760.000
		7.760.000	**7.760.000**
9.	**Other reserves**		
	Other reserves 1 January 2019	5.286.085	4.058.262
	Provisions of the results for the year	871.466	1.227.823
		6.157.551	**5.286.085**

Notes

All amounts in DKK.

	31/12 2019	31/12 2018
10. Retained earnings		
Retained earnings 1 January 2019	4.384.313	9.750.129
Profit or loss for the year brought forward	-5.579.413	-5.365.816
Adjustment	3.409	0
	-1.191.691	**4.384.313**

11. Charges and security

For parent company debts to Vækstfonden, DKK 4.800k, the company has provided security in company assets representing a nominal value of DKK 2.400k. This security comprises the below assets, stating the book values:

	DKK in thousands
Inventories	4.587
Trade receivables	154
Intagible fixed assets	28.500
Tangible fixed assets	198

12. Contingencies

Contingent liabilities

Lease liabilities

The company has entered in liability as at the balance sheet data amount DKK 220.647.

Joint taxation

With Memetech A/S, company reg. no 24208788 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Cardlab Innovation ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The annual report is presented in DKK.

Recognition and measurement in general
Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Gross profit
Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Accounting policies

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Interest and other costs concerning loans to finance the production of intangible assets and property, plant, and equipment, and relating to production periods are not recognised in the cost of non-current assets.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earings will cover that costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Accounting policies

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 5 years and does not exceed 20 years.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 7 years.

Gain and loss from the sales of development projects, patents and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under amortisation.

Property, plant, and equipment
Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	5-10 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Accounting policies

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Leases

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Accounting policies

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Cardlab Innovation ApS is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.