

RepoCeuticals

Annual Report for the year ended 31 December 2020

RepoCeuticals A/S

Slotsmarken 12, 1., 2970 Hørsholm, Denmark
Registered number: 36 49 44 33

The annual report has been presented and adopted by the general meeting June 22, 2021.



Klaus H. Lindblad

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Company information

Managing director	Torsten Bjørn
Board of directors	Søren Nielsen, chairman Troels Peter Troelsen Nete Søgaard Poulsen Henrik Bulskov Preben Møllegaard Grundtvig
Registered number	36 49 44 33
Registered office	Slotsmarken 12, 1. th. 2970 Hørsholm Denmark
Independent auditor	Grant Thornton Denmark Stockholmsgade 45 2100 København Ø Denmark

Management's review

The Company's principal activities

RepoCeuticals A/S is a clinical-phase pharmaceutical company engaged in the development of new and effective prophylactic and therapeutic uses of natural substances with antioxidative and anti-inflammatory properties.

Through innovative use of existing knowledge, its own experience and the repositioning of drugs, RepoCeuticals seeks to design its clinical development programs under close observance of relevant clinical endpoints, statistical significance of data outcomes and cost effectiveness, thereby creating an attractive benefit/risk profile based on the patient base

It is RepoCeuticals' ambition to create value through the company's sustaining platform by bringing the clinical programs to a clinical phase II stage with securing IP at which the effect of the drug candidates can be documented with relevant clinical data.

RepoCeuticals is organizationally effective, having adopted an aggressive commercial outsourcing strategy to be as agile as possible in order to meet a complex and continuously changing pharmaceutical industry. The strategy creates cost-effectiveness and the flexibility to scale up or down rapidly with respect to relevant human knowledge resources, which the company considers to be a key factor and driver of success.

It is RepoCeuticals' clinical development strategy to establish collaborations with internationally leading institutions and hospitals in combination with the best experts in each of the company's specific clinical areas. This means that RepoCeuticals carries out its clinical programs in an appropriate scientific environment with direct access to patients and thus keep abreast of the latest advances in the area

Unusual circumstances

No unusual circumstances are recorded in this annual report.

Uncertainties as to recognition or measurement

During the financial year there has been no uncertainty in recognition or measurement.

RepoCeuticals 2020 at a glance - Development in activities and financial matters

Financials

The result for the year, a deficit of DKK 859 thousand, is in line with the management's expectations in view of the Company's level of activity.

During the financial year the Company has had short term loan facilities provided by a major shareholder of the Company

Intellectual property rights

RepoCeuticals strengthened its intellectual property rights.

New patent application filed

RepoCeuticals filed a new patent application (DK PA 2020 70034) for alleviating the symptoms of LARS (low anterior resection syndrome).

Management's review

Clinical programs

RepoCeuticals has during the financial year had an ongoing phase II clinical trial (the MELADERM study) to evaluate RepoCeuticals' medicinal product to prevent and treat radiation damage in the breast region, caused by radiotherapy after breast cancer surgery, by local application to the skin before and after each irradiation. Last patient was enrolled in December 2020. The clinical trial has been conducted in cooperation with leading Danish University Hospitals, and the Danish Medical Agency (Lægemiddelstyrelsen).

RepoCeuticals has during the financial year obtained all approvals from the authorities for conducting a phase II clinical trial to evaluate RepoCeuticals' medicinal product for alleviating the symptoms of LARS (low anterior resection syndrome). The clinical phase II trial is designed as a double blinded randomized placebo controlled cross-over study. The clinical trial is being conducted in cooperation with leading Danish University Hospitals.

An analytical laboratory for an important supplier of RepoCeuticals has had their paragraph 39 permit from the Danish Medicines Agency suspended for a period. This meant a delay in recruitment of patients in the MELADERM study and a delay in release of RepoCeuticals' medicinal product for the LARS trial. The company estimates the delay as approximately 6 months.

COVID-19

During the pandemic, RepoCeuticals has only been affected to a minor degree by the changing conditions and strict demands made by the authorities.

Events after the end of the financial year

The last patient in RepoCeuticals' MELADERM study has finalized the trial scheme and completed the study. RepoCeuticals is awaiting the statistical analysis of the trial data.

RepoCeuticals medicinal product for the phase II clinical trial on LARS has been manufactured by a GMP facility and is released to the clinical site.

Management's report

The Board of Directors and the Executive management have today considered and approved the annual report of RepoCeuticals A/S for the financial year 1 January - 31 December 2020.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the Company, are prepared in accordance with the Danish Financial Statement Act (Årsregnskabsloven).

We consider the accounting policies used appropriate, and in our opinion the financial statements provide a true and fair view of the Company's assets and liabilities and its financial position at 31 December 2020 and of the Company's results of its activities in the financial year 1 January to 31 December 2020.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is submitted for adoption by the general meeting.

Hørsholm, 3 June 2021

Managing Director



Torsten Bjørn

Board of directors



Søren Nielsen
Chairman



Troels Peter Troelsen

Nete Søgaard Poulsen

Henrik Bulskov

Preben Møllegaard Grundtvig

Independent auditor's report

To the shareholders of RepoCeuticals A/S

Our Opinion

In our opinion the financial statements give a true and fair view of the Company's financial position at 31 December 2020 and of the result of the Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with the International Financial Reporting Standards and in accordance with International Financial Reporting Standards as endorsed by the European Union and further requirements in the Danish Financial Statements Act.

What we have audited

The financial statements of RepoCeuticals A/S for the financial year 1 January to 31 December 2020, which comprise statement of comprehensive income, cash flow statement, balance sheet, equity statement and notes including accounting policies.

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 below section "Auditor's responsibilities for the audit of the Financial Statements section of our report".

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Ethics Standards for Accountants' Code of Ethics for Professional Accountants (IESBA's Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and in accordance with International Financial Reporting Standards endorsed by EU and further requirements in the Danish Financial Statements Act, and 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, the 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 the Management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the financial statements. As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

Independent auditor's report

We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response 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 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting 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 reflect the underlying transactions and events in a manner that achieves fair presentation.

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's review

The management is responsible for the management's review.

Our opinion on the financial statements does not cover the 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 the management's review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, we consider whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the financial statements and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 3 June 2020

Grant Thornton

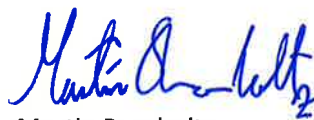
Statsautoriseret Revisionspartnerselskab

Company reg. no. 34 20 99 36



Ulrik Bloch-Sørensen

State Authorised Public Accountant
mne2913



Martin Bomholtz

State Authorised Public Accountant
mne34117

Statement of comprehensive income

Note	2020	2019
Revenue	0	0
Cost of sales	0	0
Gross profit	0	0
Other operating expenses	-1.125.511	-495.257
3 Employee remuneration	-75.000	-65.000
Profit before depreciation, amortisation and impairment losses (EBITDA)	-1.200.511	-560.257
Depreciation and amortisation of non-current plant and equipment and intangible assets	0	1.779
Operating profit (EBIT)	-1.200.511	-558.479
Financial income	0	0
4 Financial expenses	-122.375	-112.271
Profit before tax	-1.322.885	-670.750
5 Tax on profit for the year	464.083	147.536
Net profit for the year	-858.803	-523.215
Total comprehensive income	-858.803	-523.215

Statement of financial position

ASSETS		31-12-2020	31-12-2019
Note			
Non-current assets			
6	Intangible assets	8.867.618	6.976.279
7	Equipment	0	0
	Total non-current assets	8.867.618	6.976.279
Current assets			
9	Inventories	38.001	38.001
10	Other receivables	260.033	120.192
10	Prepaid expenses	0	84.607
5	Current tax receivable	587.455	618.477
11	Cash and cash equivalents	132.340	316.525
	Total current assets	1.017.829	1.177.801
	Total assets	9.885.447	8.154.080
EQUITY AND LIABILITIES			
Note		31-12-2020	31-12-2019
	Share capital	560.000	560.000
	Share premium account	6.663.820	6.663.820
	Reserve for capitalised development costs	5.741.534	5.504.852
	Retained earnings	-7.782.440	-6.686.956
12	Total equity	5.182.914	6.041.716
5	Provision for deferred tax	1.491.904	1.371.651
	Total provisions	1.491.904	1.371.651
	Total long-term liabilities	1.491.904	1.371.651
14	Trade payables	565.110	597.183
15	Other liabilities	2.645.519	143.530
	Total current liabilities	3.210.629	740.713
	Total equity and liabilities	9.885.447	8.154.080

Statement of changes in equity

	Share capital	Share premium account	Reserve for capitalised development costs	Retained earnings	Total equity
<i>Statement of changes in equity</i>					
<i>01-01-2019 - 31-12-2019</i>					
Equity as at 01-01-2019	50.000	0	3.268.164	-3.674.553	(356.389)
Capital increase	510.000	6.663.820	0	0	7.173.820
Equity regulations	0	0	0	-252.500	-252.500
Net profit for the year	0	0	0	-523.215	-523.215
Capitalised development costs	0	0	2.236.688	-2.236.688	0
	510.000	6.663.820	2.236.688	-3.012.403	6.398.105
Dividends	0	0	0	0	0
Transactions with owners	0	0	0	0	0
Equity as at 31-12-2019	560.000	6.663.820	5.504.852	-6.686.956	6.041.716

Statement of changes in equity
01-01-2020 - 31-12-2020

Equity as at 01-01-2020	560.000	6.663.820	5.504.852	-6.686.956	6.041.716
Equity regulations	0	0	-909.716	909.716	0
Net profit for the year	0	0	0	-858.803	-858.803
Capitalised development costs	0	0	1.146.398	-1.146.398	0
	0	0	236.682	-1.095.484	-858.803
Dividends	0	0	0	0	0
Transactions with owners	0	0	0	0	0
Equity as at 31-12-2020	560.000	6.663.820	5.741.534	-7.782.440	5.182.914

Equity regulations consists of deferred tax on capitalized development costs previous years.

Cash flow statement

	31-12-2020	31-12-2019
Loss before tax	-1.322.885	-670.750
Adjustment of non-cash transactions:		
Depreciation, amortisation and impairment losses	0	-1.779
Financial expenses	122.375	112.271
Change in working capital:		
Receivables	-139.841	-27.087
Trade payables	-32.074	453.931
Prepaid expenses	84.607	-84.606
Other liabilities	64.176	97.620
Corporate tax	615.357	566.754
Net cash from operating activities before net financials	-608.286	446.355
Financial expenses paid	-122.375	-112.271
Net cash from operating activities	-730.660	334.084
Purchase of other intangible assets	-1.891.338	-2.659.342
Net cash used in investing activities	-1.891.338	-2.659.342
Loans from shareholders	2.437.814	-4.302.730
Capital Increase, net	0	6.918.200
Net cash received from financing activities	2.437.814	2.615.470
Total cash flows for the year	-184.185	290.212
Cash equivalents beginning of year	316.525	26.313
Cash equivalents end of year	132.340	316.525
Cash and cash equivalents, end of year, comprises:		
Cash and cash equivalents	132.340	316.525
Total	132.340	316.525

1. Accounting policies
2. Nature of operations
3. Employee remuneration
4. Financial expenses
5. Tax
6. Intangible assets
7. Equipment
8. Financial assets and liabilities
9. Inventories
10. Prepayments and other receivables
11. Cash and cash equivalent
12. Equity
13. The Company's funding for 2021
14. Trade payables
15. Other liabilities
16. Contingent liabilities
17. Operating lease commitments
18. Financial risks and financial instruments
19. Events occurring after the balance sheet date

1. Accounting policies

1.1 Basis of preparation

The financial statements of RepoCeuticals A/S have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, IFRIC interpretations and with those parts of the Danish Financial Statements Act applicable to companies reporting under IFRS.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2020.

The financial statements have been prepared on the going concern basis and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities including derivative financial instruments. The principal accounting policies set out below have been consistently applied to all periods presented.

1.2 Foreign currency translation

Functional and presentation currency

The financial statements are presented in currency DKK, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

1.3 Revenue

Revenue is measured at the fair value of consideration received or receivable.

1.4 Net financials

Net financials 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 profit and loss account with the amounts that concerns the financial year.

1.5 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

1.6 Intangible assets

Capitalized development costs comprise e.g. salaries, wages, and amortisation which directly 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 earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

1. Accounting policies - continued -

1.6 Intangible assets

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown. The assesment of the intangible assets are based on the expected regulatory approval to market the product under development. Given the base of the products is already approved for other indications, Management believe it is highly likely that the regulatory approval will be obtained.

Intangible assets are tested for impairment according to note 1.9.

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 10 years.

Gain and loss from the sale 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. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

1.7 Property, Plant and Equipment

IT equipment and other equipment

IT equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management. IT equipment and other equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of IT equipment and other equipment. The following useful lives are applied.

- Other equipment: 3-5 years.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Notes to the Financial Statements

1. Accounting policies - continued -

1.8 Leased assets

Operating leases

Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.9 Impairment testing of intangible assets and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Development projects in progress are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

1.10 Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

1.11 Financial Instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

1. Accounting policies - continued -

1.11 Financial Instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company do not currently hold any items designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Notes to the Financial Statements

1. Accounting policies - continued -

1.12 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the Financial Statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income, or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1.14 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- Reserve for capitalised development costs - comprises other development projects.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

Notes to the Financial Statements

1. Accounting policies - continued -

1.14 Equity, reserves and dividend payments

All transactions with owners are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

1.15 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

1.16 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the Financial Statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the Financial Statements.

Capitalization of development costs

RepoCeuticals A/S is confident it will obtain approval of its pipeline products, as the products are based on an existing approved drug, and hold the evidence to support this. RepoCeuticals A/S is also confident, that it will acquire the necessary resources through installments, pay off's or milestone payment to complete its development projects. Thus, management judge that the technical feasibility criterion in IAS 38,57 is met.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Notes to the Financial Statements

1. Accounting policies - continued -

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 1.9).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software application systems (development projects).

2. Nature of operations

RepoCeuticals A/S is a clinical-stage biopharmaceutical company dedicated to the development of new, effective prophylactic and therapeutic uses of natural agents with antioxidant and anti-inflammatory properties. This entails the repositioning and recombination of such substances for the prevention and treatment of conditions that have a significant impact on patients and the community and for which there are currently no preventive or other treatments, or for which there is a need for improved treatment.

The company operates chiefly in the cancer area, especially by developing new locally acting agents to prevent and treat the side effects that often result from the most widely used conventional treatments. The primary focus is on the serious side effects of radiation and cytotoxic chemotherapy for cancer in the thoracic and pelvic regions, and, as an expansion, the company initiated a new clinical project to alleviate the symptoms of LARS (low anterior resection syndrome) which may follow surgery for colorectal cancer.

	2020	2019
3. Employee remuneration		
Wages and salaries	430.000	420.000
- hereof allocated to other intangible assets	-355.000	-355.000
Pensions	0	0
Social security costs	0	0
Total	75.000	65.000

	2020	2019
	Number	Number
Average number of employees in the year		
Directors	1	1
Total	1	1

	2020	2019
Remuneration of Directors		
Remuneration	430.000	420.000
Total remuneration for Directors	430.000	420.000

Notes to the Financial Statements

	2020	2019
4. Financial expenses		
Interest expenses on liabilities measured at cost	122.375	112.271
Total	122.375	112.271

	2020	2019
5. Tax		
Tax on profit for the year:		
Current tax	-587.455	-618.477
Adjustment tax, previous years	9.359	0
Change in deferred tax	114.013	470.942
Total	-464.083	-147.536

Reconciliation of effective tax rate:

Loss before tax	-1.322.885	-670.750
Tax computed on the profit before tax at a tax rate of 22%	-291.035	-147.565
Permanent differences	-182.407	29
Adjustment tax, previous years	9.359	0
Total - Effective tax rate (22%)	-464.083	-147.536

31-12-2020 31-12-2019

Deferred tax is calculated as follows:

Intangible assets	1.950.876	1.534.781
Equipment	0	0
Taxable loss carried forward	-458.972	-163.131
Total deferred tax	1.491.904	1.371.651

which is categorised as follows:

Non-current deferred tax	1.491.904	1.371.651
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Current tax asset

Tax reimbursement, calculated for the year	587.455	618.477
Current tax asset, total	587.455	618.477

Notes to the Financial Statements

6. Intangible assets

	Patents and licenses	Develop- ment projects in progress	Total
<i>Financial year 2019</i>			
Cost as at 01-01-2019	883.159	3.466.013	4.349.172
Additions during the year	422.654	2.236.688	2.659.342
Cost as at 31-12-2019	1.305.813	5.702.701	7.008.514
Amortisation and impairment losses as at 01-01-2019	39.546	0	39.546
Amortisation during the year	-7.311	0	-7.311
Amortisation and impairment losses as at 31-12-2019	32.235	0	32.235
Carrying amount as at 31-12-2019	1.273.578	5.702.701	6.976.279

Financial year 2020

Cost as at 01-01-2020	1.305.813	5.702.701	7.008.514
Additions during the year	421.598	1.469.741	1.891.338
Cost as at 31-12-2020	1.727.411	7.172.441	8.899.853
Amortisation and impairment losses as at 01-01-2020	32.235	0	32.235
Amortisation during the year	0	0	0
Amortisation and impairment losses as at 31-12-2020	32.235	0	32.235
Carrying amount as at 31-12-2020	1.695.176	7.172.441	8.867.618

Impairment test of development projects in progress

Development projects in progress are tested for impairment individually. The carrying amount of development projects is DKK 7,2m at 31 December 2020 and DKK 5,7m at 31 December 2019. The recoverable amount of development projects relates to development of RepoCeuticals A/S' portfolio of projects within the reposition strategy of already approved drugs. Based on value-in-use calculations no impairment was identified. Management has assessed that reasonably probable changes in the key assumptions will not lead to impairment.

Notes to the Financial Statements

7. Equipment

	Equipment	Total
<i>Financial year 2019</i>		
Costs as at 01-01-2019	16.598	16.598
Costs as at 31-12-2019	16.598	16.598
Depreciation and impairment losses at 01-01-2019	11.066	11.066
Depreciation during the year	5.532	5.532
Depreciation and impairment losses at 31-12-2019	16.598	16.598
Carrying amount as at 31-12-2019	0	0
<i>Financial year 2020</i>		
Costs as at 01-01-2020	16.598	16.598
Costs as at 31-12-2020	16.598	16.598
Depreciation and impairment losses at 01-01-2020	16.598	16.598
Depreciation and impairment losses at 31-12-2020	16.598	16.598
Carrying amount as at 31-12-2020	0	0

Notes to the Financial Statements

8. Financial assets and liabilities

Note 1.11 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

31 December 2020

	Held for trading (FVTPL) (carried at fair value)	Loans and other receivables (carried at amortised cost)	Total
Financial assets			
Cash and cash equivalents	0	132.340	132.340
Other short term financial assets	0	132.340	132.340
Total financial assets	0	132.340	132.340

	Derivatives measured at fair value (carried at fair value)	Other liabilities (carried at amortised cost)	Total
Financial liabilities			
Trade and other payables	0	3.210.629	3.210.629
Financial liabilities	0	3.210.629	3.210.629

31 December 2019

	Held for trading (FVTPL) (carried at fair value)	Loans and other receivables (carried at amortised cost)	Total
Financial assets			
Cash and cash equivalents	0	316.525	316.525
Other short term financial assets	0	316.525	316.525
Total financial assets	0	316.525	316.525

Notes to the Financial Statements

8. Financial assets and liabilities - continued -

31 December 2019

	Other liabilities (carried at amortised cost)	Total
Financial liabilities		
Trade and other payables	740.713	740.713
Financial liabilities	740.713	740.713

Financial assets and liabilities are measured at fair value. The methods used to measure fair value are described in note 1.11

All of the above financial assets and liabilities carrying values are approximate to their fair values due to their short term nature as at 31 December 2020, 31 December 2019 and 1 January 2019 with the exception of held for trading assets and derivative financial instruments which are carried at their fair values.

9. Inventories

	31-12-2020	31-12-2019
Raw materials and stores	38.001	38.001
Total inventories	38.001	38.001

The costs of individual items of inventory are determined using weighted average costs. No write-down have been made during the financials years.

10. Prepayments and other receivables

	31-12-2020	31-12-2019
Other receivables, VAT	260.033	120.192
Prepayments	0	84.607
Financial assets	260.033	204.798

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Company's trade and other receivables have been reviewed for indications of impairment. No such indications was found.

Notes to the Financial Statements

11. Cash and cash equivalent

	31-12-2020	31-12-2019
Cash	132.340	316.525
Total	132.340	316.525

12. Equity

Share capital

The Company's share capital consists of 5.600.000 ordinary shares of DKK 0,10 each. The shares are fully paid in. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

Retained earnings

Retained earnings represent retained profits.

Reserve for capitalised development costs

Reserve for capitalised development costs represent the activated development costs from January 1, 2016.

Capital management policies and procedures

The Company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders.

The Company monitors capital on the basis of the carrying amount of equity plus borrowings, less cash and cash equivalents as presented on the statement of financial position

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

13. The Company's funding for 2021

RepoCeuticals A/S is a capital consuming company due to investments in development activities. Based on a letter of support from a major shareholder, the Company has a satisfactory funding assurance until the end of 2021 to continue the operation of the Company and the development activities as planned.

Notes to the Financial Statements

14. Trade payables

	31-12-2020	31-12-2019
Trade payables	565.110	597.183
Trade and other payables - current	565.110	597.183

15. Other liabilities

	31-12-2020	31-12-2019
Taxes and other social securities	17.300	17.300
Loan from shareholders	2.437.814	0
Other liabilities	190.406	126.230
Other liabilities - current	2.645.519	143.530

16. Contingent liabilities

The Company has no contingent liabilities.

17. Operating lease commitments

The Company has no operating lease commitments.

Notes to the Financial Statements

18. Financial risks and financial instruments

Risk management policy

Management manages the Company's financial risks. The management of the Company's risks is included in the management's day-to-day monitoring of the Company. The Company is exposed to few financial risks, which result from its operating activities. The company does not actively engage in the trading of financial assets and financial derivatives.

Credit risk

Due to the nature of the business, credit risk is deemed minimal. The maximum credit risk relating to receivables corresponds to the carrying amount.

Interest rate risks

The Company is only exposed to interest rate risks in connection with deficit liquidity, as the Company only have loans from shareholders, the risk is deemed minimal.

Foreign currency risk

The Company is subject to currency risks on payables and receivables in foreign currency, and purchases of services in foreign currency. The Company's foreign trade is minimal.

Liquidity risk

The Company liquidity risks covers the risk that the Company is not able to meet its liabilities as they fall due. The Company is not subject to material liquidity risks. Reference is made to the information in note 13. The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 31 December 2019					
Trade payables	597.183	0	0	0	597.183
Other payables	143.530	0	0	0	143.530
Total	740.713	0	0	0	740.713

All financial liabilities as at 31 December 2019 are measured at amortised cost.

	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 31 December 2020					
Loan from shareholders	2.437.814	0	0	0	2.437.814
Trade payables	565.110	0	0	0	565.110
Other payables	207.706	0	0	0	207.706
Total	772.815	0	0	0	3.210.629

All financial liabilities as at 31 December 2020 are measured at amortised cost.

19. Events occurring after the balance sheet date

There were no post balance sheet events required adjustment to the financial statements.