Annual report 2018

Company reg. no. 38 73 35 67

VarCT Diagnostics ApS

c/o Var2 Pharmaceuticals ApS

Ole Maaløes Vej 3

2200 København N

The annual report have been submitted and approved by the general meeting on 18 May 2019.

Ali El-Salanti
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, 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

The board of directors and the executive board have today presented the annual report of VarCT Diagnostics ApS for the financial year 1 January to 31 December 2018.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

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

The annual report is recommended for approval by the general meeting.

København N, 18 May 2019

Executive board

Ali El-Salanti	Mads Daugaard	Ulf Andreas Linderoth Norlin

Board of directors

Mads Daugaard	Peter Schröcksnadel	Ali El-Salanti

Independent auditor's report

To the shareholders of VarCT Diagnostics ApS

Opinion

We have audited the annual accounts of VarCT Diagnostics ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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 below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, 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 annual accounts 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 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 annual accounts.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, 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 the risk of not detecting a misstatement 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 preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 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 annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management’s review and in that connection consider whether the management’s review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts 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.

Glostrup, 18 May 2019

PKF Munkebo Vindelev
State Authorised Public Accountants
Company reg. no. 14 11 92 99

Kasper Vindelev
State Authorised Public Accountant
mne29389

Company data

The company	VarCT Diagnostics ApS c/o Var2 Pharmaceuticals ApS Ole Maaløes Vej 3 2200 København N	
	Company reg. no.	38 73 35 67
	Established:	20 June 2017
	Domicile:	City of Copenhagen
	Financial year:	1 January - 31 December 2nd financial year
Board of directors	Mads Daugaard Peter Schröcksnadel Ali El-Salanti	
Executive board	Ali El-Salanti Mads Daugaard Ulf Andreas Linderoth Norlin	
Auditors	PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab Hovedvejen 56 2600 Glostrup	
Bankers	Danske Bank, Holmens Kanal 2-12, 1092 København K	

Financial highlights

DKK in thousands.	2018	2017
Profit and loss account:		
Gross profit	-472	-617
Results from operating activities	-2.051	-693
Net financials	-71	-9
Results for the year	-1.767	-442
Balance sheet:		
Balance sheet sum	14.182	7.227
Equity	12.724	7.041
Employees:		
Average number of full time employees	2	0

The financial highlights for 2017 only comprise the period 20 June 2017 - 31 December 2017.

Management's review

The principal activities of the company

The company is founded to, directly or indirectly through ownership of other companies, develop products for diagnosis and treatment of cancer or related activities.

Development in activities and financial matters

The gross loss for the year is DKK -472.000 against DKK -617.000 last year. The results from ordinary activities after tax are DKK -1.767.000 against DKK -442.000 last year. The management consider the results satisfactory.

All activities in 2018 were executed according to the plan and vision of the company. A single investment for the pre-clinical development was secured. The key technology was published in Nature Communication, which has led to the initiation of a number of ongoing feasibility studies with large international diagnostics companies. Additional patent applications were submitted in novel areas, expanding the product portfolio of VARCT Diagnostics. A number of clinical feasibility studies were initiated according to the plan.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for VarCT Diagnostics ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

THE PROFIT AND LOSS ACCOUNT

Gross loss

The gross loss comprises the net turnover, development costs and other external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Development costs comprise of external costs for research and development activities.

Other external costs comprise costs for sales, administration and premises.

Staff costs

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

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities. Financial income and expenses are recognised in the profit and loss account with the amounts that concern the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

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

THE BALANCE SHEET

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

Accounting policies used

The basis of depreciation is cost with deduction of 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 book value, the amortisation discontinues.

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

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Other plants, operating assets, fixtures and furniture	3-5 years

Assets with a cost less than t.DKK 13 are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank.

Equity

Share premium

Share premium comprises amounts paid as premium in connection with the issue of shares. Costs in connection with a carried through issue are deducted in the premium. The premium reserve may be utilised as dividend, issue of bonus shares, and for payment of losses.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at 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 receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Accounting policies used

According to the rules of joint taxation, VarCT Diagnostics ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account

All amounts in DKK.

Note		1/1 - 31/12 2018	20/6 - 31/12 2017
	Gross loss	**-472.235**	**-617.126**
1	Staff costs	-1.360.420	0
	Depreciation and writedown relating to tangible fixed assets	-218.152	-76.339
	Results before net financials	**-2.050.807**	**-693.465**
	Other financial income from group enterprises	10.400	0
2	Other financial costs	-80.904	-8.770
	Results before tax	**-2.121.311**	**-702.235**
3	Tax on ordinary results	354.131	260.718
	Results for the year	**-1.767.180**	**-441.517**
	Proposed distribution of the results:		
	Allocated from results brought forward	-1.767.180	-441.517
	Distribution in total	**-1.767.180**	**-441.517**

Balance sheet 31 December

All amounts in DKK.

Note	Assets	2018	2017
	Fixed assets		
4	Other plants, operating assets, and fixtures and furniture	1.417.315	856.563
	Tangible fixed assets in total	1.417.315	856.563
	Fixed assets in total	**1.417.315**	**856.563**
	Current assets		
	Trade debtors	37.250	0
	Amounts owed by group enterprises	806.424	260.718
	Other debtors	0	341.337
	Accrued income and deferred expenses	505.016	0
	Debtors in total	1.348.690	602.055
	Available funds	11.415.817	5.768.283
	Current assets in total	**12.764.507**	**6.370.338**
	Assets in total	**14.181.822**	**7.226.901**

Balance sheet 31 December

All amounts in DKK.

Note	Equity and liabilities	2018	2017
	Equity		
5	Contributed capital	56.250	50.000
6	Share premium account	0	0
7	Results brought forward	12.668.153	6.991.283
	Equity in total	**12.724.403**	**7.041.283**
	Provisions		
8	Provisions for deferred tax	181.175	0
	Provisions in total	**181.175**	**0**
	Liabilities		
	Trade creditors	145.647	84.248
	Debt to group enterprises	452.962	0
	Other debts	247.019	101.370
	Accrued expenses and deferred income	430.616	0
	Short-term liabilities in total	1.276.244	185.618
	Liabilities in total	**1.276.244**	**185.618**
	Equity and liabilities in total	**14.181.822**	**7.226.901**

9 Contingencies

Notes

All amounts in DKK.

		1/1 - 31/12 2018	20/6 - 31/12 2017
1.	**Staff costs**		
	Salaries and wages	1.300.759	0
	Pension costs	52.560	0
	Other costs for social security	7.101	0
		1.360.420	**0**
	Average number of employees	2	0
2.	**Other financial costs**		
	Financial costs, group enterprises	10.731	0
	Other financial costs	70.173	8.770
		80.904	**8.770**
3.	**Tax on ordinary results**		
	Tax of the results for the year	-535.306	-260.718
	Adjustment for the year of deferred tax	181.175	0
		-354.131	**-260.718**

		31/12 2018	31/12 2017
4.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2018	932.902	0
	Additions during the year	778.904	932.902
	Cost 31 December 2018	**1.711.806**	**932.902**
	Depreciation and writedown 1 January 2018	-76.339	0
	Depreciation for the year	-218.152	-76.339
	Depreciation and writedown 31 December 2018	**-294.491**	**-76.339**
	Book value 31 December 2018	**1.417.315**	**856.563**

Notes

All amounts in DKK.

		31/12 2018	31/12 2017
5.	**Contributed capital**		
	Contributed capital 1 January 2018	50.000	50.000
	Cash capital increase	6.250	0
		56.250	**50.000**
6.	**Share premium account**		
	Share premium account 1 January 2018	0	7.432.800
	Share premium account for the year	7.444.050	0
	Transferred to results brought forward	-7.444.050	-7.432.800
		0	**0**
7.	**Results brought forward**		
	Results brought forward 1 January 2018	6.991.283	0
	Profit or loss for the year brought forward	-1.767.180	-441.517
	Transferred from share premium to results brought forward	7.444.050	7.432.800
		12.668.153	**6.991.283**
8.	**Provisions for deferred tax**		
	Deferred tax of the results for the year	181.175	0
		181.175	**0**
	The following items are subject to deferred tax:		
	Tangible fixed assets	311.809	0
	Losses brought forward from previous years	-130.634	0
		181.175	**0**

Notes

All amounts in DKK.

9. Contingencies

Contingent liabilities

Collaborative research agreement

The company has entered into a collaborative research agreement. In the event of early termination, the company has a liability to pay all non-cancellable cost and liabilities relating to the project.

Joint taxation

OncoMal ApS, company reg. no 34580367 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

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

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.