VarCT Diagnostics ApS

c/o Var2 Pharmaceuticals ApS, Ole Maaløes Vej 3, 2200 København N

Company reg. no. 38 73 35 67

Annual report

2021

The annual report have been submitted and approved by the general meeting on 1 April 2022.

Ali El-Salanti
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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 statement

Today, the Board of Directors and the Executive Board have approved the annual report of VarCT Diagnostics ApS for the financial year 2021.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

København N, 1 April 2022

Executive board

Ali El-Salanti	Mads Daugaard

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 financial statements of VarCT Diagnostics ApS for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Glostrup, 1 April 2022

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

Kasper Vindelev
State Authorised Public Accountant
mne29389

Company information

The company	VarCT Diagnostics ApS c/o Var2 Pharmaceuticals ApS Ole Maaløes Vej 3 2200 København N
	Company reg. no. 38 73 35 67 Domicile: City of Copenhagen Financial year: 1 January - 31 December 5th financial year
Board of directors	Mads Daugaard Peter Schröcksnadel Ali El-Salanti
Executive board	Ali El-Salanti Mads Daugaard
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.	2021	2020	2019	2018
Income statement:				
Gross profit	-483	1.175	-2.021	-472
Profit from operating activities	-2.133	-1.003	-4.014	-2.051
Net financials	-8	-11	-45	-71
Net profit or loss for the year	-1.746	-761	-3.221	-1.767
Statement of financial position:				
Balance sheet total	10.562	10.266	12.004	14.182
Investments in property, plant and equipment	0	0	0	779
Equity	6.996	8.742	9.503	12.724
Employees:				
Average number of full-time employees	2	3	3	2

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 totals DKK -483.000 against DKK 1.175.000 last year. Income or loss from ordinary activities after tax totals DKK -1.746.000 against DKK -761.000 last year. Management considers the net profit or loss for the year satisfactory.

Management considers the result for the year satisfactory. The COVID-19 situation continued to influence the activities in VarCT in 2021, and activities were partly postponed to 2022. In particular COVID-19 caused further delays in collection of diagnostic samples in the predict project funded by the Innovation Foundation. In 2021 VarCT focused on further developing the VAR2 technology to diagnose cancer, and a feasibility study for potential out-licensing is still on-going. The EURSTAR project, PureCell, was initiated mid-2021 with the focus of developing a device to capture circulation tumour cells.

Events occurring after the end of the financial year

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

Accounting policies

The annual report for VarCT Diagnostics 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 accounting policies are unchanged from last year, and 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.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

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.

Foreign currency translation

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. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross loss

Gross loss comprises the revenue, research and development, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

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.

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

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

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 are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency.

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

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, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

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.

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.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed 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.

Accounting policies

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments

Prepaymentsrecognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Accounting policies

According to the rules of joint taxation, VarCT Diagnostics 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 measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Deferred income

Payments received concerning future income are recognised under deferred income.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross loss	**-483.495**	**1.174.678**
1	Staff costs	-1.315.617	-1.832.014
	Depreciation and impairment of property, land, and equipment	-333.947	-345.870
	Operating profit	**-2.133.059**	**-1.003.206**
	Other financial income from subsidiaries	71.908	58.751
2	Other financial expenses	-79.511	-69.819
	Pre-tax net profit or loss	**-2.140.662**	**-1.014.274**
3	Tax on net profit or loss for the year	394.262	253.306
	Net profit or loss for the year	**-1.746.400**	**-760.968**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-1.746.400	-760.968
	Total allocations and transfers	**-1.746.400**	**-760.968**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2021	2020
	Non-current assets		
4	Other fixtures and fittings, tools and equipment	389.528	723.475
	Total property, plant, and equipment	389.528	723.475
	Total non-current assets	**389.528**	**723.475**
	Current assets		
	Receivables from subsidiaries	2.268.814	1.802.644
	Other receivables	112.156	877.649
	Prepayments	8.251	3.421
	Total receivables	2.389.221	2.683.714
	Cash and cash equivalents	7.782.895	6.859.255
	Total current assets	**10.172.116**	**9.542.969**
	Total assets	**10.561.644**	**10.266.444**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2021	2020
	Equity		
	Contributed capital	56.250	56.250
	Retained earnings	6.939.454	8.685.854
	Total equity	**6.995.704**	**8.742.104**
	Long term labilities other than provisions		
	Trade payables	0	44.145
	Other payables	156.347	156.347
5	Total long term liabilities other than provisions	156.347	200.492
	Trade payables	80.869	504.128
	Payables to subsidiaries	565.244	543.561
	Other payables	512.831	276.159
	Deferred income	2.250.649	0
	Total short term liabilities other than provisions	3.409.593	1.323.848
	Total liabilities other than provisions	**3.565.940**	**1.524.340**
	Total equity and liabilities	**10.561.644**	**10.266.444**

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2020	56.250	9.446.822	9.503.072
Profit or loss for the year brought forward	0	-760.968	-760.968
Equity 1 January 2021	56.250	8.685.854	8.742.104
Profit or loss for the year brought forward	0	-1.746.400	-1.746.400
	56.250	**6.939.454**	**6.995.704**

Notes

All amounts in DKK.

		2021	2020
1.	**Staff costs**		
	Salaries and wages	1.267.595	1.767.115
	Pension costs	34.853	44.206
	Other costs for social security	13.169	20.693
		1.315.617	**1.832.014**
	Average number of employees	2	3

		2021	2020
2.	**Other financial expenses**		
	Financial costs, group enterprises	21.683	21.797
	Other financial costs	57.828	48.022
		79.511	**69.819**

		2021	2020
3.	**Tax on net profit or loss for the year**		
	Tax of the results for the year	-394.262	-275.373
	Adjustment of tax for previous years	0	22.067
		-394.262	**-253.306**

		31/12 2021	31/12 2020
4.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2021	1.711.806	1.711.806
	Cost 31 December 2021	**1.711.806**	**1.711.806**
	Depreciation and writedown 1 January 2021	-988.331	-642.461
	Depreciation for the year	-333.947	-345.870
	Depreciation and writedown 31 December 2021	**-1.322.278**	**-988.331**
	Carrying amount, 31 December 2021	**389.528**	**723.475**

Notes

All amounts in DKK.

5. Long term labilities other than provisions

	Total payables 31 Dec 2021	Current portion of long term payables	Long term payables 31 Dec 2021	Outstanding payables after 5 years
Other payables	156.347	0	156.347	0
	156.347	**0**	**156.347**	**0**

6. Contingencies

Contingent assets

A deferred tax asset og t.DKK 424 has not been recognised due to uncertainty regarding future usage.

Joint taxation

With OncoMal ApS, company reg. no 34580367 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.

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

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