PKF Munkebo Vindelev
Statsautoriseret Revisionsaktieselskab

Accountants &
business advisers

VarCT Diagnostics ApS

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

Company reg. no. 38 73 35 67

Annual report

2020

The annual report have been submitted and approved by the general meeting on 16 June 2021.

Ali El-Salanti
Chairman of the meeting

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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 report

Today, the board of directors and the executive board have presented the annual report of VarCT Diagnostics ApS for the financial year 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

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

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

København N, 16 June 2021

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 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 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 section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with international ethical requirements for auditors (IESBA’s Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's report

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

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

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

Glostrup, 16 June 2021

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
	Established:	20 June 2017
	Domicile:	City of Copenhagen
	Financial year:	1 January - 31 December 4th 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.	2020	2019	2018	2017
Income statement:				
Gross profit	1.175	-2.021	-472	-617
Profit from operating activities	-1.003	-4.014	-2.051	-693
Net financials	-11	-45	-71	-9
Net profit or loss for the year	-761	-3.221	-1.767	-442
Statement of financial position:				
Balance sheet total	10.266	12.004	14.182	7.227
Investments in property, plant and equipment	0	0	779	933
Equity	8.742	9.503	12.724	7.041
Employees:				
Average number of full-time employees	3	3	2	0

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

Management commentary

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 profit for the year totals DKK 1.175.000 against DKK -2.021.000 last year. Income or loss from ordinary activities after tax totals DKK -761.000 against DKK -3.221.000 last year.

Considering the state of the world with COVID-19 lock down of several activities, the management considers the results of 2020 satisfactory. Significant steps have been taken towards further developing the VAR2 technology to diagnose cancer. In particular the development activities have been expanded to also develop the technology to detect circulating onco-fatal CS modified proteoglycans in simple liquid biopsies like a blood sample. A feasibility study for potential out-licensing opportunity is still ongoing. Further VARCT was awarded a EUROSTAR grant, and ranked as top 1 application out of 500 EU applications. This work will commence in 2021 and have the focus to develop a device to capture circulating tumour cells. There have been minor delays in the innovation foundation funded prEDICT project as hospitals has not been able to start collection of diagnostic samples due to COVID-19.

Events occurring after the end of 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

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 profit

Gross profit comprises the revenue, research and development costs, other operating income and other 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 costs 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, amortisation of financial assets and liabilities.

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 a cost less than t.DKK 14 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 and accrued income

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

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

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.

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.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2020	2019
	Gross profit	**1.174.678**	**-2.020.592**
1	Staff costs	-1.832.014	-1.645.125
	Depreciation and impairment of property, land, and equipment	-345.870	-347.970
	Operating profit	**-1.003.206**	**-4.013.687**
	Other financial income from group enterprises	58.751	32.169
2	Other financial costs	-69.819	-76.732
	Pre-tax net profit or loss	**-1.014.274**	**-4.058.250**
3	Tax on net profit or loss for the year	253.306	836.919
	Profit or loss from ordinary activities after tax	**-760.968**	**-3.221.331**
	Net profit or loss for the year	**-760.968**	**-3.221.331**
	Proposed appropriation of net profit:		
	Allocated from retained earnings	-760.968	-3.221.331
	Total allocations and transfers	**-760.968**	**-3.221.331**

Statement of financial position at 31 December

All amounts in DKK.

Note	Assets	2020	2019
	Non-current assets		
4	Other fixtures and fittings, tools and equipment	723.475	1.069.345
	Total property, plant, and equipment	723.475	1.069.345
	Total non-current assets	**723.475**	**1.069.345**
	Current assets		
	Receivables from group enterprises	1.802.644	1.481.321
	Other receivables	877.649	351.038
	Prepayments and accrued income	3.421	526.346
	Total receivables	2.683.714	2.358.705
	Cash on hand and demand deposits	6.859.255	8.575.803
	Total current assets	**9.542.969**	**10.934.508**
	Total assets	**10.266.444**	**12.003.853**

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities

Note		2020	2019
	Equity		
	Contributed capital	56.250	56.250
	Retained earnings	8.685.854	9.446.822
	Total equity	**8.742.104**	**9.503.072**
	Liabilities other than provisions		
	Trade creditors	44.145	0
	Other payables	156.347	69.368
5	Total long term liabilities other than provisions	200.492	69.368
	Trade payables	504.128	31.031
	Payables to group enterprises	543.561	623.320
	Other payables	276.159	302.085
	Accruals and deferred income	0	1.474.977
	Total short term liabilities other than provisions	1.323.848	2.431.413
	Total liabilities other than provisions	**1.524.340**	**2.500.781**
	Total equity and liabilities	**10.266.444**	**12.003.853**

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2019	56.250	12.668.153	12.724.403
Profit or loss for the year brought forward	0	-3.221.331	-3.221.331
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
	56.250	**8.685.854**	**8.742.104**

Notes

All amounts in DKK.

		2020	2019
1.	**Staff costs**		
	Salaries and wages	1.767.115	1.550.233
	Pension costs	44.206	73.080
	Other costs for social security	20.693	21.812
		1.832.014	**1.645.125**
	Average number of employees	3	3
2.	**Other financial costs**		
	Financial costs, group enterprises	21.797	18.657
	Other financial costs	48.022	58.075
		69.819	**76.732**
3.	**Tax on net profit or loss for the year**		
	Tax of the results for the year	-275.373	-655.744
	Adjustment for the year of deferred tax	0	-181.175
	Adjustment of tax for previous years	22.067	0
		-253.306	**-836.919**

		31/12 2020	31/12 2019
4.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2020	1.711.806	1.711.806
	Cost 31 December 2020	**1.711.806**	**1.711.806**
	Depreciation and writedown 1 January 2020	-642.461	-294.491
	Depreciation for the year	-345.870	-347.970
	Depreciation and writedown 31 December 2020	**-988.331**	**-642.461**
	Carrying amount, 31 December 2020	**723.475**	**1.069.345**

Notes

All amounts in DKK.

5. Liabilities other than provision

	Total payables 31 Dec 2020	Current portion of long term payables	Long term payables 31 Dec 2020	Outstanding payables after 5 years
Trade creditors	44.145	0	44.145	0
Other payables	156.347	0	156.347	0
	200.492	**0**	**200.492**	**0**

6. Contingencies

Contingent assets

A deferred tax asset of t.DKK 213 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.