

VarCT Diagnostics ApS

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

Company reg. no. 38 73 35 67

Annual report

2019

The annual report have been submitted and approved by the general meeting on 2 May 2020.

Ali El-Salanti
Chairman of the meeting

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Notes:

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

Management's report

Today, the board of directors and the executive board have presented the annual report of VarCT Diagnostics ApS for the financial year 2019 of VarCT Diagnostics ApS.

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

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

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

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

København N, 29 April 2020

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 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 1 January - 31 December 2019 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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

Independent auditor's report

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Glostrup, 29 April 2020

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
3rd 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. 2019 2018 2017

Income statement:

Gross profit	-2.021	-472	-617
Profit from ordinary operating activities	-4.014	-2.051	-693
Net financials	-45	-71	-9
Net profit or loss for the year	-3.221	-1.767	-442

Statement of financial position:

Balance sheet total	12.004	14.182	7.227
Investments in property, plant and equipment	0	779	933
Equity	9.503	12.724	7.041

Employees:

Average number of full-time employees	3	2	0
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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 loss for the year totals DKK -2.021.000 against DKK -472.000 last year. Income or loss from ordinary activities after tax totals DKK -3.221.000 against DKK -1.767.000 last year. Management considers the net profit or loss for the year satisfactory.

The management considers the 2019 results very satisfactory. All activities in 2019 were executed according to the plan and vision of the company. Significant steps in the technical development of the core technology for capture and detection of circulating tumour cells were achieved. During the year the company entered into an option and evaluation agreement with an US diagnostics company, for a worldwide, exclusive agreement. The option for the license agreement must be executed in 2020. Furthermore, the company entered into a collaboration project with the University of Copenhagen and three hospitals in the Capitol Region. This project was awarded a major grant of a total of MDKK 14 from Innovation Foundation Denmark.

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 Danish kroner (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 transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Accounting policies

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 costs and other external costs.

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

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 comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

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.

Accounting policies

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 is measured at cost plus revaluations and less accrued depreciation and writedown for impairment..

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

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

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.

Receivables

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

Prepayments and accrued income

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

Accounting policies

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

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

According to the rules of joint taxation, 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 all temporary differences in assets and liabilities with a balance sheet focus.

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

Liabilities other than provisions

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

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.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Gross loss	-2.020.592	-472.235
1 Staff costs	-1.645.125	-1.360.420
Depreciation and impairment of property, land, and equipment	-347.970	-218.152
Operating profit	-4.013.687	-2.050.807
Other financial income from group enterprises	32.169	10.400
2 Other financial costs	-76.732	-80.904
Pre-tax net profit or loss	-4.058.250	-2.121.311
3 Tax on net profit or loss for the year	836.919	354.131
Net profit or loss for the year	-3.221.331	-1.767.180
Proposed appropriation of net profit:		
Allocated from retained earnings	-3.221.331	-1.767.180
Total allocations and transfers	-3.221.331	-1.767.180

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Non-current assets		
4 Other fixtures and fittings, tools and equipment	1.069.345	1.417.315
Total property, plant, and equipment	<u>1.069.345</u>	<u>1.417.315</u>
Total non-current assets	<u>1.069.345</u>	<u>1.417.315</u>
Current assets		
Trade receivables	0	37.250
Receivables from group enterprises	1.481.321	806.424
Other receivables	351.038	0
Prepayments and accrued income	526.346	505.016
Total receivables	<u>2.358.705</u>	<u>1.348.690</u>
Cash on hand and demand deposits	<u>8.575.803</u>	<u>11.415.817</u>
Total current assets	<u>10.934.508</u>	<u>12.764.507</u>
Total assets	<u>12.003.853</u>	<u>14.181.822</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity		
5 Contributed capital	56.250	56.250
6 Share premium	0	0
7 Retained earnings	9.446.822	12.668.153
Total equity	<u>9.503.072</u>	<u>12.724.403</u>
Provisions		
8 Provisions for deferred tax	<u>0</u>	<u>181.175</u>
Total provisions	<u>0</u>	<u>181.175</u>
Liabilities other than provisions		
Other payables, long term	<u>69.368</u>	<u>0</u>
9 Total long term liabilities other than provisions	<u>69.368</u>	<u>0</u>
Trade payables	31.031	145.647
Payables to group enterprises	623.320	452.962
Other payables	302.085	247.019
Accruals and deferred income	1.474.977	430.616
Total short term liabilities other than provisions	<u>2.431.413</u>	<u>1.276.244</u>
Total liabilities other than provisions	<u>2.500.781</u>	<u>1.276.244</u>
Total equity and liabilities	<u>12.003.853</u>	<u>14.181.822</u>

10 Contingencies

Notes

All amounts in DKK.

	<u>2019</u>	<u>2018</u>
1. Staff costs		
Salaries and wages	1.550.233	1.300.759
Pension costs	73.080	52.560
Other costs for social security	21.812	7.101
	<u>1.645.125</u>	<u>1.360.420</u>
Average number of employees	<u>3</u>	<u>2</u>
2. Other financial costs		
Financial costs, group enterprises	18.657	10.731
Other financial costs	58.075	70.173
	<u>76.732</u>	<u>80.904</u>
3. Tax on net profit or loss for the year		
Tax of the results for the year	-655.744	-535.306
Adjustment for the year of deferred tax	-181.175	181.175
	<u>-836.919</u>	<u>-354.131</u>
	<u>31/12 2019</u>	<u>31/12 2018</u>
4. Other fixtures and fittings, tools and equipment		
Cost 1 January 2019	1.711.806	932.902
Additions during the year	0	778.904
Cost 31 December 2019	<u>1.711.806</u>	<u>1.711.806</u>
Depreciation and writedown 1 January 2019	-294.491	-76.339
Depreciation for the year	-347.970	-218.152
Depreciation and writedown 31 December 2019	<u>-642.461</u>	<u>-294.491</u>
Carrying amount, 31 December 2019	<u>1.069.345</u>	<u>1.417.315</u>

Notes

All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
5. Contributed capital		
Contributed capital 1 January 2019	56.250	50.000
Cash capital increase	<u>0</u>	<u>6.250</u>
	<u>56.250</u>	<u>56.250</u>
6. Share premium		
Share premium account for the year	0	7.444.050
Transferred to results brought forward	<u>0</u>	<u>-7.444.050</u>
	<u>0</u>	<u>0</u>
7. Retained earnings		
Retained earnings 1 January 2019	12.668.153	6.991.283
Profit or loss for the year brought forward	-3.221.331	-1.767.180
Transferred from share premium to results brought forward	<u>0</u>	<u>7.444.050</u>
	<u>9.446.822</u>	<u>12.668.153</u>
8. Provisions for deferred tax		
Provisions for deferred tax 1 January 2019	181.175	0
Deferred tax of the results for the year	<u>-181.175</u>	<u>181.175</u>
	<u>0</u>	<u>181.175</u>
The following items are subject to deferred tax:		
Intangible assets	0	311.809
Losses carried forward from previous years	<u>0</u>	<u>-130.634</u>
	<u>0</u>	<u>181.175</u>

Notes

All amounts in DKK.

9. Liabilities

	Total payables 31 Dec 2019	Current portion of long term payables	Long term payables 31 Dec 2019	Outstanding payables after 5 years
Other payables, long term	69.368	0	69.368	0
	69.368	0	69.368	0

10. Contingencies

Contingent assets

A deferred tax asset of t.DKK 53 has not been recognised due to uncertainty regarding future usage.

Collaborative research agreement

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