Scantox A/S

Hestehavevej 36A, DK-4623 Lille Skensved

Annual Report for 1 January - 31 December 2021

CVR No 83 09 04 13

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 22/6 2022

Jens Bager
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Scantox A/S for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Lille Skensved, 22 June 2022

Executive Board

Jeanet Løgsted Nielsen
CEO

Martin Amtoft-Christensen
Executive Officer

Board of Directors

Jens Bager
Chairman

Daniel Spasic

Nicholas Povl Zilstorff Hooge

Karsten Lindhardt

Kari Kaaber
Staff Representative

Morten Bendix Jensen
Staff Representative

Independent Auditor's Report

To the Shareholder of Scantox A/S

Opinion
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.

We have audited the Financial Statements of Scantox A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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.

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.

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 Financials Statements Act.

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

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 misstate-

ment, 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement 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 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.

Hellerup, 22 June 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Kaare von Cappeln
statsautoriseret revisor
mne11629

Company Information

The Company	Scantox A/S Hestehavevej 36A DK-4623 Lille Skensved CVR No: 83 09 04 13 Financial period: 1 January - 31 December Municipality of reg. office: Køge
Board of Directors	Jens Bager, Chairman Daniel Spasic Nicholas Povl Zilstorff Hooge Karsten Lindhardt Kari Kaaber, Staff Representative Morten Bendix Jensen, Staff Representative
Executive Board	Jeanet Løgsted Nielsen Martin Amtoft-Christensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	48.453	83.380	108.809	117.598	91.110
Gross profit/loss	27.847	57.430	69.188	77.073	59.964
Profit/loss before financial income and expenses	-4.592	-26.784	-3.941	10.360	1.575
Net financials	-1.051	-1.268	-965	-1.317	-1.262
Net profit/loss for the year	4.772	-31.075	-3.848	10.973	313
Balance sheet					
Balance sheet total	91.969	71.361	93.257	97.257	90.006
Equity	16.772	-7.280	23.795	27.643	16.670
Investment in property, plant and equipment	-7.538	-2.859	-2.934	-4.429	-1.626
Number of employees	62	116	128	124	120
Ratios					
Gross margin	57,5%	68,9%	63,6%	65,5%	65,8%
Profit margin	-9,5%	-32,1%	-3,6%	8,8%	1,7%
Return on assets	-5,0%	-37,5%	-4,2%	10,7%	1,7%
Solvency ratio	18,2%	-10,2%	25,5%	28,4%	18,5%
Return on equity	100,5%	-376,3%	-15,0%	49,5%	1,9%

Management's Review

Business Review

Scantox A/S ("Scantox") was founded in 1977 and is a market- leading GLP ("Good Laboratory Practice") accredited Contract Research Organization in Europe, providing pre-clinical research services, including regulatory in-vivo toxicology studies, that are critical to any drug development process. Scantox plays a vital role in the Europe pharma and biotech community, where the company has established solid relationships and enjoys a broad and loyal customer base, leveraging its strong track-record and more than 40 years of scientific experience.

Development in the year

In 2021, the Company's revenue amounted to DKK 48,453k (2020: DKK 83,380k). The income statement shows a profit of DKK 4,772k, (2020: DKK -31,075k) for the year, and the balance sheet on 31 December 2021 shows equity of DKK 16,772k (2020: DKK -7,280k).

In June 2020, in the midst of the Covid-19 pandemic, the Company's owners at the time, announced that Scantox would be closed down for strategic reasons. Consequently, the Company commenced planning for the completion of ongoing studies and the subsequent closure of the research operations in Denmark, with the intention to have terminated activities by July 2021.

On 19 January 2021, Scantox succeeded in finding new investors and owners for the business when the Company was sold to the investment firm Impilo AB (Sweden) who established a new group structure. The planned close down during 2020 and subsequent re-start in 2021 has significantly impacted the financial result. As the selling cycle and operational start-up of new studies takes time, the relaunch and ramp up of the business is not yet fully reflected in the financial result.

Given the significant impact of the closedown and subsequent re-start of the business under new ownership and the underlying positive operational development, the Management finds the financial result for the year satisfactory with a very satisfactory trajectory going in to 2022.

Subsequent events

There have been no events after status days that could significantly affect the assessment of the company's financial position.

Capital resources

Management assesses that the Company's capital resources is sufficient.

Expectations for the year ahead

Scantox is expected to increase both revenue and profit materially, based on the markets positive feedback and current high level of activity. The revenue is expected to exceed DKK 100.000k and profit is expected to be positive.

Management's Review

Uncertainty relating to recognition and measurement

Revenue recognition

Scantox's contracts with customers bind the Company to perform specific studies, usually at a fixed price. Revenue is recognized with the production method using estimates of the value produced in the fiscal period. The revenue estimates inherently pose some measurement uncertainty, though they are subject to extensive control and assessment.

Deferred tax asset

The Company recognizes deferred tax assets, including the tax base of tax loss carry-forward if Management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This assessment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

On 31 December 2021, the Company had reactivated the tax assets with DKK 10,415k due to the expectations for utilization of the tax asset within a foreseeable future.

Income Statement 1 January - 31 December

	Note	2021	2020
		TDKK	TDKK
Revenue		**48.453**	**83.380**
Expenses for raw materials and consumables		-10.979	-19.802
Other external expenses		-9.627	-6.148
Gross profit/loss		**27.847**	**57.430**
Staff expenses	3	-24.726	-76.585
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-7.713	-7.629
Profit/loss before financial income and expenses		**-4.592**	**-26.784**
Financial expenses	5	-1.051	-1.268
Profit/loss before tax		**-5.643**	**-28.052**
Tax on profit/loss for the year	6	10.415	-3.023
Net profit/loss for the year		**4.772**	**-31.075**

Balance Sheet 31 December

Assets

	Note	2021	2020
		TDKK	TDKK
Acquired software		285	660
Intangible assets	7	**285**	**660**
Land and buildings		40.514	43.412
Other fixtures and fittings, tools and equipment		10.256	7.056
Property, plant and equipment	8	**50.770**	**50.468**
Fixed assets		**51.055**	**51.128**
Inventories		**1.404**	**0**
Trade receivables		23.739	5.113
Contract work in progress	9	2.084	943
Receivables from group enterprises		0	2.670
Other receivables		0	254
Deferred tax asset	13	10.415	0
Prepayments	10	770	253
Receivables		**37.008**	**9.233**
Cash at bank and in hand		**2.502**	**11.000**
Currents assets		**40.914**	**20.233**
Assets		**91.969**	**71.361**

Balance Sheet 31 December

Liabilities and equity

	Note	2021	2020
		TDKK	TDKK
Share capital	11	12.600	12.600
Retained earnings		4.172	-19.880
Equity		**16.772**	**-7.280**
Mortgage loans		26.290	15.815
Lease obligations		1.528	173
Payables to group enterprises		0	19.250
Other payables		7.894	5.241
Long-term debt	14	**35.712**	**40.479**
Mortgage loans	14	1.961	1.449
Credit institutions		0	1.426
Lease obligations	14	701	222
Trade payables		5.264	1.424
Contract work in progress, liabilities	9	17.570	6.006
Payables to group enterprises	14	1.887	2.274
Other payables	14	12.102	25.361
Short-term debt		**39.485**	**38.162**
Debt		**75.197**	**78.641**
Liabilities and equity		**91.969**	**71.361**
Going concern	1		
Special items	2		
Distribution of profit	12		
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Statement of Changes in Equity

	Share capital	Share premium account	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	12.600	0	-19.880	-7.280
Cash capital increase	0,1	19.280	0	19.280
Transfer from share premium account	0	-19.280	19.280	0
Net profit/loss for the year	0	0	4.772	4.772
Equity at 31 December	**12.600**	**0**	**4.172**	**16.772**

Notes to the Financial Statements

1 Going concern

The Company has renegotiated their credit facility and expects under these circumstances to have sufficient liquidity to continue their operations for the next 12 months.

2 Special items

The result in 2021 was affected by special items related to the reversal of accrued severance and retention as per 31 December 2020. The total amount which has been reversed is DKK 8,166k and concerns employees who were not dismissed as expected as per 31 December 2020 and has continued in the Company in 2021.

	2021	2020
	TDKK	TDKK
3 Staff expenses		
Wages and salaries	18.944	68.035
Pensions	5.185	7.689
Other social security expenses	565	263
Other staff expenses	32	598
	24.726	**76.585**
Including remuneration to the Executive and Supervisory Board of:		
Executive and Supervisory Board	1.150	2.083
	1.150	**2.083**
Average number of employees	**62**	**116**

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

	2021	2020
Amortisation of intangible assets	470	360
Depreciation of property, plant and equipment	7.115	7.269
Gain and loss on disposal	128	0
	7.713	**7.629**

Notes to the Financial Statements

		2021	2020
		TDKK	TDKK
5	**Financial expenses**		
	Interest to group enterprises	13	389
	Other financial expenses	741	509
	Exchange loss	297	370
		1.051	**1.268**
6	**Tax on profit/loss for the year**		
	Current tax for the year	0	0
	Deferred tax for the year	-10.415	3.023
		-10.415	**3.023**

7 Intangible assets

	Acquired software
	TDKK
Cost at 1 January	7.164
Additions for the year	173
Disposals for the year	-6.639
Cost at 31 December	698
Impairment losses and amortisation at 1 January	6.504
Amortisation for the year	470
Reversal of amortisation of disposals for the year	-6.561
Impairment losses and amortisation at 31 December	413
Carrying amount at 31 December	**285**

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 January	129.634	50.651
Additions for the year	1.252	6.286
Disposals for the year	-3.912	-37.120
Cost at 31 December	126.974	19.817
Impairment losses and depreciation at 1 January	86.222	43.595
Depreciation for the year	4.150	3.074
Reversal of impairment and depreciation of sold assets	-3.912	-37.108
Impairment losses and depreciation at 31 December	86.460	9.561
Carrying amount at 31 December	**40.514**	**10.256**

9 Contract work in progress

	2021	2020
	TDKK	TDKK
Selling price of work in progress	116.468	230.958
Payments received on account	-131.954	-236.021
	-15.486	**-5.063**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	2.084	943
Prepayments received recognised in debt	-17.570	-6.006
	-15.486	**-5.063**

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

11 Share capital

The share capital has developed as follows:

	2021	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	12.600	12.600	12.600	12.600	12.600
Capital increase	0,1	0	0	0	0
Share capital at 31 December	**12.600**	**12.600**	**12.600**	**12.600**	**12.600**

12 Distribution of profit

	2021	2020
	TDKK	TDKK
Retained earnings	4.772	-31.075
	4.772	**-31.075**

Notes to the Financial Statements

		2021	2020
		TDKK	TDKK
13	**Deferred tax asset**		
	Deferred tax asset at 1 January	0	3.023
	Amounts recognised in the income statement for the year	10.415	-3.023
	Deferred tax asset at 31 December	**10.415**	**0**
	Intangible assets	63	145
	Property, plant and equipment	2.684	3.076
	Fixed asset investments	-2.149	-1.971
	Leases	-490	-87
	Movement of the year	0	9.185
	Tax loss carry-forward	-10.523	-10.348
	Transferred to deferred tax asset	10.415	0
		0	**0**

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

	2021	2020
Calculated tax asset	10.415	9.185
Write-down to assessed value	0	-9.185
Carrying amount	**10.415**	**0**

The Company has fully recognised its deferred tax assets in 2021. The deferred tax assets are expected to be used within the next five years.

The deferred tax assets primarily relate to tax-loss carryforwards, where the majority can be attributed to the financial year 2020. The financial year was affected by losses due to significant reductions in activities as a result of the Company's plan to cease. The Company has in 2021 succeded in reversing this development and a positive result for 2022 and the following years is expected. This is supported by the realised results for the first five months of 2022. The results are in accordance with the business plan for the coming years.

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021	2020
	TDKK	TDKK
Mortgage loans		
After 5 years	18.382	11.097
Between 1 and 5 years	7.908	4.718
Long-term part	26.290	15.815
Within 1 year	1.961	1.449
	28.251	**17.264**
Lease obligations		
After 5 years	408	0
Between 1 and 5 years	1.120	173
Long-term part	1.528	173
Within 1 year	701	222
	2.229	**395**
Payables to group enterprises		
Between 1 and 5 years	0	19.250
Long-term part	0	19.250
Other short-term debt to group enterprises	1.887	2.274
	1.887	**21.524**
Other payables		
Between 1 and 5 years	7.894	5.241
Long-term part	7.894	5.241
Other short-term payables	12.102	25.361
	19.996	**30.602**

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations

	2021 TDKK	2020 TDKK
Charges and security		
The following assets have been placed as security with mortgage credit institutes:		
As security for mortgage debt has been put up as security in buildings:	34.200	34.200
Negative pledge comprising movables, unsecured claims, inventories, operating equipment, intangible rights and charges on claims as security for the balances with Nykredit:	15.000	15.000

16 Related parties

	Basis
Controlling interest	
Impilo No 9 AB	Holländargatan 20, 111 60 Stockholm, Sweden

Other related parties

Chairman of the Board, Jens Bager
Boardmember, Nicholas Povl Zilstorff Hooge
Boardmember, Karsten Lindhardt
Boardmember, Daniel Spasic

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

16 Related parties (continued)

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

Name	Place of registered office
Scantox Holding ApS	Lille Skensved

The Group Annual Report of Scantox Holding ApS may be obtained at the following address:

Hestehavevej 36A, 4623 Lille Skensved

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Scantox A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Scantox Holding ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

17 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Software licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences are amortised over the licence period; however not exceeding 3-10 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Land and Buildings	20-30	years
Plant and machinery	3-15	years
Other fixtures	3-15	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

17 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes to the Financial Statements

17 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

17 Accounting Policies (continued)

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including anyguaranteed residual value, if any, based on the interest rate implicit in the lease.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$