LBN Medical ApS

Gugvej 70, 9210 Aalborg SØ

Company reg. no. 27 09 82 90

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 12 June 2023.

Jesper Knud Nielsen
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of LBN Medical ApS for the financial year 1 January - 31 December 2022.

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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

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.

Aalborg, 12 June 2023

Managing Director

Jesper Knud Nielsen

Board of directors

Bradley William De Koning   Jesper Knud Nielsen   Jonathan Alan Spero

David Mendels Peterson

Independent auditor's report

To the Shareholders of LBN Medical ApS

Opinion

We have audited the financial statements of LBN Medical ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows, notes and a summary of significant accounting policies, 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 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 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.

Aalborg, 12 June 2023

Redmark
Godkendt Revisionspartnerselskab
Company reg. no. 29 44 27 89

Johny Jensen
State Authorised Public Accountant
mne32798

Company information

The company	LBN Medical ApS Gugvej 70 9210 Aalborg SØ	
	Phone	96886500
	Fax	96730815
	Company reg. no.	27 09 82 90
	Established:	1 April 2003
	Domicile:	Aalborg
	Financial year:	1 January - 31 December
Board of directors	Bradley William De Koning Jesper Knud Nielsen Jonathan Alan Spero David Mendels Peterson	
Managing Director	Jesper Knud Nielsen	
Auditors	Redmark Godkendt Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
Bankers	Jyske Bank, Toldbod Plads 1, 9000 Aalborg	

Financial highlights

DKK in thousands.	2022	2021	2020
Income statement:			
Gross profit	44.571	43.985	33.080
Profit from operating activities	10.114	11.209	4.916
Net financials	-448	-167	-741
Net profit or loss for the year	7.550	8.635	3.242
Statement of financial position:			
Balance sheet total	63.537	55.308	57.230
Investments in plant and equipment	1.972	1.666	571
Equity	24.206	16.656	9.521
Cash flows:			
Operating activities	-9.595	4.366	13.929
Investing activities	-1.149	-1.516	-573
Financing activities	-360	-1.149	-1.535
Total cash flows	-11.104	1.701	11.821
Employees:			
Average number of full-time employees	53	51	49
Key figures in %:			
Solvency ratio	38,1	30,1	16,6
Return on equity	37,0	66,0	68,1

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The financial highlights solely comprise 3 years as there was no requirement for this for the previous period.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Solvency ratio $$\frac{\text{Equity, closing balance x 100}}{\text{Total assets, closing balance}}$$

Return on equity $$\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity}}$$

Management´s review

Description of key activities of the company

The company's main activity is purchase and sale of medical equipment and spare parts.

Development in activities and financial matters

The annual result shows a profit of tDKK 9.666 before tax.

The total assets amounts to tDKK 63.537 by the end of 2022. Equity amounts to DKK 24.206, which gives a solvency ratio of 38 %.

The operational profit was better than expected. Due to resources used in connection with the acquisition of the company the annual result ended up being lower than expected. Although, the annual result is considered as satisfactory

Expected developments

The company is expecting a development in 2023 affecting the result positively, and the result for 2023 is expected to be better than in 2022.

Knowledge resources

The ambition to be market leader and at the forefront of technological development means that the company is characterized by a dynamic and rapidly changing knowledge environment. This places particularly high demands on the company when it comes to gathering and disseminating new knowledge, and effective standardization of the products is difficult. At the same time, the individual solutions are characterized by a complexity where the individual employee's personal knowledge plays an essential role.

Environmental issues

The company refurbishes newer, used medical equipment, but has no production, and as a result the company's activities have no immediate impact on the external environment. When scrapped, medical equipment is disposed of in accordance with applicable legislation. Used packaging is also recycled via local collaborations when possible.

Operational risks

One of the basic elements of the company's business strategy is fast and safe delivery in accordance with customer expectations. To be able to always meet this requirement, the company has chosen to stock essential products. A consequence of this strategy is a warehouse which constitutes a significant part of the company's total assets. As a result, assessment of the market opportunities is an important parameter in connection with the assessment of whether there is an operational risk connected to the inventory. The inventory is consequently assessed continuously to ensure that the valuation at all times is made taking into account marketability, unsaleability, and expected development in sales price.

Financial risks and the use of financial instruments

With increased globalization and internationalization comes an increased exposure to the development of exchange rates in general, including USD and EUR, which are the most frequently used currencies for trading in the international markets. It is the company's basic policy not to engage in active speculation in financial risks, which is why the ongoing financial assessment and management only targets already assumed financial risks.

Foreign currency risks

Purchases and sales are generally made in foreign currency, while the costs, including salaries, primarily are paid in Danish kroner. Virtually all the group's activities are consequently affected by changes in the exchange rates, with USD and EUR as the most significant.

It is the company’s policy solely to hedge significant currency positions. Based on an overall consideration of risks and costs, there is no risk hedging of other currency positions.

Credit risks

The company's credit risks are particularly linked to primary financial assets corresponding to the values recognized in the balance sheet.

The company's policy for assuming credit risks means that all major customers and other business partners are continuously credit assessed. The company mainly insures the amounts due in cases where advance payment is not received from the customers.

Income statement 1 January - 31 December

DKK thousand.

Note		2022	2021
	Gross profit	**44.571**	**43.985**
1	Staff costs	-33.186	-31.827
	Depreciation and impairment of tangible fixed assets	-1.184	-871
	Other operating expenses	-87	-78
	Operating profit	**10.114**	**11.209**
	Other financial income from group enterprises	0	12
	Other financial income	0	1
	Other financial expenses	-448	-180
	Pre-tax net profit or loss	**9.666**	**11.042**
	Tax on net profit or loss for the year	-2.116	-2.407
2	**Net profit or loss for the year**	**7.550**	**8.635**

Balance sheet at 31 December

DKK thousand.

Note	Assets	2022	2021
	Non-current assets		
3	Plant and machinery	23	393
4	Other fixtures, fittings, tools and equipment	2.722	2.484
	Total property, plant, and equipment	2.745	2.877
6	Deposits	313	302
	Total investments	313	302
	Total non-current assets	**3.058**	**3.179**
	Current assets		
	Manufactured goods and goods for resale	45.017	22.475
	Prepayments for goods	1.888	4.691
	Total inventories	46.905	27.166
	Trade receivables	8.255	5.201
	Receivables from group enterprises	0	2.009
7	Deferred tax assets	79	177
	Income tax receivables	383	0
	Other receivables	771	1.026
8	Prepayments	329	1.276
	Total receivables	9.817	9.689
	Cash and cash equivalents	3.757	15.274
	Total current assets	**60.479**	**52.129**
	Total assets	**63.537**	**55.308**

Balance sheet at 31 December

DKK thousand.

Note	Equity and liabilities	2022	2021
	Equity		
	Contributed capital	6.000	6.000
	Retained earnings	18.206	10.656
	Total equity	**24.206**	**16.656**
	Long term labilities other than provisions		
	Current portion of long term liabilities	0	360
	Prepayments received from customers	7.399	10.680
	Trade payables	24.627	16.389
	Income tax payable	0	2.521
	Other payables	6.731	7.578
9	Deferred income	574	1.124
	Total short term liabilities other than provisions	39.331	38.652
	Total liabilities other than provisions	**39.331**	**38.652**
	Total equity and liabilities	**63.537**	**55.308**

10 Charges and security

11 Contingencies

12 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 January 2021	6.000	2.021	1.500	9.521
Distributed dividend	0	0	-1.500	-1.500
Profit or loss for the year brought forward	0	8.635	0	8.635
Equity 1 January 2022	6.000	10.656	0	16.656
Profit or loss for the year brought forward	0	7.550	0	7.550
	6.000	**18.206**	**0**	**24.206**

Statement of cash flows 1 January - 31 December

DKK thousand.

Note		2022	2021
	Net profit or loss for the year	7.550	8.635
13	Adjustments	3.835	3.523
14	Change in working capital	-18.422	-4.314
	Cash flows from operating activities before net financials	-7.037	7.844
	Interest received, etc.	-2	19
	Interest paid, etc.	-35	-118
	Cash flows from ordinary activities	-7.074	7.745
	Income tax paid	-2.521	-3.379
	Cash flows from operating activities	**-9.595**	**4.366**
	Purchase of tangible fixed assets	-1.972	-1.666
	Sale of tangible fixed assets	834	148
	Purchase of fixed asset investments	-11	0
	Sale of fixed asset investments	0	2
	Cash flows from investment activities	**-1.149**	**-1.516**
	Long-term payables incurred	695	496
	Dividend paid	0	-1.500
	Pay off lease debt	-1.055	-145
	Cash flows from investment activities	**-360**	**-1.149**
	Change in cash and cash equivalents	**-11.104**	**1.701**
	Cash and cash equivalents at 1 January 2022	15.274	13.635
	Foreign currency translation adjustments (cash and cash equivalents)	-413	-62
	Cash and cash equivalents at 31 December 2022	**3.757**	**15.274**

	Cash and cash equivalents		
	Cash and cash equivalents	3.757	15.274
	Cash and cash equivalents at 31 December 2022	**3.757**	**15.274**

Notes

DKK thousand.

		2022	2021
1.	**Staff costs**		
	Salaries and wages	29.571	28.644
	Pension costs	3.181	2.794
	Other costs for social security	434	389
		33.186	**31.827**
	Executive board	2.754	
	Board of directors	10	
	Executive board and board of directors	**2.764**	**1.931**
	Average number of employees	53	51

Comparative figures for remuneration to the management have not been specified, as last year the company applied the exception provision in ÅRL section 98b, subsection 3.

		2022	2021
2.	**Proposed distribution of net profit**		
	Transferred to retained earnings	7.550	8.635
	Total allocations and transfers	**7.550**	**8.635**

Notes

DKK thousand.

		31/12 2022	31/12 2021
3.	**Plant and machinery**		
	Cost 1 January 2022	557	62
	Additions during the year	695	733
	Disposals during the year	-1.190	-238
	Cost 31 December 2022	**62**	**557**
	Depreciation and write-down 1 January 2022	-164	-19
	Depreciation for the year	-144	-157
	Depreciation, amortisation and writedown for the year, assets disposed of	269	12
	Depreciation and write-down 31 December 2022	**-39**	**-164**
	Carrying amount, 31 December 2022	**23**	**393**
	Lease assets are recognised at a carrying amount of	0	360
4.	**Other fixtures, fittings, tools and equipment**		
	Cost 1 January 2022	5.320	4.386
	Additions during the year	1.277	934
	Cost 31 December 2022	**6.597**	**5.320**
	Depreciation and write-down 1 January 2022	-2.836	-2.122
	Depreciation for the year	-1.039	-714
	Depreciation and write-down 31 December 2022	**-3.875**	**-2.836**
	Carrying amount, 31 December 2022	**2.722**	**2.484**

Notes

DKK thousand.

		31/12 2022	31/12 2021
5.	**Investment in group enterprise**		
	Acquisition sum, opening balance 1 January 2022	2	2
	Disposals during the year	-2	0
	Cost 31 December 2022	**0**	**2**
	Revaluations, opening balance 1 January 2022	-2	-2
	Reversals for the year concerning disposals	2	0
	Revaluation 31 December 2022	**0**	**-2**
	Carrying amount, 31 December 2022	**0**	**0**
6.	**Deposits**		
	Cost 1 January 2022	302	303
	Additions during the year	11	0
	Disposals during the year	0	-1
	Cost 31 December 2022	**313**	**302**
	Carrying amount, 31 December 2022	**313**	**302**
7.	**Deferred tax assets**		
	Deferred tax assets 1 January 2022	211	63
	Deferred tax of the net profit or loss for the year	-132	114
		79	**177**
	The following items are subject to deferred tax:		
	Tangible fixed assets	43	16
	Current assets	36	161
		79	**177**

The recognised tax asset is expected to be utilised within the next 3 to 5 years.

Notes

DKK thousand.

		31/12 2022	31/12 2021
8.	**Prepayments**		
	Prepaid insurance	0	479
	Other prepayments	329	797
		329	**1.276**

Other prepayments consist of prepaid costs.

Notes

DKK thousand.

		31/12 2022	31/12 2021
9.	**Deferred income**		
	Deferred income	574	1.124
		574	**1.124**

Derred income consists of payments received concerning future income.

10. Charges and security

No charges or security as of 31 December 2022.

11. Contingencies

Contingent liabilities

Lease liabilities

In addition to finance leases, the company has entered into operational leases with terms to maturity of 3 - 38 months with a residual obligation on a total of tDKK 708.

The company has concluded lease agreements concerning lease of buldings. The leases can be terminated with a remaining period of 6 months. The annual lease on buildings is tDKK 1.384.

Joint taxation

With LBN Bidco ApS, company reg. no 42995061 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 total tax payable under the joint taxation scheme totals DKK 0.

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

Notes

DKK thousand.

11. Contingencies (continued)

Joint taxation (continued)

The company has withdrawn from the joint taxation with the former management company LBN Vision Gold ApS as of February 1th 2022 and is liable for any tax claims against the other jointly taxed companies until the time of withdrawal from the joint taxation.

12. Related parties

Controlling interest

LBN Bidco ApS, Gugvej 70, 9010 Aalborg SØ	Majority shareholder

Transactions

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Consolidated financial statements

The company is included in the consolidated financial statements of the former parent LBN Vision ApS for the periode 1. January 2022 to 31. January 2022 after which the company is included ind the consolidated financial statements of the parent DirectMed Parts & Service, LLC. The annual report for DirectMed Parts & Service, LLC can be requested by contacting the company.

Notes

DKK thousand.

		2022	2021
13.	**Adjustments**		
	Depreciation, amortisation, and impairment	1.184	871
	Loss from disposal of non-current assets	87	78
	Other financial income	0	-13
	Other financial expenses	448	180
	Tax on net profit or loss for the year	2.116	2.407
		3.835	**3.523**
14.	**Change in working capital**		
	Change in inventories	-19.740	701
	Change in receivables	-2.242	5.739
	Change in trade payables and other payables	3.560	-10.754
		-18.422	**-4.314**

Accounting policies

The annual report for LBN Medical ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

Changes in the accounting policies

Classification of the accounting item "staff costs" has been changed so that salary reimbursements, which previously classified as staff costs henceforth is classified as other operating income in the annual report.

The classification change has no monetary effect on the result, balance sheet or equity for neither the current nor previous financial year. This has a positive affect on the gross profit by tDKK 585 (last year: tDKK 471) while staff costs for the year are negatively affected by tDKK 585 (last year: tDKK 471).

Except for the above, the accounting policies remain unchanged from last year.

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, write-downs 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.

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.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods other operating income, and external costs.

The enterprise will be applying 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. The timing of delivery and passing of risk to the buyer is based on standardized delivering conditions based on Incoterms® 2020. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

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, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

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

Depreciation, amortisation, and write-down for impairment

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

Accounting policies

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of tangible assets.

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 financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

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 write-down 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 and the residual value of the individual assets:

Accounting policies

	Useful life	Residual value
Plant and machinery	3-6 years	0 %
Other fixtures and fittings, tools and equipment	3-5 years	0 %

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.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investment in group enterprise 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. Write-down 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.

Investments

Investments in group enterprise

Investments in group enterprise is recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprise is recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Investments in group enterprise with a negative equity value is measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investment in group enterprise transferred to the reserve under equity for net revaluation according to the equity method. Dividend from group enterprise expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprise.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Accounting policies

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

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

Prepayments recognised 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.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, LBN Medical 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.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing 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

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

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.

Statement of cash flows

The cash flow statement shows the cash flows for the year, divided in cash flows deriving from operating activities, investment activities and financing activities, respectively, the changes in the liabilities, and cash and cash equivalents at the beginning and the end of the year, respectively.

Cash flows from operating activities

Cash flows from operating activities are calculated as the company's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the company's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and short-term financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.