

# **Allarity Therapeutics Europe ApS**

Venlighedsvej 1, DK-2970 Hørsholm

CVR no. 34 62 35 62

## **Annual report for 2021**

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 25.07.22

Lars Lüthjohan  
Dirigent

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**The company**

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Allarity Therapeutics Europe ApS  
Venlighedsvej 1  
DK-2970 Hørsholm  
Registered office: Rudersdal  
CVR no.: 34 62 35 62  
Financial year: 01.01 - 31.12

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**Executive Board**

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James G. Cullem

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**Auditors**

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Pricewaterhousecoopers Statsautoriseret Revisionspartnerselskab

## Statement by the Executive Board on the annual report

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I have on this day presented the annual report for the financial year 01.01.21 - 31.12.21 for Allarity Therapeutics Europe ApS.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In my opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.21 and of the results of the company's activities for the financial year 01.01.21 - 31.12.21.

I believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Hørsholm, July 25, 2022

### **Executive Board**

James G. Cullem

The general meeting has decided not to have the financial statements for the coming financial year audited.

### **Chairman of the meeting**

**To the capital owner of Allarity Therapeutics Europe ApS**

**Opinion**

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.21 and of the results of the company's operations for the financial year 01.01.21 - 31.12.21 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

We have audited the financial statements of Allarity Therapeutics Europe ApS for the financial year 01.01.21 - 31.12.21, which comprise the income statement, balance sheet and notes to the financial statements, including a summary of significant accounting policies.

**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.

**Material uncertainty regarding going concern**

We draw attention to Note 1 in the Financial Statements, which describes the Company's current liquidity situation. Management is working together with the parent company Allarity Therapeutics Inc. seeking to ensure liquidity for the Company for the remaining period of 2022. This indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern.

Our opinion has not been modified in respect of this matter.

**Management's responsibility for the financial statements**

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the 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 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 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 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 regarding the 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 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 Statements Acts. We did not identify any material misstatement of management's review.

Hellerup, July 25, 2022

**Pricewaterhousecoopers**  
**Statsautoriseret**  
**Revisionspartnerselskab**

CVR no. 33771231

Torben Jensen  
State Authorized Public Accountant  
MNE-no. mne18651

Thomas Lauritsen  
State Authorized Public Accountant  
MNE-no. mne34342

**Primary activities**

The company's activities comprise drug development dedicated to unlock the potential of new oncology products, and rescue failed - to improve the efficacy of the drugs, increase the response rate in cancer patients, reduce timelines and through this improve success rates in Oncology Drug Development.

**Uncertainty concerning recognition and measurement**

In the financial statements for the financial year 01.01.21 - 31.12.21, it is important to note the following uncertainty with regard to recognition and measurement, as it has had a significant influence on the assets and liabilities recognised in the financial statements:

On 20 December 2021, the Company acquired DRP technology and IP rights from Allarity Therapeutics A/S together with employees and other assets and liabilities. The acquired business was valued based on the market value of Allarity Therapeutics in December 2021. The market value of Allarity Therapeutics has declined significantly in 2022, which increases the risk of an impairment charge in 2022.

**Development in activities and financial affairs**

The income statement for the period 01.01.21 - 31.12.21 shows a profit/loss of DKK'000 -76,279 against DKK'000 -18,557 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK'000 386,284.

*Significant uncertainty as regards going concern*

The Company has received a letter of support from Allarity Therapeutics Inc. We refer to note 1 for further information.

The current liquidity of the Allarity Group is expected to last until November 2022, but Allarity management is currently working to reduce costs in 2022 and deferred payments into 2023.

The Company's ability to continue its operations is dependent upon the Allarity Group's ability to obtain additional capital in the future.

Allarity Management is working to ensure financing from investors in order to secure the necessary liquidity to continue operations. Different options are being explored at the moment and Allarity Management expects that a solution is reached and the necessary funds will be available during 2022/23.

The Company's financial statements as of and for the year ended 31 December 2021 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future.

These financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue as a going concern.

## Income statement

Note	2021 DKK '000	2020 DKK '000
	<b>-79,617</b>	<b>-13,155</b>
4 Staff costs	-24	-2,930
	<b>-79,641</b>	<b>-16,085</b>
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-333	-824
	<b>-79,974</b>	<b>-16,909</b>
Income from equity investments in group enterprises	37,201	0
5 Financial income	3,735	6,952
6 Financial expenses	-4,616	-10,950
	<b>-43,654</b>	<b>-20,907</b>
Tax on loss for the year	-32,625	2,350
	<b>-76,279</b>	<b>-18,557</b>
<b>Proposed appropriation account</b>		
Retained earnings	-76,279	-18,557
	<b>-76,279</b>	<b>-18,557</b>

<b>ASSETS</b>		31.12.21	31.12.20
Note		DKK '000	DKK '000
	Acquired rights	526	425
	Development projects in progress	466,974	10,129
7	<b>Total intangible assets</b>	<b>467,500</b>	<b>10,554</b>
	Plant and machinery	52	67
	<b>Total property, plant and equipment</b>	<b>52</b>	<b>67</b>
	Equity investments in group enterprises	0	8,653
	Deposits	349	217
	<b>Total investments</b>	<b>349</b>	<b>8,870</b>
	<b>Total non-current assets</b>	<b>467,901</b>	<b>19,491</b>
	Receivables from group enterprises	6,179	15,653
	Income tax receivable	5,500	2,350
	Other receivables	3,299	521
	Prepayments	898	57
	<b>Total receivables</b>	<b>15,876</b>	<b>18,581</b>
	Other investments	2,298	0
	<b>Total securities and equity investments</b>	<b>2,298</b>	<b>0</b>
	<b>Cash</b>	<b>12,717</b>	<b>100</b>
	<b>Total current assets</b>	<b>30,891</b>	<b>18,681</b>
	<b>Total assets</b>	<b>498,792</b>	<b>38,172</b>

<b>EQUITY AND LIABILITIES</b>		31.12.21	31.12.20
Note		DKK '000	DKK '000
Share capital		2,207	2,197
Share premium		436,526	8,922
Retained earnings		-52,449	-158,180
<b>Total equity</b>		<b>386,284</b>	<b>-147,061</b>
Provisions for deferred tax		38,522	0
<b>Total provisions</b>		<b>38,522</b>	<b>0</b>
Payables to group enterprises		6,423	171,049
<b>Total long-term payables</b>		<b>6,423</b>	<b>171,049</b>
Trade payables		52,378	12,550
Payables to group enterprises		13,596	1,173
Other payables		1,589	461
<b>Total short-term payables</b>		<b>67,563</b>	<b>14,184</b>
<b>Total payables</b>		<b>73,986</b>	<b>185,233</b>
<b>Total equity and liabilities</b>		<b>498,792</b>	<b>38,172</b>

8 Fair value information

9 Contingent liabilities

10 Related parties

## 1. Significant uncertainty as regards going concern

As a development company, and like other similar companies, Allarity Therapeutics Europe ApS has shown negative cash flow over the years, why the Company is dependent on financing until reaching the point where a positive cash flow begins. Management is constantly monitoring the Company's financial position and are prepared to take the adequate measures to secure the ongoing activities of the company. In the year 2021, the Company recorded a loss of DKK 43,654k and the Company's liabilities exceeds the Company's current assets by DKK 43,095k. The Company is financed by a intercompany loans. The Company is dependent on financial support from the Parent Company to continue operations. The Company has received a letter of support from the parent company Allarity Therapeutics A/S. The letter is effective until 1 January 2023.

The current liquidity of the Allarity Group is expected to last until November 2022, but Allarity management is currently working to reduce costs in 2022 and deferred payments into 2023.

The Company's ability to continue its operations is dependent upon the Allarity Group's ability to obtain additional capital in the future.

Allarity Management is working to ensure financing from investors in order to secure the necessary liquidity to continue operations. Different options are being explored at the moment and Allarity Management expects that a solution is reached and the necessary funds will be available during 2022/23.

The Company's financial statements as of and for the year ended 31 December 2021 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future.

These financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue as a going concern.

The above indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern, but the Executive Board has confidence in the Company as a going concern, and consequently, the Financial Statements have been prepared in accordance with the going concern principles.

## 2. Uncertainty concerning recognition and measurement

In the financial statements for 2021, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

Acquired intangible assets represents the fair value assigned to research and development assets that the Company acquires and have not been completed at the acquisition date. The fair value of the intangible assets acquired is recorded on the balance sheets at the acquisition-date and is determined by estimating the costs to develop the technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the projected net cash flows to present value.

The projected discounted cash flow models used to estimate the fair value of the intangible assets reflect significant assumptions regarding the estimates a market participant would make in order to evaluate an intangible development asset, including the following:

- Estimates of obsolescence of development expenditure;
- Probability of successfully completing clinical trials and obtaining regulatory approval;
- Estimates of future cash flows from potential milestone payments and royalties related to out-licensed product sales; and
- A discount rate reflecting the Company's weighted average cost of capital and specific risk inherent in the underlying assets.

Once brought into use, intangible assets are amortized over their estimated useful economic lives, which for acquired intangible assets is over the remaining life of the relevant patents.

The market value of Allarity Therapeutics has declined significantly in 2022, which increases the risk of an impairment charge in 2022.

### 3. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2021 DKK '000	2020 DKK '000
Gain on the divestment of group enterprises	Income from equity investments in group enterprises	37,201	0

### 4. Staff costs

Wages and salaries	24	2,902
Other social security costs	0	28
Total	24	2,930
Average number of employees during the year	0	3

### 5. Financial income

Interest, group enterprises	0	107
Foreign exchange gains	3,735	6,845
Total	3,735	6,952

	2021 DKK '000	2020 DKK '000
<b>6. Financial expenses</b>		
Interest, group enterprises	999	1,026
Other interest expenses	140	153
Foreign exchange losses	1,525	9,771
Other financial expenses	1,952	0
Other financial expenses	3,617	9,924
Total	4,616	10,950

## 7. Intangible assets

The fair value of the intangible assets acquired is recorded on the balance sheets at the acquisition-date and is determined by estimating the costs to develop the technology into commercially viable products, estimating the resulting revenue from the projects, and discounting the projected net cash flows to present value.

## 8. Fair value information

Figures in DKK '000	Listed securities and equity investments	Total
Fair value as at 31.12.21	2,298	2,298

## 9. Contingent liabilities

### *Lease commitments*

The company has concluded lease agreements with terms to maturity of 25 months and average lease payments of DKK 59k, a total of DKK 1,468k.

### *Other contingent liabilities*

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

## 10. Related parties

The company is included in the consolidated financial statements of the parent Allarity Acquisition Subsidiary Inc., USA.

## 11. Accounting policies

### **GENERAL**

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B.

The accounting policies have been applied consistently with previous years.

### **Basis of recognition and measurement**

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will

**11. Accounting policies** - continued -

flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

**11. Accounting policies** - continued -**CURRENCY**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

**INCOME STATEMENT****Gross loss**

Gross loss comprises revenue and raw materials and consumables and other external expenses.

**Revenue****Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

**11. Accounting policies** - continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	6	0
Plant and machinery	5	0
Other plant, fixtures and fittings, tools and equipment	5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Income from equity investments in group enterprises**

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

**11. Accounting policies** - continued -**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**BALANCE SHEET****Intangible assets***Development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

**11. Accounting policies** - continued -*Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Gains or losses on the disposal of intangible assets*

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**Property, plant and equipment**

Property, plant and equipment comprise plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Equity investments in group enterprises**

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

**11. Accounting policies** - continued -

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

For equity investments measured according to the equity method, the proportionate share of the equity investments' equity value is determined according to the accounting policies of the parent, stated in the other sections.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

**11. Accounting policies** - continued -**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Other investments**

Other securities are measured at fair value, equivalent to the market value at the balance sheet date.

**Cash**

Cash includes deposits in bank accounts as well as operating cash.

**Equity**

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

**11. Accounting policies** - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.