

Financial Statements

for the year ended 31 December 2018

Reponex Pharmaceuticals A/S

Registered number: 30 08 23 46

Godkendt af: Selskabets
Generalsekretær 17/6-2019



adv. Klaus Hvidtlev:

Contents

Company information	2
Management's review	3
Management's report	4
Independent auditor's report	5
Company statement of comprehensive income	7
Company statement of financial position	8
Company statement of changes in equity	9
Company cash flow statement	10
Notes to the company financial statements	11

Company information

Director	Torsten Bjørn
Board of directors	Troels Peter Troelsen, chairman Charlotte Pahl Henrik Bulskov Lisbeth Thyregod
Registered number	30 08 23 46
Registered office	Slotsmarken 12, 1. th. 2970 Hørsholm Denmark
Independent auditor	Grant Thornton Denmark Stockholmsgade 45 2100 København Ø Denmark

The Company's principal activities

Reponex Pharmaceuticals A/S is a clinical stage biopharmaceutical company dedicated to the development of new, effective treatments for diseases that have significant patient and social impact and for which current therapy is lacking or in need of improvement. The diseases may be acute and life threatening, such as colorectal cancer, bacterial peritonitis or chronic diseases that spoil the quality of life and may shorten it, such as inflammatory bowel diseases or complications of chronic diseases such as the disabling non-healing skin ulcers in patients with diabetes or venous insufficiency. There is a continuing medical need to improve the treatment of these difficult conditions.

Unusual circumstances

No unusual circumstances are recorded in this annual report.

Uncertainty in recognition or measurement

During the financial year there has been no uncertainty in recognition or measurement.

Development in activities and financial matters

The result for the year, a deficit of DKK 1.257 thousand, is in line with the management's expectations in view of the Company's level of activity.

During the financial year, Reponex carried out and completed the follow-up clinical phase II study on bacterial peritonitis. The study had a very satisfactory course, in line with expectations.

Reponex has consolidated the structure of its existing clinical collaboration with a leading Danish center in dermatovenereology, which will form the basis for the Company's performance of the clinical phase II proof-of-concept study on the accelerated healing of chronic wounds.

Reponex has established a clinical collaboration to carry out a clinical phase II trial on the eradication of cancer-promoting colonic bacteria in connection with colorectal cancer.

Reponex has continued the preparations, including the formulation work, for the clinical phase II trial in patients with Crohn's disease.

During the financial year, Reponex obtained patent issuance within several of the Company's key clinical areas and within its geographical focus areas.

Events after the end of the financial year

After the end of the financial year, Reponex completed a successful issue of new shares that was subscribed to by the Company's existing shareholders.

Management's Report

The Board of Directors and the Executive management have today considered and approved the annual report of Reponex Pharmaceuticals A/S for the financial year 1 January 2018 - 31 December 2018

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements of the company, are prepared in accordance with the Danish Financial Statement Act (Årsregnskabsloven).

We consider the accounting policies used appropriate, and in our opinion the financial statements provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

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

Hørsholm, 31.05.2019

Managing Director




Torsten Bjørn

Board of directors



Troels Peter Troelsen
Chairman



Henrik Bulskov



Lisbeth Thyregod



Charlotte Pahl

Independent auditor's report

To the shareholders of Reponex Pharmaceuticals A/S

Our Opinion

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2018 and of the result of the Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with the International Financial Reporting Standards and in accordance with International Financial Reporting Standards as endorsed by the European Union and further requirements in the Danish Financial Statements Act.

What we have audited

The Financial Statement of Reponex Pharmaceuticals A/S for the financial year 1 January to 31 December 2018, comprise income statement and statement of comprehensive income, cash flow statement, balance sheet, equity statement and notes including 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 below section "Auditor's responsibilities for the audit of the Financial Statements section of our report".

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Ethics Standards for Accountants' Code of Ethics for Professional Accountants (IESBA's Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and in accordance with International Financial Reporting Standards endorsed by EU and further requirements in the Danish Financial Statements Act, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the Financial Statements. As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

Independent auditor's report

We also:

Identify and assess the risks of material misstatement in the Financial Statements, whether due to fraud or error, design and perform audit procedures in response 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Conclude on the appropriateness of the management's use of the going concern basis of accounting 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 reflect the underlying transactions and events in a manner that achieves fair presentation.

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

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the Financial Statements does not cover the 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 the management's review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, we consider whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the Financial Statements and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen,

Grant Thornton

Company reg. no. 34 20 99 36

Ulrik Bloch-Sørensen

State Authorised Public Accountant

mne2913

Statement of comprehensive income

Note	2018	2017
Revenue	0	0
Cost of sales	0	0
Gross profit	0	0
Other operating expenses	-559.841	-716.909
3 Employee remuneration	-124.911	-543.446
Profit before depreciation, amortisation and impairment losses (EBITDA)	-684.752	-1.260.356
Depreciation and amortisation of plant and equipment and intangible assets	-652.041	-626.757
Operating profit (EBIT)	-1.336.793	-1.887.112
Financial income	0	0
4 Financial expenses	-259.547	-107.641
Profit before tax	-1.596.340	-1.994.754
5 Tax on profit for the year	339.658	418.505
Net profit for the year	-1.256.682	-1.576.249
Total comprehensive income	-1.256.682	-1.576.249
Distribution of comprehensive income		
Company's shareholders	0	0
Total	0	0

Statement of financial position

ASSETS		31-12-2018	31-12-2017	01-01-2017
Note				
Non-current assets				
6	Intangible assets	7.794.647	5.801.678	3.991.219
	Total non-current assets	7.794.647	5.801.678	3.991.219
Current assets				
8	Inventories	727.999	584.199	486.923
9	Other receivables	349.027	431.086	153.592
9	Prepaid expenses	311.044	45.673	157.639
5	Current tax receivable	446.420	869.539	492.503
11	Cash and cash equivalents	65.349	162.730	2.658.020
	Total current assets	1.899.839	2.093.228	3.948.677
	Total assets	9.694.486	7.894.906	7.939.896
EQUITY AND LIABILITIES				
Note		31-12-2018	31-12-2017	01-01-2017
	Share capital	534.086	133.522	133.522
	Share premium account	6.539.573	6.940.137	6.940.137
	Reserve for capitalised development costs	4.790.765	3.019.279	1.334.512
	Retained earnings	-9.467.163	-6.438.995	-3.177.979
11	Total equity	2.397.261	3.653.943	5.230.192
12	Loan from shareholders	0	0	1.670.560
5	Provision for deferred tax	720.469	613.707	655.176
	Total provisions	720.469	613.707	655.176
	Total long-term liabilities	720.469	613.707	2.325.736
13	Trade payables	463.414	767.463	319.128
	Bank debt	15	0	0
14	Other liabilities	6.113.327	2.859.793	64.840
	Total current liabilities	6.576.756	3.627.256	383.968
	Total equity and liabilities	9.694.486	7.894.906	7.939.896

Statement of changes in equity

	Share capital	Share premium account	Reserve for capitalised development costs	Retained earnings	Total equity
<i>Statement of changes in equity</i>					
<i>01-01-2017 - 31-12-2017</i>					
Equity as at 01-01-2017	133.522	6.940.137	1.334.512	-3.177.979	5.230.192
Net profit for the year	0	0	0	-1.576.249	-1.576.249
Capitalised development costs	0	0	1.684.767	-1.684.767	0
Comprehensive income	0	0	1.684.767	-3.261.016	-1.576.249
Dividends	0	0	0	0	0
Transactions with owners	0	0	0	0	0
Equity as at 31-12-2017	133.522	6.940.137	3.019.279	-6.438.995	3.653.943

Statement of changes in equity
01-01-2018 - 31-12-2018

Equity as at 01-01-2018	133.522	6.940.137	3.019.279	-6.438.995	3.653.943
Net profit for the year	0	0	0	-1.256.682	-1.256.682
Share capital	400.564	-400.564	0	0	0
Capitalised development costs	0	0	1.771.486	-1.771.486	0
Comprehensive income	400.564	-400.564	1.771.486	-3.028.168	-1.256.682
Dividends	0	0	0	0	0
Transactions with owners	0	0	0	0	0
Equity as at 31-12-2018	534.086	6.539.573	4.790.765	-9.467.163	2.397.261

Cash flow statement

	31-12-2018	31-12-2017
Loss before tax	-1.596.340	-1.994.754
Adjustment of non-cash transactions:		
Depreciation, amortisation and impairment losses	652.041	626.757
Financial income	0	0
Financial expenses	259.547	107.641
Change in working capital:		
Inventories	-143.799	-97.276
Receivables	82.059	-277.494
Trade payables	-304.049	448.335
Prepaid expenses	-265.371	111.966
Other liabilities	49.361	88.756
Corporate tax	869.539	0
Net cash from operating activities before net financials	-397.013	-986.069
Financial income received	0	0
Financial expenses paid	-259.547	-107.641
Net cash from operating activities	-656.560	-1.093.710
Purchase of other intangible assets	-2.645.010	-2.453.929
Purchase of other intangible assets	0	16.713
Net cash used in investing activities	-2.645.010	-2.437.216
Loans from shareholders	3.204.173	1.035.636
Net cash received from financing activities	3.204.173	1.035.636
Total cash flows for the year	-97.397	-2.495.290
Cash equivalents beginning of year	162.730	2.658.020
Cash equivalents end of year	65.333	162.730
Cash and cash equivalents, end of year, comprises:		
Cash and cash equivalents	65.333	162.730
Total	65.333	162.730

1. Accounting policies
2. Nature of operations
3. Employee remuneration
4. Financial expenses
5. Tax
6. Intangible assets
7. Financial assets and liabilities
8. Inventories
9. Prepayments and other receivables
10. Cash and cash equivalent
11. Equity
12. Loan from shareholders
13. Trade payables
14. Other liabilities
15. Contingent liabilities
16. Operating lease commitments
17. Financial risks and financial instruments
18. Events occurring after the balance sheet date
19. The Company's transition to IFRS
20. New accounting regulations

1. Accounting policies

1.1 Basis of preparation

The Financial Statements of Reponex Pharmaceuticals A/S have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, IFRIC interpretations and with those parts of the Danish Financial Statements Act applicable to companies reporting under IFRS.

The Company has adopted IFRS for the first time in these financial statements. The Company's transition date to IFRS is 1 January 2017. The rules for first-time adoption of IFRS are set out in IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1").

IFRS 1 allow certain exemptions and mandates certain accounting treatments in the application of particular standards to prior periods in order to assist companies with the transition process.

The Company has applied a number of the exemptions available under IFRS 1 for the purposes of preparing the consolidated financial statements, and these are explained below.

The policies have changed from the previous published financial statements which were prepared under Danish Financial Statements Act. The financial information has been restated in accordance with IFRS. The changes to accounting policies are explained in note 19 together with the reconciliation of opening balances and comparative results in note 19.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2018.

The financial statements have been prepared on the going concern basis and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities including derivative financial instruments. The principal accounting policies set out below have been consistently applied to all periods presented.

1.2 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in currency DKK, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

1.3 Revenue

Revenue is measured at the fair value of consideration received or receivable

1.4 Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

1.5 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

1. Accounting policies - continued -

1.6 Intangible assets

Development costs comprise e.g. salaries, wages, and amortisation which directly and indirectly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 10 years.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

1.7 Leased assets

Operating leases

Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.8 Impairment testing of intangible assets and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Cash-generating units are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment loss is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

1. Accounting policies - continued -

1.9 Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

1.10 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

1. Accounting policies - continued -

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. The Company currently holds listed bonds designated in to this category. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity. The Company do not currently hold any items designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

1.11 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

1. Accounting policies - continued -

1.11 Income taxes

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income, or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

Reserve for capitalised development costs - comprises other development projects

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

All transactions with owners are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

1.14 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

1. Accounting policies - continued -

1.15 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Capitalisation of development costs

Reponex Pharmaceuticals A/S is confident it will obtain approval of its pipeline products, as the products are based on an existing approved drug, and hold the evidence to support this. Reponex Pharmaceuticals A/S is also confident, that it will acquire the necessary resources through installments, pay off's or milestone payment to complete its development projects. Thus, management judge that the technical feasibility criterion in IAS 38,57 is met.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 1.8).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software application systems (development projects).

2. Nature of operations

Reponex Pharmaceuticals A/S is a clinical stage biopharmaceutical company dedicated to the development of new, effective treatments for diseases that have significant patient and social impact and for which current therapy is lacking or in need of improvement. The diseases may be acute and life threatening, such as colorectal cancer, bacterial peritonitis or chronic diseases that spoil the quality of life and may shorten it, such as inflammatory bowel diseases or complications of chronic diseases such as the disabling non-healing skin ulcers in patients with diabetes or venous insufficiency. There is a continuing medical need to improve the treatment of these difficult conditions.

Notes to the financial statements

	2018	2017
3. Employee remuneration		
Wages and salaries	478.864	538.864
- hereof allocated to other intangible assets	-360.000	0
Pensions	-	0
Social security costs	6.047	4.582
Total	124.911	543.446

	2018	2017
Average number of employees in the year	Number	Number
Directors		
Total	1	1

	2018	2017
Remuneration of Directors		
Remuneration	478.864	538.864
Company pension contributions	0	0
Total remuneration for Directors	478.864	538.864

	2018	2017
4. Financial expenses		
Interest expenses on liabilities measured at cost	259.393	107.641
Foreign exchange gains, net	154	0
Total	259.547	107.641

Notes to the financial statements

	2018	2017
5. Tax		
Tax on profit for the year:		
Current tax	-446.420	-529.519
Change in deferred tax	106.762	97.835
Adjustment to tax previous years	0	13.179
Total	-339.658	-418.505

Reconciliation of effective tax rate:

Loss before tax	-1.596.340	-1.994.754
Tax computed on the profit before tax at a tax rate of 22%	-351.195	-438.846
Permanent differences	11.537	7.162
Adjustment to tax previous years		13.179
Total - Effective tax rate (22%)	-339.658	-418.505

31-12-2018 31-12-2017 01-01-2017

Deferred tax is related to the following assets and liabilities:

Deferred taxes arising from temporary differences are summarised below:

Intangible assets	1.553.324	1.114.870	716.569
Taxable loss carried forward	-832.855	-501.163	-61.393
Total deferred tax	720.469	613.707	655.176

which is categorised as follows:

Non-current deferred tax	720.469	613.707	655.176
---------------------------------	----------------	----------------	----------------

Current tax asset

Tax reimbursement, calculated for the year	-446.420	-529.519	-492.503
Tax reimbursement, previous years	0	-340.020	0
Tax paid on account	0	0	0
Current tax asset, total	-446.420	-869.539	-492.503

Notes to the financial statements

6. Intangible assets

	Patents and licenses	Develop- ment projects in progress	Total
<i>Financial year 2017</i>			
Cost as at 01-01-2017	3.311.143	1.334.512	4.645.655
Additions during the year	769.165	1.684.764	2.453.929
Disposals during the year	-16.713	0	-16.713
Cost as at 31-12-2017	4.063.595	3.019.276	7.082.871
Amortisation and impairment			
losses as at 01-01-2017	654.436	0	654.436
Amortisation during the year	626.757	0	626.757
Amortisation and impairment losses as at 31-12-2017	1.281.193	0	1.281.193
Carrying amount as at 31-12-2017	2.782.402	3.019.276	5.801.678
Carrying amount as at 01-01-2017	2.656.707	1.334.512	3.991.219
<i>Financial year 2018</i>			
Cost as at 01-01-2018	4.063.595	3.019.276	7.082.871
Adjustment as at 01-01-2018	36.999	-36.999	0
Additions during the year	836.525	1.808.485	2.645.010
Cost as at 31-12-2018	4.937.119	4.790.762	9.727.881
Amortisation and impairment			
losses as at 01-01-2018	1.281.193	0	1.281.193
Amortisation during the year	652.041	0	652.041
Amortisation and impairment losses as at 31-12-2018	1.933.234	0	1.933.234
Carrying amount as at 31-12-2018	3.003.885	4.790.762	7.794.647

Development costs

All capitalised development costs are related to development projects in progress. Development costs, which do not meet the requirements for recognition in the balance sheet are expensed immediately. No development costs have been expensed to the income statement in 2018.

Impairment test of development projects

Development projects are tested individually for impairment. The carrying amount of development projects is DKK 8m at 31 December 2018 and DKK 4m at 31 December 2017. The recoverable amount of development projects relates to development of Reponex Pharmaceuticals A/S' portfolio of projects within the reposition strategy of already approved drugs. Based on value-in-use calculations no impairment was identified. Management has assessed that reasonably probable changes in the key assumptions will not lead to impairment.

Notes to the financial statements

7. Financial assets and liabilities

Note 1.10 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

31 December 2018

	Held for trading (FVTPL) (carried at fair value)	Loans and other receivables (carried at amortised cost)	Total
Financial assets			
Trade and other receivables	0	1.834.490	1.834.490
Cash and cash equivalents	0	65.349	65.349
Other short term financial assets	0	1.899.839	1.899.839
Total financial assets	0	1.899.839	1.899.839

	Derivatives measured at fair value (carried at fair value)	Other liabilities (carried at amortised cost)	Total
Financial liabilities			
Trade and other payables	0	6.576.741	6.576.741
Total financial liabilities	0	6.576.741	6.576.741

31 December 2017

	Held for trading (FVTPL) (carried at fair value)	Loans and other receivables (carried at amortised cost)	Total
Financial assets			
Trade and other receivables	0	1.930.497	1.930.497
Cash and cash equivalents	0	162.730	162.730
Other short term financial assets	0	2.093.228	2.093.228
Total financial assets	0	2.093.228	2.093.228

Notes to the financial statements

7. Financial assets and liabilities - continued -

31 December 2017 - continued

	Other liabilities (carried at amortised cost)	Total
Financial liabilities		
Trade and other payables	3.627.256	3.627.256
Total financial liabilities	3.627.256	3.627.256

1 January 2017

	Held for trading (FVTPL) (carried at fair value)	Loans and other receivables (carried at amortised cost)	Total
Financial assets			
Trade and other receivables	0	1.290.657	1.290.657
Cash and cash equivalents	0	2.658.020	2.658.020
Other short term assets	0	3.948.677	3.948.677
Total financial assets	0	3.948.677	3.948.677

	Other liabilities (carried at amortised cost)	Total
Financial liabilities		
Loan from shareholders	1.670.560	1.670.560
Trade and other payables	383.968	383.968
Financial liabilities	2.054.528	2.054.528

Financial assets and liabilities measured at fair value, the methods used to measure fair value are described in note 1.10.

All of the above financial assets and liabilities carrying values are approximate to their fair values due to their short term nature as at 31 December 2018, 31 December 2017 and 1 January 2017 with the exception of held for trading assets and derivative financial instruments which are carried at their fair values.

Notes to the financial statements

	31-12-2018	31-12-2017	01-01-2017
8. Inventories			
Raw materials and stores	727.999	584.199	486.923
Total inventories	727.999	584.199	486.923

The costs of individual items of inventory are determined using weighted average costs.

No write-down have been made during the financials years.

	31-12-2018	31-12-2017	01-01-2017
9. Prepayments and other receivables			
Prepayments	311.044	45.673	10.730
Other receivables	349.027	431.086	18.378
Non-financial assets	660.071	476.759	29.108

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Company's trade and other receivables have been reviewed for indications of impairment. No such indications was found.

10. Cash and cash equivalent

Cash	65.349	162.730	2.658.020
Total	65.349	162.730	2.658.020

11. Equity

Share capital

The Company's share capital consists of 5.340.864 ordinary shares of DKK 0,10 each. The shares are fully paid in. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

As of January 2019, a capital increase of 681.818 ordinary shares of DKK 0,10 each were conducted. The share premium amounts to DKK 14.321.818. Hereafter the share capital consists of 6.022.682 ordinary shares of DKK 0,10 each with a total share premium reserve of DKK 20.861.391

Retained earnings

Retained earnings represent retained profits.

Reserve for capitalised development costs

Reserve for capitalised development costs represent the activated development costs from January 1, 2016.

Notes to the financial statements

11. Equity - continued -

Capital management policies and procedures

The Company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders.

The Company monitors capital on the basis of the carrying amount of equity plus borrowings, less cash and cash equivalents as presented on the statement of financial position.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

31-12-2018 31-12-2017 01-01-2017

12. Loan from shareholders

Between 1-5 years	0	0	1.670.560
After 5 years	0	0	0
Total loan from shareholders	0	0	1.670.560

13. Trade payables

Trade payables	463.414	767.462	319.128
Trade and other paybles - current	463.414	767.462	319.128

31-12-2018 31-12-2017 01-01-2017

14. Other liabilities

A-SKAT and other social securities	18.031	18.131	0
Holiday payrolls	60.000	60.000	0
Loan from shareholders	5.910.369	2.706.196	0
Other liabilities	124.927	75.466	64.840
Other liabilities - current	6.113.327	2.859.793	64.840

15. Contingent liabilities

The Company has no contingent liabilities.

16. Operating lease commitments

The Company has no operating lease commitments.

Notes to the financial statements

17. Financial risks and financial instruments

Risk management policy

Management manages the Company's financial risks. The management of the company's risks is included in the management's day-to-day monitoring of the Company. The Company is exposed to few financial risks, which result from its operating activities. The Company does not actively engage in the trading of financial assets and financial derivatives.

Credit risk

Due to the nature of the business, credit risk is deemed minimal. The maximum credit risk relating to receivables corresponds to the carrying amount.

Interest rate risks

The Company is only exposed to interest rate risks in connection with deficit liquidity, as the Company only have loans from shareholders, the risk is deemed minimal.

Foreign currency risk

The Company is subject to currency risks on payables and receivables in foreign currency, and purchases of services in foreign currency. The Company's foreign trade is minimal.

Liquidity risk

The company liquidity risks covers the risk that the Company is not able to meet its liabilities as they fall due. The Company is not subject to material liquidity risks.

The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 1 January 2017					
Trade payables	319.128	0	0	0	319.128
Loan from shareholders	0	1.670.560	0	0	1.670.560
Other payables	64.840	0	0	0	64.840
Total	383.968	1.670.560	0	0	2.054.528

All financial liabilities as at 1 January 2017 are measured at amortised cost.

As at 31 December 2017

Trade payables	767.463	0	0	0	767.463
Loan from shareholders	2.706.196	0	0	0	2.706.196
Other payables	153.597	0	0	0	153.597
Total	3.627.256	0	0	0	3.627.256

All financial liabilities as at 31 December 2017 are measured at amortised cost.

	Within 1 year	1-2 year(s)	2-5 years	Over 5 years	Total
As at 31 December 2018					
Trade payables	463.414	0	0	0	463.414
Loan from shareholders	5.910.369	0	0	0	5.910.369
Other payables	202.958	0	0	0	202.958
Total	6.576.741	0	0	0	6.576.741

All financial liabilities as at 31 December 2018 are measured at amortised cost.

Notes to the financial statements

18. Events occurring after the balance sheet date

There were no post balance sheet events that required adjustment to the financial statements.

As of January 2019, a capital increase of 681.818 ordinary shares of DKK 0,10 each were conducted. Hereafter the share capital consists of 6.022.682 ordinary shares of DKK 0,10 each with a total share premium reserve of DKK 20.861.391.

19. The Company's transition to IFRS

The consolidated financial statements for 2018 are the first consolidated financial statements to be prepared in accordance with IFRS as approved by the EU. The IFRS opening balance sheet as at 1 January 2017 and the comparative figures for 2017 have been prepared in accordance with IFRS, including the transitional provisions of IFRS 1 "First-time adoption of IFRS". The accounting policies are based on the accounting standards and interpretations in effect at 31 December 2018. The IFRS opening balance sheet as at 1 January 2017 has been prepared as if IFRS had always been applied, except for the transitional provisions in IFRS.

The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies.

The main changes are in respect to the primary statements. The profit and loss account and the Statement of Recognised Gains and Losses has been replaced with a Statement of Comprehensive Income.

Effect of transition to IFRS to the income statement for the year ended 31 December 2017

Note	DK ÅRL	Effect of transition to IFRS	IFRS
Revenue	0	0	0
Cost of sales	0	0	0
Gross profit	0	0	0
Other external costs	-716.909	0	-716.909
Staff expenses	-543.446	0	-543.446
Profit before depreciation, amortisation and impairment losses (EBITDA)	-1.260.356	0	-1.260.356
Depreciation and amortisation of property, plant and equipment and intangible assets	-626.757	0	-626.757
Operating profit (EBIT)	-1.887.112	0	-633.599
Financial income	0	0	0
Financial expenses	-107.641	0	-107.641
Loss before tax	-1.994.754	0	-1.994.754
Tax on loss for the year	418.505	0	418.505
Net profit for the year	-1.576.249	0	-1.576.249

Notes to the financial statements

19. The Group's transition to IFRS - continued

Effect of transition to IFRS for the balance sheet as at 1 January 2017

Note	DK ÅRL	Effect of transition to IFRS	IFRS
ASSETS			
Non-current assets			
Other intangible assets	3.991.219	0	3.991.219
Total non-current assets	3.991.219	0	3.991.219
Current assets			
Inventory	486.923	0	486.923
Tax receivables	492.503	0	492.503
Other receivables	153.592	0	153.592
Prepaid expenses	157.639	0	157.639
Cash and cash equivalents	2.658.020	0	2.658.020
Total current assets	3.948.677	0	3.948.677
Total assets	7.939.896	0	7.939.896
EQUITY AND LIABILITIES			
Share capital	133.522	0	133.522
Share premium account	6.940.137	0	6.940.137
Reserve for capitalised development costs	1.334.512	0	1.334.512
Retained earnings	-3.177.979	0	-3.177.979
Total equity	5.230.192	0	5.230.192
Loan from shareholders	1.670.560	0	1.670.560
Provision for deferred tax	655.176	0	655.176
Total provisions	655.176	0	655.176
Total long-term liabilities	2.325.736	0	2.325.736
Trade payables	319.128	0	319.128
Other payables	64.840	0	64.840
Total current liabilities	383.968	0	383.968
Total equity and liabilities	7.939.896	0	7.939.896

Notes to the financial statements

19. The Group's transition to IFRS - continued

Effect of transition to IFRS for the balance sheet as at 31 December 2017

	DK ÅRL	Effect of transition	IFRS
ASSETS			
Non-current assets			
Other intangible assets	5.801.679	0	5.801.679
Total non-current assets	5.801.679	0	5.801.679
Current assets			
Inventory	584.199	0	584.199
Trade receivables	0	0	0
Tax receivables	869.539	0	869.539
Other receivables	431.086	0	431.086
Prepaid expenses	45.673	0	45.673
Cash	162.730	0	162.730
Total current assets	2.093.228	0	2.093.228
Total assets	7.894.906	0	7.894.906
EQUITY AND LIABILITIES			
Share capital	133.522	0	133.522
Share premium account	6.940.137	0	6.940.137
Reserve for capitalised development costs	3.019.276	0	3.019.276
Retained earnings	-6.438.992	0	-6.438.992
Total equity	3.653.943	0	3.653.943
Provision for deferred tax	613.707	0	613.707
Total provisions	613.707	0	613.707
Trade payables	767.462	0	767.462
Other payables	2.859.794	0	2.859.794
Total current liabilities	3.627.256	0	3.627.256
Total equity and liabilities	7.894.906	0	7.894.906

20. New accounting regulations

The IASB has issued a number of new standards and amendments to standards, which are effective for accounting periods beginning on 1 January 2019 or later. Therefore, they are not incorporated in the consolidated financial statements. Standards and interpretations issued before 31 December 2018, of relevance for the Company, and expected to change current accounting regulation are described below.

IFRS 16 Leases. The IASB has issued IFRS 16 "Leasing", with an effective date of 1 January 2019.

The EU has endorsed IFRS 16. The Company plans to adopt the new standard on the required effective date. The standard requires that all leases be recognized in the balance sheet with a corresponding lease liability, except for short term assets and minor assets. Leased assets are amortized over the lease term, and payments are allocated between instalments on the lease liabilities and interest expense, classified as financial items. The Company is currently evaluating the impact on the consolidated financial statements and the most significant impact will be the recognition of new assets and liabilities for its operating lease of office facilities. In addition, the nature of the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. Upon implementation on 1 January 2019, assuming that no new material leases are entered into and no amendments to existing leases are made, the Company is expected not to recognize significant lease assets or liabilities. However, IFRS 16 requires the Company to make more extensive disclosures than under IAS 17.