



## European Freeze Dry ApS

Karlebyvej 81  
4070 Kirke Hyllinge  
CVR No. 25312279

## Annual report 2021

The Annual General Meeting adopted the  
annual report on 12.07.2022

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**Jørgen Jensen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2021	9
Balance sheet at 31.12.2021	10
Statement of changes in equity for 2021	12
Notes	13
Accounting policies	18

# Entity details

## Entity

European Freeze Dry ApS

Karlebyvej 81

4070 Kirke Hyllinge

Business Registration No.: 25312279

Registered office: Lejre

Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Benny Dalgaard Loft

Thomas Marstrand

Jørgen Jensen

## Executive Board

Poul Ruben Andersen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of European Freeze Dry ApS for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kirke Hyllinge, 12.07.2022

## **Executive Board**

**Poul Ruben Andersen**

## **Board of Directors**

**Benny Dalgaard Loft**

**Thomas Marstrand**

**Jørgen Jensen**

# Independent auditor's report

## To the shareholder of European Freeze Dry ApS

### Opinion

We have audited the financial statements of European Freeze Dry ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 12.07.2022

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

#### **Stine Eva Grothen**

State Authorised Public Accountant  
Identification No (MNE) mne29431

# Management commentary

## Financial highlights

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	16,631	12,734	29,019	36,223	37,486
Operating profit/loss	(6,450)	(9,610)	3,279	9,601	9,282
Net financials	4.696	5.201	3.408	2.155	6.115
Profit/loss for the year	16	(1,888)	6,059	9,950	13,013
Total assets	110,384	102,205	124,696	146,282	86,040
Investments in property, plant and equipment	1,817	541	9,017	4,891	4,047
Equity	30,297	28,437	46,758	59,433	59,714
<b>Ratios</b>					
Return on equity (%)	0.05	(5.02)	11.41	16.70	23.13
Equity ratio (%)	27.45	27.82	37.50	40.63	69.40

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets



### Primary activities

The group deals primarily with the manufacturing and sale of freeze-dried food ingredients and contract manufacturing of food products. Furthermore, the group manufactures and sells its own freeze-dried meals and also private label meals and freeze-dried food ingredients to the retail market.

The group mainly operates on the European market, serving customers from two plants in Denmark and one plant in the UK.

### Development in activities and finances

Profit for the year amounts to DKK 16 thousand against a loss last year of DKK 1,888 thousand.

Equity amounts to DKK 30,297 thousand on 31.12.2021.

### Profit/loss for the year in relation to expected developments

The group's earnings for 2021 were better than 2020 though still lower than expected. Improvement due to higher turnover and margins with a stable cost base.

In the beginning of 2021 COVID-19 and Brexit created uncertainty. New customer developments were slowed down due to precautions and delays with COVID-19. Brexit created more complexity regarding veterinarian documentation, EU - UK logistics and created a need for inventory in Denmark. Denmark hasn't previously held inventory.

### Outlook

For 2022 the earnings are expected to be higher than 2021 and the profit for the year is expected to be approximately DKK 1,000 thousand.

### Use of financial instruments

The group evaluates on an ongoing basis the need to use financial instruments to hedge net positions and future transactions.

### Environmental performance

The group is environmentally conscious and works from a sustainability point of view, both with suppliers, customers and in own operations.

### Research and development activities

A continuous focus on the development of own new branded products and private label products for customers, as well as for commission drying customers is vital to the group to maintain market leadership.

### Events after the balance sheet date

Russia's invasion of Ukraine has resulted in rising energy and raw material costs and longer lead times on many items. European Freeze Dry has consequently raised its customer pricing to compensate for this.

# Income statement for 2021

	Notes	2021 DKK	2020 DKK
<b>Gross profit/loss</b>	3	<b>16,630,717</b>	<b>12,733,914</b>
Staff costs	4	(18,309,049)	(17,049,840)
Depreciation, amortisation and impairment losses	5	(4,772,135)	(5,294,482)
<b>Operating profit/loss</b>		<b>(6,450,467)</b>	<b>(9,610,408)</b>
Income from investments in group enterprises		6,497,535	7,350,732
Other financial income	6	503,984	698,488
Other financial expenses	7	(2,362,887)	(2,848,054)
<b>Profit/loss before tax</b>		<b>(1,811,835)</b>	<b>(4,409,242)</b>
Tax on profit/loss for the year	8	1,828,000	2,520,782
<b>Profit/loss for the year</b>	9	<b>16,165</b>	<b>(1,888,460)</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK	2020 DKK
Acquired intangible assets		89,413	148,246
<b>Intangible assets</b>	10	<b>89,413</b>	<b>148,246</b>
Land and buildings		19,101,029	19,314,371
Plant and machinery		22,677,831	24,921,280
Other fixtures and fittings, tools and equipment		1,265,165	1,704,574
<b>Property, plant and equipment</b>	11	<b>43,044,025</b>	<b>45,940,225</b>
Investments in group enterprises		26,099,702	24,257,993
<b>Financial assets</b>	12	<b>26,099,702</b>	<b>24,257,993</b>
<b>Fixed assets</b>		<b>69,233,140</b>	<b>70,346,464</b>
Raw materials and consumables		337,993	87,899
Manufactured goods and goods for resale		6,997,000	12,361
<b>Inventories</b>		<b>7,334,993</b>	<b>100,260</b>
Trade receivables		4,827,551	4,579,874
Receivables from group enterprises		22,263,553	24,072,391
Deferred tax	13	3,238,969	1,492,949
Other receivables		1,909,901	410,624
Joint taxation contribution receivable		82,000	53,051
Prepayments	14	377,615	1,149,481
<b>Receivables</b>		<b>32,699,589</b>	<b>31,758,370</b>
<b>Cash</b>		<b>1,116,550</b>	<b>0</b>
<b>Current assets</b>		<b>41,151,132</b>	<b>31,858,630</b>
<b>Assets</b>		<b>110,384,272</b>	<b>102,205,094</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK</b>	<b>2020 DKK</b>
Contributed capital	15	750,000	750,000
Reserve for net revaluation according to the equity method		7,139,702	5,297,993
Retained earnings		22,407,591	22,389,161
<b>Equity</b>		<b>30,297,293</b>	<b>28,437,154</b>
Bank loans		0	54,000,000
Other payables		1,415,265	1,433,845
<b>Non-current liabilities other than provisions</b>	<b>16</b>	<b>1,415,265</b>	<b>55,433,845</b>
Current portion of non-current liabilities other than provisions	16	0	12,075,934
Bank loans		68,041,456	27,987
Prepayments received from customers		352,878	0
Trade payables		6,317,162	2,839,018
Payables to group enterprises		885,082	0
Other payables		3,075,136	3,391,156
<b>Current liabilities other than provisions</b>		<b>78,671,714</b>	<b>18,334,095</b>
<b>Liabilities other than provisions</b>		<b>80,086,979</b>	<b>73,767,940</b>
<b>Equity and liabilities</b>		<b>110,384,272</b>	<b>102,205,094</b>
Going concern	1		
Events after the balance sheet date	2		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Group relations	21		

# Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	750,000	5,297,993	22,389,161	28,437,154
Exchange rate adjustments	0	1,843,974	0	1,843,974
Profit/loss for the year	0	(2,265)	18,430	16,165
<b>Equity end of year</b>	<b>750,000</b>	<b>7,139,702</b>	<b>22,407,591</b>	<b>30,297,293</b>

# Notes

## 1 Going concern

The Company and its bankers have agreed on a total credit limit on existing bank loans. The Company has used the current bankers for several years. The framework agreement is applicable for the time being and will be renegotiated once a year, next time as of 31 December 2022, for which reason the bank loans have been recognised as short-term debt.

The Company is dependent on a continuous credit limit. Management expects the credit limit to be renewed by a minimum of one year as previously.

## 2 Events after the balance sheet date

Russia's invasion of Ukraine has resulted in rising energy and raw material costs and longer lead times on many items. European Freeze Dry has consequently raised its customer pricing to compensate for this.

## 3 Gross profit/loss

The company's gross profit for 2020 is extraordinarily affected by the recognition of other operating income from compensation schemes as a result of COVID-19. The company has in 2020 included compensation for fixed costs for DKK 649 thousand. There hasn't been recognised income from compensation schemes in 2021.

## 4 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	15,546,320	13,984,753
Pension costs	1,733,959	1,701,018
Other social security costs	511,382	871,455
Other staff costs	517,388	492,614
	<b>18,309,049</b>	<b>17,049,840</b>

Average number of full-time employees	<b>29</b>	<b>26</b>
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	<b>Remuneration of Management 2020 DKK</b>
Total amount for management categories	1,865,000
	<b>1,865,000</b>

The Board of Directors is not receiving any remuneration for 2021 and the Company has therefore left out remuneration of management in accordance with the Danish Financial Statements Act § 98B, 3.

**5 Depreciation, amortisation and impairment losses**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	58,833	296,791
Depreciation of property, plant and equipment	4,713,302	4,997,691
	<b>4,772,135</b>	<b>5,294,482</b>

**6 Other financial income**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	451,935	679,919
Other interest income	17,394	18,569
Exchange rate adjustments	34,655	0
	<b>503,984</b>	<b>698,488</b>

**7 Other financial expenses**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	0	18,126
Other interest expenses	2,305,172	2,200,058
Exchange rate adjustments	26,508	618,094
Other financial expenses	31,207	11,776
	<b>2,362,887</b>	<b>2,848,054</b>

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

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Change in deferred tax	(1,746,000)	(2,475,949)
Adjustment concerning previous years	0	8,218
Refund in joint taxation arrangement	(82,000)	(53,051)
	<b>(1,828,000)</b>	<b>(2,520,782)</b>

**9 Proposed distribution of profit and loss**

	<b>2021</b>	<b>2020</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	16,165	(1,888,460)
	<b>16,165</b>	<b>(1,888,460)</b>

## 10 Intangible assets

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	1,010,110
<b>Cost end of year</b>	<b>1,010,110</b>
Amortisation and impairment losses beginning of year	(861,864)
Amortisation for the year	(58,833)
<b>Amortisation and impairment losses end of year</b>	<b>(920,697)</b>
<b>Carrying amount end of year</b>	<b>89,413</b>

## 11 Property, plant and equipment

	<b>Land and buildings DKK</b>	<b>Plant and machinery DKK</b>	<b>Other fixtures and fittings, tools and equipment DKK</b>
Cost beginning of year	47,884,794	51,074,937	3,180,624
Additions	906,448	910,654	0
<b>Cost end of year</b>	<b>48,791,242</b>	<b>51,985,591</b>	<b>3,180,624</b>
Depreciation and impairment losses beginning of year	(28,570,423)	(26,153,657)	(1,476,050)
Depreciation for the year	(1,119,790)	(3,154,103)	(439,409)
<b>Depreciation and impairment losses end of year</b>	<b>(29,690,213)</b>	<b>(29,307,760)</b>	<b>(1,915,459)</b>
<b>Carrying amount end of year</b>	<b>19,101,029</b>	<b>22,677,831</b>	<b>1,265,165</b>

## 12 Financial assets

	<b>Investments in group enterprises DKK</b>
Cost beginning of year	18,960,000
<b>Cost end of year</b>	<b>18,960,000</b>
Revaluations beginning of year	5,297,993
Exchange rate adjustments	1,843,974
Share of profit/loss for the year	6,497,535
Dividend	(6,499,800)
<b>Revaluations end of year</b>	<b>7,139,702</b>
<b>Carrying amount end of year</b>	<b>26,099,702</b>



<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>
European Freeze Dry Limited	United Kingdom	Ltd.	100

### 13 Deferred tax

<b>Changes during the year</b>	<b>2021 DKK</b>
Beginning of year	1,492,969
Recognised in the income statement	1,746,000
<b>End of year</b>	<b>3,238,969</b>

#### Deferred tax assets

As part of the Company's deferred tax asset, the value of tax loss carryforwards is included by DKK 2,068 thousand. Management has decided to recognise the value of the tax loss based on the expectations of future results. Management expects that the tax asset relating to the tax loss carryforwards will be utilised within three to five years

### 14 Prepayments

Prepayments mainly consist of prepaid insurance.

### 15 Share capital

	<b>Number</b>	<b>Par value DKK</b>	<b>Nominal value DKK</b>
Shares	750	1,000	750,000
	<b>750</b>		<b>750,000</b>

### 16 Non-current liabilities other than provisions

	<b>Due within 12 months 2020 DKK</b>	<b>Due after more than 12 months 2021 DKK</b>
Mortgage debt	693,416	0
Bank loans	11,382,518	0
Other payables	0	1,415,265
	<b>12,075,934</b>	<b>1,415,265</b>

### 17 Unrecognised rental and lease commitments

	<b>2021 DKK</b>	<b>2020 DKK</b>
Liabilities under rental or lease agreements until maturity in total	<b>38,076</b>	<b>62,124</b>

### **18 Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement in which EFD Investment A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

### **19 Assets charged and collateral**

Mortgage debt is secured by way of mortgage on properties. Also, mortgage deeds registered to the mortgagor on the Company's properties have been entered in the Land Register by DKK 36,515 thousand. The mortgage deeds registered to the mortgagor are kept by the Company. The mortgages also comprise the plant and machinery deemed part of the property.

The carrying amount of mortgaged properties is DKK 19,101 thousand.

Bank loans are secured by way of receivables from EFD Investment A/S. The carrying amount of receivables is DKK 22,210 thousand.

### **20 Related parties with controlling interest**

Related parties with controlling interest include Erhvervsinvest III K/S, Charlottenlund and EFD Investment A/S, Charlottenlund.

### **21 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

EFD Investment A/S, Charlottenlund

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

## Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and other external expenses.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Cost of sales**

Cost of sales comprises expenses incurred to earn revenue in the financial year. Cost of sales comprises direct and indirect costs for raw materials and consumables included in the production process.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of property, plant and equipment and intangible assets.

**Income from investments in group enterprises**

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

**Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

## Balance sheet

### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10 - 33 years
Plant and machinery	3 - 14 years
Other fixtures and fittings, tools and equipment	3 - 10 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**Joint taxation contributions receivable or payable**

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Operating leases**

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

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.