



European Sperm Bank ApS

Struenseegade 9, 2.
2200 Copenhagen N
CVR No. 27506372

Annual report 2023

The Annual General Meeting adopted the annual report on 24.04.2024

Jesper Ahlmann Funding Andersen
Chairman of the General Meeting

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Entity details

Entity

European Sperm Bank ApS

Struenseegade 9, 2.

2200 Copenhagen N

Business Registration No.: 27506372

Registered office: Copenhagen

Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Jesper Ahlmann Funding Andersen

Executive Board

Annemette Arndal-Lauritzen

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 Sperm Bank ApS for the financial year 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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.

Copenhagen, 24.04.2024

Executive Board

Annemette Arndal-Lauritzen

Board of Directors

Jesper Ahlmann Funding Andersen

Independent auditor's report

To the shareholder of European Sperm Bank ApS

Opinion

We have audited the financial statements of European Sperm Bank ApS for the financial year 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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, 24.04.2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen

State Authorised Public Accountant
Identification No (MNE) mne30131

Hans Tauby

State Authorised Public Accountant
Identification No (MNE) mne44339

Management commentary

Financial highlights

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	149,984	106,303	124,477	91,978	76,128
Operating profit/loss	78,747	49,235	70,417	57,113	39,194
Net financials	(350)	(3,772)	(2,421)	(1,121)	838
Profit/loss for the year	60,218	35,385	52,796	43,882	31,109
Total assets	182,968	153,923	131,496	106,715	95,447
Investments in property, plant and equipment	1,581	2,165	911	754	2,925
Equity	81,428	91,229	84,365	60,463	72,892
Ratios					
Return on equity (%)	69.73	40.30	72.91	65.81	32.17
Equity ratio (%)	44.50	59.27	64.16	56.66	76.37

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

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

European Sperm Bank ApS` s primary activities are within the fertility industry and related production.

Development in activities and finances

Operating profit increased to 79 mDKK in 2023 and also ended above the extraordinary 2021 performance following the COVID crisis.

Management considers the result for the financial year of 2023 be satisfactory.

Profit/loss for the year in relation to expected developments

Despite the growth in financial performance, the result for the financial year of 2023 was lower than expected.

Management continues to execute on the strategic plan with initiatives supporting a continued growth of the company.

Uncertainty relating to recognition and measurement

Measurement of certain assets and liabilities is based on accounting estimates made by Management. These estimates are made in accordance with the accounting policies and based on Management`s assumptions and experience. The estimates made are considered realistic and prudent.

The areas subject to assumptions and estimates that are considered material to the financial statements are intangible assets, investments in group enterprises, inventories and other provisions. Specifically inventories are subject to assumptions and estimates as saleable straws depends on many factors such as fertility rate, pregnancy limits and donor characteristics. Inventories are measured at cost including direct and indirect production costs. Indirect production costs are assessed on an ongoing basis to ensure relevant and reliable measurement.

Changes in assumptions, estimates and assessment of indirect production costs may have an impact on the gross margin and the overall valuation of inventory.

Apart from this, there are no particular uncertainties relating to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

Outlook

For 2024 Management expects operating profit between 87-97 mDKK and net result between 66-74 mDKK.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		149,983,806	106,302,840
Staff costs	3	(62,153,562)	(52,079,895)
Depreciation, amortisation and impairment losses	4	(9,083,244)	(4,987,508)
Operating profit/loss		78,747,000	49,235,437
Other financial income	5	1,004,539	169,276
Impairment losses on financial assets		545,000	(1,744,500)
Other financial expenses	6	(1,899,220)	(2,197,127)
Profit/loss before tax		78,397,319	45,463,086
Tax on profit/loss for the year	7	(18,179,697)	(10,077,757)
Profit/loss for the year	8	60,217,622	35,385,329

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	10	22,355,003	17,469,853
Acquired rights		3,553,002	4,444,997
Goodwill		0	0
Development projects in progress	10	13,907,141	8,918,060
Intangible assets	9	39,815,146	30,832,910
Other fixtures and fittings, tools and equipment		2,304,779	2,652,847
Leasehold improvements		2,750,664	2,748,050
Property, plant and equipment	11	5,055,443	5,400,897
Investments in group enterprises		7,638,916	7,093,916
Deposits		1,734,009	0
Other receivables		0	1,016,532
Financial assets	12	9,372,925	8,110,448
Fixed assets		54,243,514	44,344,255
Manufactured goods and goods for resale		109,031,182	75,273,276
Inventories		109,031,182	75,273,276
Trade receivables		6,430,514	10,511,099
Receivables from group enterprises		1,455,893	5,818,265
Other receivables		3,906,364	1,003,393
Prepayments	13	1,684,626	1,139,298
Receivables		13,477,397	18,472,055
Cash		6,216,119	15,833,693
Current assets		128,724,698	109,579,024
Assets		182,968,212	153,923,279

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		270,000	270,000
Reserve for development expenditure		28,284,472	20,582,572
Retained earnings		891,743	376,021
Proposed dividend		52,000,000	70,000,000
Equity		81,446,215	91,228,593
Deferred tax	14	12,175,529	5,923,652
Other provisions	15	16,328,707	18,509,038
Provisions		28,504,236	24,432,690
Other payables	16	2,798,164	2,703,541
Non-current liabilities other than provisions	17	2,798,164	2,703,541
Prepayments received from customers		1,372,770	745,857
Trade payables		9,893,440	7,990,315
Payables to group enterprises		39,878,104	6,641,275
Tax payable		0	11,471,912
Joint taxation contribution payable		11,927,820	1,118,194
Other payables		7,147,463	7,590,902
Current liabilities other than provisions		70,219,597	35,558,455
Liabilities other than provisions		73,017,761	38,261,996
Equity and liabilities		182,968,212	153,923,279
Events after the balance sheet date	1		
Uncertainty relating to recognition and measurement	2		
Unrecognised rental and lease commitments	18		
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Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	270,000	20,582,572	376,021	70,000,000	91,228,593
Ordinary dividend paid	0	0	0	(70,000,000)	(70,000,000)
Transfer to reserves	0	7,701,900	(7,701,900)	0	0
Profit/loss for the year	0	0	8,217,622	52,000,000	60,217,622
Equity end of year	270,000	28,284,472	891,743	52,000,000	81,446,215

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Uncertainty relating to recognition and measurement

Measurement of certain assets and liabilities is based on accounting estimates made by Management. These estimates are made in accordance with the accounting policies and based on Management's assumptions and experience. The estimates made are considered realistic and prudent.

The areas subject to assumptions and estimates that are considered material to the financial statements are intangible assets, investments in group enterprises, inventories and other provisions. Specifically inventories are subject to assumptions and estimates as saleable straws depends on many factors such as fertility rate, pregnancy limits and donor characteristics. Inventories are measured at cost including direct and indirect production costs. Indirect production costs are assessed on an ongoing basis to ensure relevant and reliable measurement.

Changes in assumptions, estimates and assessment of indirect production costs may have an impact on the gross margin and the overall valuation of inventory.

Apart from this, there are no particular uncertainties relating to recognition and measurement.

3 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	53,380,065	45,539,275
Pension costs	3,621,706	3,064,095
Other social security costs	330,962	452,401
Other staff costs	4,820,829	3,024,124
	62,153,562	52,079,895
Average number of full-time employees	97	84

Persuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board is not separately disclosed.

The Board of directors are remunerated in other Group companies, thus no remuneration is incurred in the Company.

4 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Amortisation of intangible assets	7,157,075	4,198,249
Depreciation of property, plant and equipment	1,926,169	789,259
	9,083,244	4,987,508

In the comparative figures depreciation and amortisation in the income statement is DKK 2,495k lower than the depreciation and amortisation presented in notes 8 and 10, which is due to the fact that part of the depreciation and amortisation is capitalized as inventories as indirect production costs. In 2023 depreciation of 2,342 has been capitalized as inventories under own work capitalised in the income statement.

5 Other financial income

	2023	2022
	DKK	DKK
Financial income from group enterprises	510,729	129,813
Other interest income	418,602	0
Other financial income	75,208	39,463
	1,004,539	169,276

6 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	1,462,298	0
Other interest expenses	182,468	165,562
Exchange rate adjustments	244,708	644,745
Other financial expenses	9,746	1,386,820
	1,899,220	2,197,127

7 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	11,927,820	12,590,107
Change in deferred tax	6,251,877	(2,517,348)
Adjustment concerning previous years	0	4,998
	18,179,697	10,077,757

8 Proposed distribution of profit and loss

	2023	2022
	DKK	DKK
Ordinary dividend for the financial year	52,000,000	70,000,000
Retained earnings	8,217,622	(34,614,671)
	60,217,622	35,385,329

9 Intangible assets

	Completed development projects DKK	Acquired rights DKK	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	27,258,940	6,184,000	425,000	8,918,060
Transfers	7,353,713	0	0	(7,353,713)
Additions	3,796,517	0	0	12,342,794
Cost end of year	38,409,170	6,184,000	425,000	13,907,141
Amortisation and impairment losses beginning of year	(9,789,087)	(1,739,003)	(425,000)	0
Amortisation for the year	(6,265,080)	(891,995)	0	0
Amortisation and impairment losses end of year	(16,054,167)	(2,630,998)	(425,000)	0
Carrying amount end of year	22,355,003	3,553,002	0	13,907,141

10 Development projects

Developments projects in progress relates to the development of new website and integrated ERP-system, including inventory management. The accounting system was implemented in January 2023, while the website was completed during the start of 2024. It is the expectation that the new ERP system with integrated inventory and accounting modules will generate an optimization of the sales and shipping process.

Completed development project are primarily related to the implementation of new CRM systems and parts of the CRM systems that is already completed. The systems are showing the full expected benefits after the implementation, and therefore no indication of impairment has been identified.

11 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	7,618,805	9,419,507
Additions	603,125	977,590
Cost end of year	8,221,930	10,397,097
Depreciation and impairment losses beginning of year	(4,965,958)	(6,671,457)
Depreciation for the year	(951,193)	(974,976)
Depreciation and impairment losses end of year	(5,917,151)	(7,646,433)
Carrying amount end of year	2,304,779	2,750,664

12 Financial assets

	Investments in group enterprises DKK	Deposits DKK	Other receivables DKK
Cost beginning of year	8,838,416	0	1,016,532
Transfers	0	1,016,532	(1,016,532)
Additions	0	717,477	0
Cost end of year	8,838,416	1,734,009	0
Impairment losses beginning of year	(1,744,500)	0	0
Reversal of impairment losses	545,000	0	0
Impairment losses end of year	(1,199,500)	0	0
Carrying amount end of year	7,638,916	1,734,009	0

Investments in subsidiaries	Registered in	Equity interest %
European Sperm Bank Ltd.	UK	100.00
European Sperm Bank GmbH	Germany	100.00

13 Prepayments

Prepayments consists of prepaid expenses and insurance premiums.

14 Deferred tax

	2023 DKK	2022 DKK
Changes during the year		
Beginning of year	5,923,652	8,441,000
Recognised in the income statement	6,251,877	(2,517,348)
End of year	12,175,529	5,923,652

15 Other provisions

Other provisions consist of provisions to repurchase straws in storage. It is expected, that straws amounting to DKK 2,119,665 is to be repurchased in 2024.

16 Other payables

	2023 DKK	2022 DKK
Holiday pay obligation	2,798,164	2,703,541
	2,798,164	2,703,541

Other payables relates to holiday pay obligations which is expected to fall due after 5 years.

17 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK	Outstanding after 5 years 2023 DKK
Other payables	2,798,164	2,798,164
	2,798,164	2,798,164

18 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Liabilities under rental or lease agreements until maturity in total	12,150,903	3,184,902

19 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where PW Estournel Holding III ApS 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.

20 Assets charged and collateral

The company subject to negative pledges (in Danish: pantsætningsforbud).

The shares in the subsidiaries are pledged in favour of the lenders under the Group's Senior Facilities Agreement.

Entities within the group acts as a guaranties for liabilities in relation to the group's facility loan agreements.

21 Related parties with controlling interest

Related parties with controlling interest on European Sperm Bank:

ESB Group ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Holding I ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Holding II ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Holding III ApS, Struenseegade 9, 2., 2200 Copenhagen (immediate parent company)

PW Estournel Limited, P O Box 472 St Julian's Court, St Julian's Avenue, St Peter Port, Guernsey GY1 6AX, United Kingdom (ultimate parent company)

22 Group relations

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

PW Estournel Holding III ApS, Struenseegade 9, 2., 2200 Copenhagen

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

PW Estournel ApS, Struenseegade 9, 2., 2200 Copenhagen

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).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(2) 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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, cost of raw materials and consumables and 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 measured at fair value excl. VAT and less granted goods and customer discounts.

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for inventory, proprietary intangible assets and property, plant and equipment.

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 goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

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, and 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, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

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

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, 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

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

Intellectual property rights acquired relates to the rights to distribute and sell straws from subsidiaries and are measured at cost less accumulated amortisation. Acquired rights are amortised on a straight-line, which is fixed based on the experience gained by management. The amortisation period used are 7 years.

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

Property, plant and equipment

Lease improvements and other fixtures and fittings, tools and equipment are measured at cost less accumulated

depreciation and impairment losses.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-10 years

For leasehold improvements the depreciation period cannot exceed the contract period. 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 measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Inventories

Inventories are measured at cost according to the weighted average price method. In the event of cost exceeding net realisable value, write-down is made to this lower value.

Cost of goods for resale consists of raw materials, direct salaries with the addition of production overhead costs. Production overhead costs consist of indirect materials and salaries and maintenance of and depreciation on the machines used in the production process and equipment and costs to administration and leadership of the production.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Other provisions

Other provisions comprise anticipated costs to contractual repurchase of sold straws in Denmark. Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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.

Tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of 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.

Cash flow statement

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