



European Sperm Bank ApS

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

Annual report 2020

The Annual General Meeting adopted the
annual report on 16.04.2021

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

CVR No.: 27506372

Registered office: Copenhagen

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Jesper Ahlmann Funding Andersen, Chairman

Lars Thomas Blomqvist, Vice Chairman

Peter Velling Bower

Asbjørn Mosgaard Hyldgaard

Barbro Elisabet Fridén

Executive Board

Annemette Arndal-Lauritzen, CEO

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 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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, 16.04.2021

Executive Board

Annemette Arndal-Lauritzen
CEO

Board of Directors

Jesper Ahlmann Funding Andersen
Chairman

Lars Thomas Blomqvist
Vice Chairman

Peter Velling Bower

Asbjørn Mosgaard Hyldgaard

Barbro Elisabet Fridén

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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 of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 16.04.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen

State Authorised Public Accountant
Identification No (MNE) mne30131

Henrik Wolff Mikkelsen

State Authorised Public Accountant
Identification No (MNE) mne33747

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Gross profit/loss	92,928	76,128	67,751	64,739	61,387
Operating profit/loss	58,058	39,194	47,767	41,768	40,476
Net financials	(1,121)	838	(1,817)	544	(230)
Profit/loss for the year	44,620	31,109	37,631	32,976	31,371
Total assets	106,715	95,447	129,877	83,557	51,161
Investments in property, plant and equipment	754	2,925	2,055	2,436	1,089
Equity	64,212	72,892	120,535	75,538	42,569
Ratios					
Return on equity (%)	65.09	32.17	38.38	55.84	118.21
Equity ratio (%)	60.17	76.37	92.81	90.40	83.21

From 2019 the company presents its annual report in accordance with the Danish Financial Statements Act applying to medium-sized reporting class C entities. Comparative figures for the years 2016 to 2017 have not been restated.

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

Return on equity (%):

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

Average equity

Equity ratio (%):

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

Total assets

Primary activities

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

Development in activities and finances

The company` s financial performance in the financial year showed a satisfactory result. Gross margin increased by 22% to 92.9m DKK which is partly attributable to a strong increase in several export markets. Operating profit increased by 48,3% to 58.1m DKK.

Uncertainty relating to recognition and measurement

No significant uncertainties are attached to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No significant unusual circumstances affecting recognition and measurement have occurred.

Outlook

Management has developed a strategic plan with initiatives supporting a continued strong growth of the company. The Covid19-pandemic is not expected to have a negative impact on the company. In general the fertility industry is considered having little sensitivity to economic trends.

No events have occurred after the balance sheet date which impact the financial statement.

Particular risks

The company is not exposed to any specific business risks besides the commonly occurring risks in the industry.

Exchange rat adjustments of trade receivables, trade payables and cash in foreign currency is recognized as financial items. Currency risks related thereto, are not hedged.

the currency risk are substantially exposed to the Euro. The risk is considered limited.

Corporate Governance

bein owned by the Danish private equity Axcel, the company is subject to the guidelines of the Danish Venture and Private Equity Association (DVCA www.dvca.dk) for responsible ownership and corporate governance. European Sperm Bank intends to fully comply with all relevant guidelines.

Environmental performance

The production of sperm straws requires very little electricity and water but consumes plastics. Unfortunately, these plastics currently do not exist in a recycled or biodegradable form, but as part of the CSR strategy we will be looking into how we can minimize the need for plastics.

Income statement for 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss		92,927,861	76,128,290
Staff costs	1	(31,820,496)	(28,236,170)
Depreciation, amortisation and impairment losses		(3,049,270)	(2,682,930)
Other operating expenses	2	0	(6,015,079)
Operating profit/loss		58,058,095	39,194,111
Other financial income	3	303,839	1,780,055
Other financial expenses	4	(1,424,481)	(942,390)
Profit/loss before tax		56,937,453	40,031,776
Tax on profit/loss for the year		(12,317,662)	(8,923,223)
Profit/loss for the year	5	44,619,791	31,108,553

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Completed development projects	7	4,480,861	5,589,268
Goodwill		110,000	165,000
Development projects in progress	7	6,134,527	0
Intangible assets	6	10,725,388	5,754,268
Other fixtures and fittings, tools and equipment		2,396,423	2,247,182
Leasehold improvements		3,213,267	4,346,733
Property, plant and equipment	8	5,609,690	6,593,915
Investments in group enterprises		8,763,049	8,763,049
Other receivables		871,916	865,558
Financial assets	9	9,634,965	9,628,607
Fixed assets		25,970,043	21,976,790
Manufactured goods and goods for resale		57,026,656	41,769,237
Inventories		57,026,656	41,769,237
Trade receivables		7,410,398	8,939,278
Receivables from group enterprises		10,949,956	20,528,386
Other receivables		456,552	142,495
Prepayments	10	815,275	787,101
Receivables		19,632,181	30,397,260
Cash		4,085,778	1,303,920
Current assets		80,744,615	73,470,417
Assets		106,714,658	95,447,207

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		270,000	270,000
Reserve for development expenditure		8,280,003	4,359,630
Retained earnings		51,041,795	54,962,168
Proposed dividend		4,619,791	13,300,000
Equity		64,211,589	72,891,798
Deferred tax	11	4,845,000	4,866,000
Provisions		4,845,000	4,866,000
Other payables	12	0	907,937
Non-current liabilities other than provisions		0	907,937
Bank loans		0	3,323,092
Trade payables		9,142,980	5,823,416
Tax payable		13,555,717	1,217,050
Other payables		14,959,372	6,417,914
Current liabilities other than provisions		37,658,069	16,781,472
Liabilities other than provisions		37,658,069	17,689,409
Equity and liabilities		106,714,658	95,447,207
Unrecognised rental and lease commitments	13		
Contingent liabilities	14		
Related parties with controlling interest	15		
Group relations	16		

Statement of changes in equity for 2020

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	270,000	4,359,630	54,962,168	13,300,000	72,891,798
Ordinary dividend paid	0	0	0	(13,300,000)	(13,300,000)
Extraordinary dividend paid	0	0	(40,000,000)	0	(40,000,000)
Transfer to reserves	0	3,920,373	(3,920,373)	0	0
Profit/loss for the year	0	0	40,000,000	4,619,791	44,619,791
Equity end of year	270,000	8,280,003	51,041,795	4,619,791	64,211,589

Notes

1 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	36,742,830	35,689,349
Pension costs	1,885,272	1,528,659
Other social security costs	1,287,290	480,353
Other staff costs	2,483,205	2,186,249
	42,398,597	39,884,610
Staff costs classified as assets	(10,578,101)	(11,648,440)
	31,820,496	28,236,170

Average number of full-time employees	60	53
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Persuant to Section 98b(iii) of the Danish Financial Statements Act, remuneration to the members of the Executive Board is not separately disclosed.

2 Other operating expenses

Other operating expenses in 2019 comprise mainly of costs related to preparation of the sales process.

3 Other financial income

	2020	2019
	DKK	DKK
Financial income from group enterprises	303,839	268,511
Other financial income	0	1,511,544
	303,839	1,780,055

4 Other financial expenses

	2020	2019
	DKK	DKK
Other financial expenses	1,424,481	942,390
	1,424,481	942,390

5 Proposed distribution of profit and loss

	2020	2019
	DKK	DKK
Ordinary dividend for the financial year	4,619,791	13,300,000
Extraordinary dividend distributed in the financial year	40,000,000	0
Retained earnings	0	17,808,553
	44,619,791	31,108,553

6 Intangible assets

	Completed development projects DKK	Goodwill DKK	Development projects in progress DKK
Cost beginning of year	11,195,629	425,000	0
Additions	1,952,775	0	6,134,527
Disposals	(5,705,220)	0	0
Cost end of year	7,443,184	425,000	6,134,527
Amortisation and impairment losses beginning of year	(5,606,366)	(260,000)	0
Amortisation for the year	(3,061,177)	(55,000)	0
Reversal regarding disposals	5,705,220	0	0
Amortisation and impairment losses end of year	(2,962,323)	(315,000)	0
Carrying amount end of year	4,480,861	110,000	6,134,527

7 Development projects

Development projects comprises the development of a new website and ERP-system.

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	5,768,282	8,049,216
Additions	754,330	0
Cost end of year	6,522,612	8,049,216
Depreciation and impairment losses beginning of year	(3,539,100)	(3,702,483)
Depreciation for the year	(587,089)	(1,133,466)
Depreciation and impairment losses end of year	(4,126,189)	(4,835,949)
Carrying amount end of year	2,396,423	3,213,267

9 Financial assets

	Investments in group enterprises DKK	Other receivables DKK
Cost beginning of year	8,763,049	865,558
Additions	0	6,358
Cost end of year	8,763,049	871,916
Carrying amount end of year	8,763,049	871,916

Investments in subsidiaries	Registered in	Equity interest %
European Sperm Bank Ltd.	UK	100
European Sperm Bank GmbH	Germany	100

10 Prepayments

Prepayments consists of prepaid expenses and insurance premiums.

11 Deferred tax

Changes during the year	2020 DKK	2019 DKK
Beginning of year	4,866,000	951,921
Recognised in the income statement	(21,000)	3,914,079
End of year	4,845,000	4,866,000

12 Other payables

	2020 DKK	2019 DKK
Holiday pay obligation	0	907,937
	0	907,937

13 Unrecognised rental and lease commitments

	2020 DKK	2019 DKK
Liabilities under rental or lease agreements until maturity in total	3,922,074	5,809,715

14 Contingent liabilities

The entity is obliged to buy back straws, which the customers get stored with the company.

The Entity participates in a Danish joint taxation arrangement where AX V ESB 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.

15 Related parties with controlling interest

ESB Group ApS, Copenhagen owns all shares and , thus holds a controlling influence. ESB Group ApS prepare consolidated financial statement.

16 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
AX V ESB Holding III ApS, Sankt Annæ Plads 10, 1250 Copenhagen K

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.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

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.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, 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.

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 ordinary 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 operating expenses

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

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.

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 3-5 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, acquired intellectual property rights and prepayments for intangible assets.

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. If the useful life cannot be estimated reliably, it is fixed at 10 years. 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 etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery, and 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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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 asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

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

For leasehold improvements and assets subject to finance leases, 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 writedowns 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 consists of indirect materials and salaries and maintenance of and depreciation on the machines used in the production process, buildings 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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other financial liabilities

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

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.

Cash flow statement

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