Notes to the consolidated financial statements

for the year ended 31 December in thousands of euros

1 Reporting entity

Cryo-Save Group N.V. ('the Company' or 'the Group') is a limited liability company domiciled in The Netherlands. The address of its registered office and principal place of business is Piet Heinstraat 11A, 7204 JN Zutphen, The Netherlands. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interest in equity accounted investees and jointly controlled entities. All intragroup balances and transactions are eliminated.

The Group's principal activity is the collection, processing and storage of human adult stem cells collected from the umbilical cord blood, and the umbilical cord itself, at birth.

2 Basis of preparation

a. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) prevailing per 31 December 2013, as adopted by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union by the European Commission as at 31 December 2013. They also comply with the financial reporting requirements included in Section 9 of Book 2 of the Netherlands Civil Code, as far as applicable.

The consolidated financial statements were authorised for issue by the Board of Directors on 17 March 2014. The financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held on 14 May 2014.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, unless stated otherwise in the accounting policies.

c. Functional and presentation currency

These consolidated financial statements are presented in Euro ('€'), which is the Company's functional currency. The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated.

d. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The critical accounting estimates and judgments in preparing the consolidated financial statements are explained in note 4.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

e. Change in accounting estimates and accounting policies

Change in accounting estimates

In 2013 the Group did not change any accounting estimate.

Change in accounting policies

For 2013 several new accounting pronouncements became effective, which had no material impact on our consolidated financial statements.

f. Reclassifications

No reclassifications have been made.

3 Significant accounting policies

The accounting policies detailed below have been applied consistently to all periods presented in these consolidated financial statements, and by all subsidiaries, except as explained in note 2(e), which addresses changes in accounting policies.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events (earn outs or deferred acquisition payments), the Group includes the amount of that adjustment in the consolidated statement of income if the adjustment is probable and can be measured reliably.

3 Significant accounting policies continued

Basis of consolidation continued

Business combinations continued

In business combinations, identifiable assets and liabilities, and contingent liabilities are recognised at their fair values at the acquisition date. Determining the fair value requires significant judgments on future cash flows to be generated. The fair value of brands, customer relationships, contracts with insurers and distributors and order backlog acquired in a business combination is estimated on generally accepted valuation methods. The fair value of property, plant and equipment acquired in a business combination is based on estimated market values.

Initially the fair values are determined provisionally, and will then be subject to change based on the outcome of the purchase price allocation which takes place within 12 months from the acquisition date.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at their acquisition date. The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Equity-accounted investees

Equity accounted investees are all entities over which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in equity accounted investees are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investment in equity accounted investees includes goodwill identified on acquisition net of any accumulated impairment losses. Equity accounted investees are recognised from the date on which the Group has significant influence, and recognition ceases from the date the Group has no significant influence over an equity accounted investee. The Group's share of its equity accounted investees post acquisition profits or loss is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

If the Group's share of losses in an equity accounted investee equals or exceeds its interest in the equity accounted investee, including any other long-term interests, the Group discontinues recognising its share of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the equity accounted investee.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the equity accounted investees. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the income and expenses of the joint ventures for the period that the Group has joint control, whereby the result is determined using the Group´s accounting principles. Loans to joint ventures are carried at amortised cost less impairment losses.

The results from joint ventures consist of the Group´s proportionate share in the results of these companies, interest on loans granted to them and the transaction results on divestments of joint ventures. Unrealised gains and losses arising from transactions with joint ventures are eliminated to the Group´s interest in the investee.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination, and the non-controlling interests' share of changes in equity, since the date of the combination. Losses applicable to the minority in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group only to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

for the year ended 31 December in thousands of euros

3 Significant accounting policies continued

Foreign currencies

Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded, on initial recognition at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences, arising on the settlement of monetary items and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

The following exchange rates against the euro have been used in these financial statements:

	Statement of financial position 31 Dec 2013	**Statement of income 2013**	Statement of financial position 31 Dec 2012	Statement of income 2012
Bulgarian leva	**1.96**	**1.96**	1.96	1.96
Hungarian forint	**296.75**	**296.71**	291.50	289.60
Indian rupees	**85.00**	**77.27**	72.25	68.82
Serbian dinar	**114.52**	**113.02**	112.48	113.02
Swiss franc	**1.23**	**1.23**	1.21	1.21
South African rand	**14.52**	**12.85**	11.18	10.55
United States dollar	**1.38**	**1.33**	1.32	1.29

Financial statements of Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euro's using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's currency translation reserve. Such exchange differences are recycled through profit or loss in the period in which the foreign operation is disposed of.

Net investment in foreign operations

Net investment in foreign operations includes equity financing and long-term intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve in shareholders' equity directly.

When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and liabilities of the acquired subsidiary, equity accounted investees or joint venture at the date of acquisition. Goodwill recognised for acquisitions represents the consideration made by the Group in anticipation of the future economic benefits from assets that are not capable of being individually identified and separately recognised. These future economic benefits relate to, for example, opportunities with regard to cost efficiencies such as sharing of infrastructure.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments in equity accounted investees. Such goodwill is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold.

Goodwill acquired in a business combination is not amortised. Instead, the goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Identified intangible assets

Identified intangible assets on investments in group companies, such as customer relationship, brand name, contracts with insurers and distributors, order backlog and re-acquired rights are initially valued against fair value. Subsequent to initial recognition these assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of identified intangible assets is charged to the income statement, over their estimated useful life, using the straight-line method on the following bases:

Brand name	20 years
Customer relationship	3-7 years
Contracts with insurers and distributors	3-9 years
Re-acquired rights	4-5 years
Order backlog	1 month

3 Significant accounting policies continued

Internally generated intangible assets

Internally generated intangible assets relate to the development costs of new product, and represent the sum of expenditures incurred from the date when the intangible asset first meets the recognition criteria under IFRS. These expenditures comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. These costs are mainly costs of materials and services used or consumed in generating the intangible asset, and costs of employee benefits arising from the generation of the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortisation and any impairment losses. The amortisation method applied is the straight-line method. Amortisation begins when the assets are available for use. The estimated useful life of internally generated intangible assets is three years.

An intangible asset arising from development or from the development phase of an internal project is recognised only if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale and comply with the following other requirements: the intention to complete the development project; the ability to sell or use the product; demonstration of how the product will yield probable future economic benefits; the availability of adequate technical, financial, and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

No intangible asset from research or from the research phase of an internal project is recognised. Expenditure on research or the research phase of an internal project is recognised as an expense when incurred.

Other intangible assets

This includes items such as capitalised software and software license. Amortisation is recognised as a cost and calculated on a straight-line basis over the asset's expected useful life. The amortisation period is three years.

Property, plant and equipment

Property, plant and equipment, consisting of land and buildings, lab equipment, and other assets such as computer and office equipment and vehicles, is valued at cost less accumulated depreciation and any impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation of property, plant and equipment is charged to the income statement, over their estimated useful life, using the straight-line method on the following bases:

Buildings	30 years
Office equipment	10 years
Laboratory equipment related to storage	10 years
Laboratory equipment	5 years
Vehicles	5 years
Computer equipment	3 years

Land is not depreciated.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Significant accounting policies continued

Impairment of non-current assets continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

An impairment loss in respect of goodwill is not reversed.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract which terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Such assets are recognised initially at fair value plus directly attributable transaction costs. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Trade and other receivables are initially carried at their fair value and subsequently measured at cost less any impairment. The impairment is based on both collective and individual basis.

Trade and other receivables which are not expected to be realised within 12 months after the balance sheet date are classified as non-current assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised as a gain in the statement of income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the consolidated financial statements continued

for the year ended 31 December in thousands of euros

3 Significant accounting policies continued

Inventories

Inventories are assets in the form of materials or supplies to be consumed in the collection and extraction process or in the rendering of services. Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Deferred revenue

Deferred revenue represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still has to be earned as revenue, by means of delivery of services in the future. Deferred revenue is recognised at its fair value. The fair value is determined by using the net present value of the future storage costs (taking into account future inflation and interest) including a reasonable profit margin (i.e. cost plus margin method).

The discount rate is consistently based on the 20 or 25 years AAA-rates euro area government bonds interest rate plus a liquidity premium of 1%. Deferred revenue that relates to services which are not expected to be rendered within 12 months after the balance sheet date are classified as non-current liabilities.

Trade and other payables

Initially these liabilities are recognised at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortised cost using the effective interest method.

Taxation

Income tax expense represents the sum of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and equity accounted investees, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3 Significant accounting policies continued

Taxation continued

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Borrowings

Borrowings are recognised initially at fair value less transaction costs, if material. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Financial lease liabilities are recorded under borrowings.

Borrowings payable within one year are classified as current liabilities.

Deferred considerations

Deferred considerations are based on contracts between Cryo-Save Group N.V. and the former shareholders of the acquired entity, and valued at the net present value using the discounted cash flow method. The unwinding of the discount is recognised in profit or loss as finance costs. Differences between the estimated and actual deferred considerations are recognised in goodwill for acquisitions before 1 January 2010. For acquisitions after this date, differences between estimated and actual deferred considerations are recognised in profit or loss as financial result.

Shareholders' equity

When share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividends are recognised as a liability upon being declared.

Non-controlling interest

Non-controlling interest is the portion of the profit or loss and net assets attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

Defined contribution plans

The pension contribution of defined contribution plans is recognised as an expense in the income statement as it is incurred. The Group has no defined benefit pension plans.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for deferred income, rebates and other similar allowances.

Revenue stem cell storage

Revenue in respect of fees charged for stem cell extraction is recognised on the day of extraction. Revenue in respect of fees charged for the subscription of the service is recognised upon enrolment. Revenue earned in respect of stem cell storage is recognised evenly over the storage period, over which time an appropriate margin is also recognised.

Revenue other

Other revenue relate to income from other types of products and services than the extraction and storage of stem cells. Revenue from services rendered is recognised in the statement of income in proportion to the percentage of completion of the transaction at reporting date.

Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Company will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are deducted from those expenses incurred. Government grants related to an asset, are presented in the balance sheet by setting up the grant as deferred income, and are released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Cost of sales

Cost of sales comprises the directly attributable costs of goods and services sold and delivered. These costs include such items as the cost of collection of the cord blood and cord tissue, service fees to business partners, transportation and laboratory materials.

Marketing and sales expenses

Marketing and sales expenses include all costs that are directly attributable to marketing and sales activities. Examples of directly attributable costs are costs of employee benefits and costs of marketing materials and services used or consumed.

Research and development expenses

Research and development expenses, the latter as far as not capitalised, include all costs that are directly attributable to research and development activities for new products and services and to contributions to third parties' research projects. Directly attributable costs are for example costs of employee benefits, costs of materials and services used or consumed in generating the new product or service.

Expense on research or the research phase of an internal project is recognised as an expense when incurred.

3 Significant accounting policies continued

General and administrative expenses
General and administrative expenses include costs which are neither directly attributable to cost of sales nor to marketing and sales and research and development expenses. General and administrative expenses include amongst other costs of employee benefits of staff working in the processing and storage facilities.

Share-based payments
The Group's share option scheme qualifies as equity settled share-based payment. The fair value of share options awarded is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread equally over the period during which the employees become unconditionally entitled to the shares. The fair value of the share options is measured using a binomial option valuation model, taking into account the terms and conditions upon which the share options were awarded. The amount recognised as an expense is adjusted to reflect the actual forfeitures due to participants' resignation before the vesting date.

Finance income and costs
Finance income and costs comprise interest receivable on deposits, interest receivable on funds invested calculated using the effective interest rate method, interest from payment plans, foreign exchange gains and losses, unwinding of the discount of deferred considerations, adjustments of deferred considerations and bank costs.

Dividend income from investments is recognised when the Shareholder's right to receive payment has been established.

Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding the average temporarily repurchased shares. Diluted earnings per share is calculated using the weighted average number of shares and options outstanding during the period, as far as the exercise price of these options is lower than the share price.

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. All operating segments' operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete information is available.

Performance is mainly measured based on EBITA (earnings before interest, tax, amortisation of identified intangible assets). Management believes this is the most relevant measure in evaluating the operating results of the segments.

Segment capital expenditure is the total expenses incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's other accounting policies. The assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit and loss. Once classified as held-for-sale, assets are no longer amortised or depreciated.

4 Critical accounting estimates and judgments
The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill
An impairment test of goodwill is carried out at least once a year or when required because of changed circumstances. Any test of impairment inevitably involves factors that have to be estimated. The realisable value is influenced by factors such as the prognosis for future economic conditions and expectations regarding market developments and operations. The estimates for these factors may change over time, which could lead to an impairment adjustment being recognised in profit or loss. The realisable value also depends on the discount rate used, which is the estimate of weighted average costs of capital for the entity concerned.

4 Critical accounting estimates and judgments continued

Identified intangible assets

Intangible assets such as brand name, customer relationship, contracts with insurers, distributions contracts, re-acquired rights and backlog are identified as intangible assets at the acquisition date. The fair value of these intangible assets is determined using estimates, the most significant being the expected cash flows attributable to the brand name, customer relationship, contracts, re-acquired rights and the discount rate used.

The expected future cash flows are based on the most recent long-term forecast from the perspective of the purchased entity. The discount rate used is the estimated weighted average cost of capital for the unit concerned. The estimates and assumptions might not sustain in the future.

Useful life and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of its property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period when the estimate is changed and in future periods.

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

Allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

Deferred revenue

Deferred revenue represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still has to be earned as revenue, by means of delivery of services in the future. The amount of deferred revenue per sample processed and stored is based on certain assumptions, like costs and the chance of future release of samples. Changes in these assumptions might have a significant impact on the amount of deferred revenue.

Income taxes

A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against the unused tax losses and unused tax credits can be utilised. Management assesses the probability that taxable profit will be available against the unused tax losses or unused tax credits which can be utilised.

Corporate taxation is calculated on the basis of income before taxation, taking into account the relevant local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined resulting in deferred tax assets or liabilities.

The calculation of the tax position is based in part on the interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Group believes the tax estimates are reasonable, there is no assurance that the final determination of the tax position will not be materially different from what is reflected in the statement of income and balance sheet. Should additional taxes be assessed these could have a material effect on the Group's results or financial position.

5 Application of new or revised International Financial Reporting Standards

The IASB and IFRIC have issued new standards, amendments to existing standards and interpretations, some of which are not yet effective or have not been endorsed by the European Union. The Company has introduced standards and interpretations that became effective in 2013 or were early adopted.

IFRS accounting standards adopted as from 2013

The accounting policies set out above have been applied consistently to all periods presented in these consolidated financial statements, except as explained below which addresses changes in accounting policies.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2013 but were not applicable to the Group.

- IAS 19 'Employee benefits'
- IFRS 13 'Fair Value Measurement;
- Amendments to IAS 1 'Presentation of items of Other Comprehensive Income'
- Disclosures amendments to IFRS 7 'Offsetting Financial Assets and Financial Liabilities' and IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'