SJØLUND A/S

Skamlingvejen 146, DK-6093 Sjølund

Annual Report for
1 October 2022 - 30 September 2023

CVR No. 10 29 86 44

The Annual Report was presented and adopted at the Annual General Meeting of the company on 6/12 2023

Zoran Aleksic
Chairman of the general meeting

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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Consolidated Financial Statements and Parent Company Financial Statements of SJØLUND A/S for the financial year 1 October 2022 - 30 September 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Consolidated Financial Statements and Parent Company Financial Statements be adopted at the Annual General Meeting.

Kolding, 6 December 2023

Executive Board

Zoran Aleksic
CEO

Board of Directors

Søren Ravn Jensen Chairman	Michael Roschmann Skovgaard	Hans Barslund

Independent Auditor's report

To the shareholder of SJØLUND A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2022 - 30 September 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SJØLUND A/S for the financial year 1 October 2022 - 30 September 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows (”the Financial Statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor's responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Group 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group´s and the Parent Company´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 Group´s and the Parent Company´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 Group´s and the Parent Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent Auditor's report

Trekantområdet, 6 December 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Company information

The Company	SJØLUND A/S Skamlingvejen 146 DK-6093 Sjølund Telephone: + 45 76991777 Website: www.sjoelund.dk CVR No: 10 29 86 44 Financial period: 1 October 2022 - 30 September 2023 Incorporated: 10 May 1986 Municipality of reg. office: Kolding
Board of Directors	Søren Ravn Jensen, chairman Michael Roschmann Skovgaard Hans Barslund
Executive Board	Zoran Aleksic
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	46,310	37,893	53,508	97,801	106,505
Profit/loss before financial income and expenses	4,962	-5,645	-53,497	12,513	24,953
Profit/loss of financial income and expenses	-829	19,304	-3,708	-3,245	-5,093
Net profit/loss	3,292	13,093	-57,600	6,351	14,675
Balance sheet					
Balance sheet total	57,697	63,482	88,063	178,855	184,275
Investment in property, plant and equipment	2,532	-1,583	-1,583	4,253	6,656
Equity	15,844	14,968	-100	55,540	49,353
Cash flows					
Cash flows from:					
- operating activities	7,482	26,669	-5,596	-1,661	41,377
- investing activities	-2,309	-2,385	3,003	-4,546	-6,656
- financing activities	-2,244	-29,827	-23,679	-14,312	-6,922
Change in cash and cash equivalents for the year	2,929	-5,543	-26,272	-20,519	27,799
Number of employees	100	102	177	201	216
Ratios					
Return on assets	8.6%	-8.9%	-60.7%	7.0%	13.5%
Solvency ratio	27.5%	23.6%	-0.1%	31.1%	26.8%
Return on equity	21.4%	176.1%	-207.8%	12.1%	25.4%

Management's review

Key activities

Sjølund Group's main activity is profile bending, machining and welding of steel and aluminum profiles. We drive to create value for our customers with delivering high quality products and innovative solutions.

Development in the year

The income statement of the Group for 2022/23 shows a profit of TDKK 3,292, and at 30 September 2023 the balance sheet of the Group shows positive equity of TDKK 15,844.

Following the development over the last years, 2022/23 has been a year of defining and focusing on the core competencies and market presence and taking the needed actions to fulfill that global strategy. The financial year has been characterized by several significant factors:

Operational Profit change
The financial year marked a remarkable change in our operational profit with an improve TDKK 10.607. This transformation confirms that the company is on the right direction for the future and that the initiated initiatives and strategies have started to show results. The positive change in our operational profit also strengthens our relationship to our external stakeholders.

China negative development (Economy, Covid-19)
For our Chinese entity the financial year was a very difficult one with many challenges. The Chinese entity posted a loss for the financial year. Unfortunately, Covid-19 had a negative impact on the financial results. There have been outbreaks across the country, leading to local lockdowns with strict measures. All these outbreaks and restrictions had significant impact to the Chinese economy in 2023. The latest economic indicators show still a challenging future.

Wind industry with low activities
The wind business is an important business area for us. The industry is in a difficult situation and is struggling due to different problems e.g., shortage in Supply Chain, Prices and Competitiveness and Quality. All these uncertainties in the wind industry moved our focus to other business areas.

Capital resources

As per September 30th, 2023, the cash reserve amounts is over TDKK 23,000.

Foreign exchange risks

As per the business model of the company there are no special risks neither commercially nor financially. The group has a currency exposure with regard to fluctuations in GBP and CNY and the business activities within these markets.

Targets and expectations for the year ahead

The expectation going into this financial year was that the result would be between TDKK 2,000-5,000. The result for 2022/23 is realized at a profit before tax of TDKK 4,133 and met the expectations.

For the year 2023/24 the Group result is expected to be profitable on a level of TDKK 2,000-5,000.

External environment

It is the valuation of the management that the environment impact of the activities of the Sjølund Group are limited. All production processes are powered by electricity with recertification. The production facility is heated with gas or electricity. Water is only used for sanitary purposes. Furthermore, the group is certified in accordance with standard ISO 9001 /14001 and 45001 and consequently monitoring and focusing on reduction and optimizing on the environment impact of the activities (Co2 reduction).

Management's review

Unusual events

Due to continued uncertainties arising from the wars in Ukraine and Israel/Palestine, Covid-19, etc. the Group constantly enhances internal procedures in order to adapt and change accordingly. We thereby strive to have as minimal impact as possible through agile pricing, procurement strategies and contract negotiations.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 October 2022 - 30 September 2023

		Group		Parent company	
	Note	2022/23	2021/22	2022/23	2021/22
		TDKK	TDKK	TDKK	TDKK
Gross profit		**46,310**	**37,893**	**39,959**	**28,222**
Staff expenses	2	-38,535	-40,930	-31,328	-33,511
Depreciation and impairment losses of property, plant and equipment	3	-2,813	-2,608	-963	-1,027
Profit/loss before financial income and expenses		**4,962**	**-5,645**	**7,668**	**-6,316**
Income from investments in subsidiaries		0	0	-2,737	428
Financial income	4	432	21,170	430	21,090
Financial expenses	5	-1,261	-1,866	-1,354	-1,757
Profit/loss before tax		**4,133**	**13,659**	**4,007**	**13,445**
Tax on profit/loss for the year	6	-841	-566	-715	-352
Net profit/loss for the year	7	**3,292**	**13,093**	**3,292**	**13,093**

Balance sheet 30 September 2023

Assets

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent company 2022/23 TDKK	Parent company 2021/22 TDKK
Plant and machinery		8,790	9,877	4,464	3,118
Other fixtures and fittings, tools and equipment		0	0	0	0
Property, plant and equipment	8	**8,790**	**9,877**	**4,464**	**3,118**
Investments in subsidiaries	9	0	0	13,356	19,888
Investments in associates	10	0	0	0	0
Fixed asset investments		**0**	**0**	**13,356**	**19,888**
Fixed assets		**8,790**	**9,877**	**17,820**	**23,006**
Inventories	11	**13,545**	**14,114**	**7,024**	**5,926**
Trade receivables		19,835	23,648	14,985	13,443
Receivables from group enterprises		0	0	3,665	2,693
Other receivables		1,717	1,077	0	0
Deferred tax asset	12	645	0	645	0
Prepayments	13	600	130	321	130
Receivables		**22,797**	**24,855**	**19,616**	**16,266**
Cash at bank and in hand		**12,565**	**9,636**	**9,283**	**7,991**
Current assets		**48,907**	**48,605**	**35,923**	**30,183**
Assets relating to discontinuing activities		**0**	**5,000**	**0**	**0**
Assets		**57,697**	**63,482**	**53,743**	**53,189**

Balance sheet 30 September 2023

Liabilities and equity

		Group		Parent company	
	Note	2022/23	2021/22	2022/23	2021/22
		TDKK	TDKK	TDKK	TDKK
Share capital		500	500	500	500
Reserve for net revaluation under the equity method		0	0	5,060	10,261
Reserve for exchange rate conversion		-897	1,519	0	0
Retained earnings		16,241	12,949	10,284	4,207
Equity		**15,844**	**14,968**	**15,844**	**14,968**
Credit institutions		17,240	22,042	17,240	22,042
Lease obligations		0	638	0	638
Other payables		3,158	3,199	3,158	3,199
Long-term debt	14	**20,398**	**25,879**	**20,398**	**25,879**
Credit institutions	14	3,840	958	3,840	958
Lease obligations	14	638	283	638	283
Trade payables		6,216	8,385	5,330	4,662
Payables to group enterprises		0	0	0	2,561
Corporation tax		1,360	0	1,360	0
Other payables	14	9,401	8,009	6,333	3,878
Short-term debt		**21,455**	**17,635**	**17,501**	**12,342**
Debt		**41,853**	**43,514**	**37,899**	**38,221**
Liabilities relating to discontinuing activities		**0**	**5,000**	**0**	**0**
Liabilities and equity		**57,697**	**63,482**	**53,743**	**53,189**

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Statement of changes in equity

Group

	Share capital	Reserve for exchange rate conversion	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	500	1,519	12,949	14,968
Exchange adjustments relating to foreign entities	0	-2,416	0	-2,416
Net profit/loss for the year	0	0	3,292	3,292
Equity at 30 September	**500**	**-897**	**16,241**	**15,844**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	500	10,261	4,207	14,968
Exchange adjustments relating to foreign entities	0	-2,416	0	-2,416
Net profit/loss for the year	0	-2,785	6,077	3,292
Equity at 30 September	**500**	**5,060**	**10,284**	**15,844**

Cash flow statement 1 October 2022 - 30 September 2023

	Note	Group 2022/23 TDKK	Group 2021/22 TDKK
Result of the year		3,292	13,093
Adjustments	15	2,650	-14,307
Change in working capital	16	2,495	10,316
Cash flow from operations before financial items		**8,437**	**9,102**
Financial income		432	21,170
Financial expenses		-1,261	-3,389
Cash flows from ordinary activities		**7,608**	**26,883**
Corporation tax paid		-126	-214
Cash flows from operating activities		**7,482**	**26,669**
Purchase of property, plant and equipment		-2,309	-2,532
Fixed asset investments made etc		0	147
Cash flows from investing activities		**-2,309**	**-2,385**
Repayment of loans from credit institutions		-1,920	-25,044
Reduction of lease obligations		-283	-450
Repayment of payables to group enterprises		0	-4,333
Repayment of other long-term debt		-41	0
Cash flows from financing activities		**-2,244**	**-29,827**
Change in cash and cash equivalents		**2,929**	**-5,543**
Cash and cash equivalents at 1 October		9,636	15,179
Cash and cash equivalents at 30 September		**12,565**	**9,636**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		12,565	9,636
Cash and cash equivalents at 30 September		**12,565**	**9,636**

Notes to the Financial Statements

1. Unusual conditions

The profit of the year in 2022/23 includes other income of TDKK 2,736 relating to restructuring of the group.

Profit of the year in 2021/22 includes a waiver of debt from the bank equal to DKK 20 million.

Notes from annual report 2021/22 relating to discountinued activities
The Company in Estonia was in a process of being closed, as a result, it has not been possible to obtain updated financial information as of 30 September 2022. Fixed assets, etc. has been sold in the Estonian company, and it is the management's assessment that as of 30 September 2022 there are primarily cash (assets) and creditors that must be settled. Sjølund A/S has no legal or actual obligation. Therefore, the closing of the company in Estonia will not have a negative impact on Sjølund A/S.

In 2023 the Estonian entity have been closed down.

2. Staff Expenses

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Wages and salaries	34,705	37,768	27,498	30,367
Pensions	3,073	2,108	3,073	2,108
Other social security expenses	732	1,054	732	1,036
Other staff expenses	25	0	25	0
	38,535	**40,930**	**31,328**	**33,511**
Including remuneration to the Executive Board and Board of Directors	**4,006**	**3,235**	**2,930**	**2,245**
Average number of employees	**100**	**102**	**56**	**57**

3. Depreciation and impairment losses of property, plant and equipment

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Depreciation of property, plant and equipment	2,813	2,608	963	1,027
	2,813	**2,608**	**963**	**1,027**

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
4. Financial income				
Interest received from group enterprises	0	0	93	92
Other financial income	432	21,170	337	20,998
	432	**21,170**	**430**	**21,090**

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
5. Financial expenses				
Other financial expenses	1,261	1,865	1,354	1,757
Exchange adjustments, expenses	0	1	0	0
	1,261	**1,866**	**1,354**	**1,757**

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
6. Income tax expense				
Current tax for the year	1,486	566	1,360	352
Deferred tax for the year	-645	0	-645	0
	841	**566**	**715**	**352**

	Parent company	
	2022/23	2021/22
	TDKK	TDKK

7. Profit allocation

	2022/23 TDKK	2021/22 TDKK
Reserve for net revaluation under the equity method	-2,785	10,261
Retained earnings	6,077	2,832
	3,292	**13,093**

8. Property, plant and equipment

Group

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 October	91,151	2,326
Exchange adjustment	-972	0
Additions for the year	2,309	0
Disposals for the year	-370	0
Cost at 30 September	92,118	2,326
Impairment losses and depreciation at 1 October	81,274	2,326
Exchange adjustment	-1,129	0
Depreciation for the year	2,813	0
Impairment and depreciation of sold assets for the year	370	0
Impairment losses and depreciation at 30 September	83,328	2,326
Carrying amount at 30 September	**8,790**	**0**

Notes to the Financial Statements

Parent company

	Plant and machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 October	61,075	2,326
Additions for the year	2,309	0
Cost at 30 September	63,384	2,326
Impairment losses and depreciation at 1 October	57,957	2,326
Depreciation for the year	963	0
Impairment losses and depreciation at 30 September	58,920	2,326
Carrying amount at 30 September	**4,464**	**0**

	Parent company	
	2022/23	2021/22
	TDKK	TDKK

9. Investments in subsidiaries

	2022/23	2021/22
Cost at 1 October	9,627	71,679
Disposals for the year	-1,331	-62,052
Cost at 30 September	8,296	9,627
Value adjustments at 1 October	10,261	-54,198
Disposals for the year	0	62,056
Exchange adjustment	-2,416	1,975
Net profit/loss for the year	-2,785	428
Value adjustments at 30 September	5,060	10,261
Carrying amount at 30 September	**13,356**	**19,888**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Sjølund China Holding ApS	Kolding, Denmark	DKK 9.620k	100%

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK

10. Investments in associated companies

	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent company 2022/23 TDKK	Parent company 2021/22 TDKK
Cost at 1 October	7,727	7,727	0	0
Cost at 30 September	7,727	7,727	0	0
Value adjustments at 1 October	-7,727	-7,727	0	0
Value adjustments at 30 September	-7,727	-7,727	0	0
Carrying amount at 30 September	**0**	**0**	**0**	**0**

Investments in associates are specified as follows:

Name	Place of registered office	Ownership and Votes
Sjoelund Victall Profile Bending (Qingdao) Co. Ltd.	Qingdao, China	50%

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK

11. Inventories

	Group 2022/23 TDKK	Group 2021/22 TDKK	Parent company 2022/23 TDKK	Parent company 2021/22 TDKK
Raw materials and consumables	7,328	5,670	5,114	3,317
Work in progress	6,138	7,634	1,831	2,308
Finished goods and goods for resale	79	810	79	301
	13,545	**14,114**	**7,024**	**5,926**

Notes to the Financial Statements

12. Deferred tax asset

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Deferred tax asset at 1 October	0	-352	0	-352
Amounts recognised in the income statement for the year	645	352	645	352
Deferred tax asset at 30 September	**645**	**0**	**645**	**0**

The recognised tax asset mainly comprises to temporary differences on inventory.

13. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

14. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK
Credit institutions				
After 5 years	1,880	0	1,880	0
Between 1 and 5 years	15,360	22,042	15,360	22,042
Long-term part	17,240	22,042	17,240	22,042
Within 1 year	3,840	958	3,840	958
Short-term part	3,840	958	3,840	958
	21,080	**23,000**	**21,080**	**23,000**
Lease obligations				
After 5 years	0	0	0	0
Between 1 and 5 years	0	638	0	638
Long-term part	0	638	0	638
Within 1 year	638	283	638	283
	638	**921**	**638**	**921**

Notes to the Financial Statements

Other payables

After 5 years	0	0	0	0
Between 1 and 5 years	3,158	3,199	3,158	3,199
Long-term part	3,158	3,199	3,158	3,199
Other short-term payables	9,401	8,009	6,333	3,878
	12,559	**11,208**	**9,491**	**7,077**

15. Cash flow statement - Adjustments

	Group	
	2022/23	2021/22
	TDKK	TDKK
Financial income	-432	-21,170
Financial expenses	1,261	1,866
Depreciation, amortisation and impairment losses, including losses and gains on sales	2,813	2,608
Tax on profit/loss for the year	841	566
Exchange adjustments	-2,416	2,118
Other adjustments	583	-295
	2,650	**-14,307**

16. Cash flow statement - Change in working capital

	Group	
	2022/23	2021/22
	TDKK	TDKK
Change in inventories	569	-921
Change in receivables	2,703	24,531
Change in trade payables, etc	-777	-13,294
	2,495	**10,316**

Notes to the Financial Statements

	Group		Parent company	
	2022/23	2021/22	2022/23	2021/22
	TDKK	TDKK	TDKK	TDKK

17. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:				
Company charge of nominally TDKK 32.000 provide security in property, plant and equipment, inventories and trade recievables	26,473	22,487	26,473	22,487
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	240	275	240	275
Between 1 and 5 years	110	921	110	921
	350	**1,196**	**350**	**1,196**
Lease commitments, non-cancellation period up to 75 months.	23,526	23,623	20,790	22,540

Other contingent liabilities

The company has issued guarantee to bank as a part of the group finance facility agreement in Sjølund A/S.

Shares in subsidiaries with a carrying value of TDKK 13,356 have been pledged to provide security for the bank

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Ravn Jensen Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

18. Related parties

	Basis
Controlling interest	
Ravn Jensen Holding A/S	Immediate Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

19. Accounting policies

The Annual Report of SJØLUND A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2022/23 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, SJØLUND A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

Notes to the Financial Statements

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in the fair value reserve under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Notes to the Financial Statements

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Ravn Jensen Holding A/S. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Notes to the Financial Statements

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity