

Fayrefield Foods A/S

Lysholt Allé 3, 7100 Vejle
CVR no. 20 28 72 92

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 26.03.24

Frank Therkildsen
Dirigent

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The company

Fayrefield Foods A/S
Lysholt Allé 3
7100 Vejle
Website: www.fayrefield.dk
E-mail: info@fayrefield.dk
Registered office: Vejle
CVR no.: 20 28 72 92
Financial year: 01.01 - 31.12

Executive Board

Peter Nielsen

Board of Directors

Lars Buhl, chairman
Peter Nielsen
Susanne Hougaard Steffensen
Jens Søgaard Jacobsen
Frank Therkildsen
Kunmei Lian
Rasmus Kjær Laursen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Fayrefield Foods A/S.

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 company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities and cash flows for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Vejle, March 26, 2024

Executive Board

Peter Nielsen

Board of Directors

Lars Buhl
Chairman

Peter Nielsen

Susanne Hougaard
Steffensen

Jens Søgaard Jacobsen

Frank Therkildsen

Kunmei Lian

Rasmus Kjær Laursen

To the Shareholder of Fayrefield Foods A/S**Opinion**

We have audited the financial statements of Fayrefield Foods A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including 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 company's financial position at 31.12.23 and of the results of the company's operations and cash flows for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

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 company 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 the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility 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, we conclude that the management's review 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's review.

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 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 company 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 judgment 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 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 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 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.

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.

Horsens, March 26, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Morten Klarskov Larsen

State Authorized Public Accountant
MNE-no. mne32736

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2023	2022	2021	2020	2019
<i>Profit/loss</i>					
Revenue	1,270,912	1,255,348	1,028,483	1,053,195	1,171,225
Gross profit	74,485	91,780	52,138	44,226	68,676
Operating profit	39,656	51,232	21,888	14,362	35,530
Total net financials	-16,005	-12,008	-13,287	-221	-14,673
Profit for the year	18,408	30,583	12,715	10,653	15,242
<i>Balance</i>					
Total assets	360,093	411,644	424,869	393,440	397,602
Investments in property, plant and equipment	3,811	2,780	2,196	2,417	0
Equity	86,274	95,014	68,645	60,999	51,049

Ratios

	2023	2022	2021	2020	2019
<i>Profitability</i>					
Return on equity	20%	37%	20%	19%	27%
Gross margin	6%	7%	5%	4%	6%
Profit margin	3%	4%	2%	0%	0%
<i>Equity ratio</i>					
Equity ratio including subordinated loans	29%	27%	21%	22%	19%
<i>Others</i>					
Number of employees (average)	38	38	38	38	37

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$
Profit margin:	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Equity ratio including subordinated loans	$\frac{\text{Equity plus subordinated loans} \times 100}{\text{Total equity and liabilities}}$

Primary activities

As in previous years the main object of the Company has been to conduct trading activities with goods and services primarily within the food industry.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit of DKK 18,408k against DKK 30,583k for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 86,274k.

In the Annual report for 2022 management stated the expectations for 2023 as revenues of DKK 1,300 million and profits before tax of DKK 26 million.

The company realized revenues of DKK 1.271 million which is DKK 29 million less than expected. Profits before tax was realized at DKK 23 million which is DKK 3 less than expected.

The main reason for the lower turnover is a combination of a weaker USD and price decreases within the dairy market during 2023.

On this basis management considers the Group's financial performance in the year satisfactory.

Outlook

We expect a positive cash flow from our operations partly from profits generated partly from a lower working capital requirement. For 2024 we expect revenues of DKK 1,600 million and profits before tax of DKK 25 million.

Knowledge resources

The company relies on well-educated employees. The company provides ongoing training where necessary. Further reference is made to the section "Social and employee conditions" in the statutory CSR report referenced below.

Financial risks

The most significant operating risks facing the Company relate to its ability to be strongly positioned in the markets in which it buys and sells products.

Due to its operations, investments and financing, the Company is exposed to changes in exchange rates and interest rates. It is the Company's policy not to engage in active speculation in financial risks. Thus, the Company's financial management activities are

aimed only at managing risks already assumed.

Foreign currency risks

The Company's activities are affected by exchange rate fluctuations, as its revenue and cost of sales are primarily generated in foreign currency, whereas expenses, including wages and salaries are paid in DKK.

The Company's currency risks are primarily hedged through a distribution of income and expenses in the same currency and through financial instruments.

In accordance with the policy approved by the Board of Directors, risks on recognised financial assets and liabilities are hedged by way of financial agreements. Hedging takes place using forward exchange contracts, which are to hedge minimum 80% of the risks.

Loan transactions in foreign currency are hedged through interest swaps, based on an individual assessment.

Interest rate risks

The Company's interest-bearing debt, made up as mortgage debt and bank debt net of the Company's portfolio of negotiable securities and cash balances, is at the primary bank deducted with DKK 12 million to DKK 213 million at end of the year.

At a secondary bank a limit of EUR 16 million has been expanded to EUR 20 million.

In total the bank limits at year end sums up to DKK 363 million. The Company's interest rate is variable.

Credit risks

The company's credit risks partly relate to financial assets and partly to derivative financial instruments with a positive fair value. Credit risks related to financial assets correspond to the value recognised in the statement of financial position. The company is not exposed to any significant risks relating to any particular customer or business partner. The company's policy in respect of credit risks implies that all major customers and other business partners are credit-rated on an ongoing basis. Transactions with customers outside Denmark, except for immaterial agreements, are insured at Allianz.

External environment

The Company is environmentally conscious and constantly strives at reducing its environmental impact from its operations. The Company has no formal policy for this. Although there is no formal policy, we have agreed the following guidelines. Since, it is guidelines no actions to follow-up are tracked or compared.

Research and development activities

The Company does not carry out any particular R&D activities.

Subsequent events

No events materially affecting the company's financial position have occurred subsequent to the financial year-end.

Corporate social responsibility

The company is part of the Fayrefield Ingredients Holding Group. Reference is made to the group corporate social responsibility report in the annual report for 2023 for the parent company Fayrefield Ingredients Holding A/S, CVR-no.42 34 50 08.

Gender composition of the management

Supreme management body

The company sees gender diversity on the Board of Directors as important to ensure that both genders are represented and can contribute to the company being viewed from different angles.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of members	7	*)	*)	*)	*)
Underrepresented sex (%)	29%	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Gender balance

The company's Board of Directors consists of 2 women (29%) and 5 men (71%), as shown in the table above. The goal of gender balance has thus been achieved. This gender balance is expected to be maintained in future.

Accounting policies

The gender diversity ratio in the supreme management body is calculated as the proportion of female board members on the Board of Directors. It only includes board members elected by the general meeting.

Other management levels

Other levels of management include the Executive Board, and people with responsibility for personnel who report directly to the Executive Board.

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Number of managers	3	*)	*)	*)	*)
Underrepresented sex (%)	0%	*)	*)	*)	*)

*) The table does not contain information for 2022 and earlier, in line with section 99 b(7) of the Danish Financial Statements Act.

Exempt from the requirement to set targets

The company is exempt from the requirement to set targets because it had fewer than 50 employees in the last financial year. However, the company is not exempt from having to state the total number of people at the other management levels, and the proportion of the underrepresented sex (see the table above).

Accounting policies

The gender diversity ratio at other management levels is calculated as the proportion of female managers with responsibility for personnel out of the total number of managers with responsibility for personnel at the other management levels.

Data ethics

Our work with data ethics has been based on the Data Ethics Compass from the Data Ethics Council with the following areas: Self-determination, Dignity, Accountability, Equality and Justice, Progressiveness and Diversity.

Our goal for data ethics behavior is to have a responsible use of data at all times, as well as to create transparency in the company's data collection, data management and data development.

We have prepared a policy for the area that the employees comply with.

The Board of Directors is responsible for continuously, and at least once a year, assessing whether the policy on data ethics needs to be updated. The Executive Board is responsible for ensuring that the policy is implemented in the company's day-to-day operations and informs the Board of Directors at least once a year about the work with data ethics.

Statement on data ethics can be found on the website of the company <https://www.fayrefield.dk/persondatapolitik>.

Income statement

Note	2023 DKK '000	2022 DKK '000	
1	Revenue	1,270,912	1,255,348
	Other operating income	1,001	1,423
	Costs of raw materials and consumables	-1,184,829	-1,149,412
	Other external expenses	-12,599	-15,579
	Gross profit	74,485	91,780
2	Staff costs	-32,701	-38,503
	Profit before depreciation, amortisation, write-downs and impairment losses	41,784	53,277
	Depreciation and impairments losses of property, plant and equipment	-2,128	-2,045
	Operating profit	39,656	51,232
3	Income from equity investments in group enterprises	-3,668	-1,849
4	Income from participating interests	3,663	1,908
5	Financial income	5,862	7,515
6	Financial expenses	-21,862	-19,582
	Profit before tax	23,651	39,224
7	Tax on profit for the year	-5,243	-8,641
	Profit for the year	18,408	30,583
8	Proposed appropriation account		

ASSETS		31.12.23	31.12.22
Note		DKK '000	DKK '000
	Land and buildings	18,333	15,516
	Other fixtures and fittings, tools and equipment	6,497	7,632
9	Total property, plant and equipment	24,830	23,148
10	Equity investments in group enterprises	6,113	9,036
10	Equity investments in participating interests	11,264	8,308
11	Deposits	337	333
	Total investments	17,714	17,677
	Total non-current assets	42,544	40,825
	Raw materials and consumables	157,192	220,007
	Total inventories	157,192	220,007
	Trade receivables	128,158	141,896
	Receivables from group enterprises	29,895	2,499
	Receivables from participating interests	0	158
	Other receivables	2,229	6,184
12	Prepayments	8	8
	Total receivables	160,290	150,745
	Other investments	59	59
	Total securities and equity investments	59	59
	Cash	8	8
	Total current assets	317,549	370,819
	Total assets	360,093	411,644

EQUITY AND LIABILITIES		31.12.23	31.12.22
Note		DKK '000	DKK '000
13	Share capital	5,000	5,000
	Cash flow hedging reserve	131	1,149
	Retained earnings	81,143	88,865
	Total equity	86,274	95,014
14	Provisions for deferred tax	1,662	1,599
	Total provisions	1,662	1,599
15	Subordinate loan capital	5,809	12,762
	Total long-term payables	5,809	12,762
15	Short-term part of long-term payables	7,617	2,070
	Payables to other credit institutions	129,061	130,388
	Trade payables	116,087	147,004
	Payables to group enterprises	2,898	1,486
	Payables to participating interests	1,720	0
	Income taxes	3,634	9,276
	Other payables	5,331	12,045
	Total short-term payables	266,348	302,269
	Total payables	272,157	315,031
	Total equity and liabilities	360,093	411,644
16	Fair value information		
17	Derivative financial instruments		
18	Contingent liabilities		
19	Charges and security		
20	Related parties		

Statement of changes in equity

Figures in DKK '000	Share capital	Cash flow hedging reserve	Retained earnings	Total equity
Statement of changes in equity for 01.01.22 - 31.12.22				
Balance as at 01.01.22	5,000	-656	64,301	68,645
Fair value adjustment of hedging instruments	0	2,460	0	2,460
Extraordinary dividend paid	0	0	-6,500	-6,500
Other changes in equity	0	0	481	481
Tax on changes in equity	0	-655	0	-655
Net profit/loss for the year	0	0	30,583	30,583
Balance as at 31.12.22	5,000	1,149	88,865	95,014
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	5,000	1,149	88,865	95,014
Fair value adjustment of hedging instruments	0	-1,305	0	-1,305
Extraordinary dividend paid	0	0	-25,300	-25,300
Other changes in equity	0	0	-830	-830
Tax on changes in equity	0	287	0	287
Net profit/loss for the year	0	0	18,408	18,408
Balance as at 31.12.23	5,000	131	81,143	86,274

Cash flow statement

Note	2023 DKK '000	2022 DKK '000
Profit for the year	18,408	30,583
21 Adjustments	23,374	22,694
Change in working capital:		
Inventories	58,014	-13,170
Receivables	18,801	9,818
Trade payables	-26,114	59,113
Other payables relating to operating activities	-3,582	-5,975
Cash flows from operating activities before net financials	88,901	103,063
Interest income and similar income received	5,862	7,515
Interest expenses and similar expenses paid	-21,862	-19,582
Income tax paid	-7,687	0
Cash flows from operating activities	65,214	90,996
Purchase of property, plant and equipment	-3,811	-2,779
Purchase of securities and equity investments	-745	0
Sale of securities and equity investments	-4	20,332
Cash flows from investing activities	-4,560	17,553
Dividend paid	-25,300	-6,500
Repayment of payables to credit institutions	-1,327	-96,748
Arrangement of payables to group enterprises	-32,621	0
Repayment of other long-term payables	-1,406	-5,283
Cash flows from financing activities	-60,654	-108,531
Total cash flows for the year	0	18
Cash, beginning of year	8	8
Securities with no significant price risk, beginning of year	59	41
Cash, end of year	67	67
Cash, end of year, comprises:		
Cash	8	8
Securities with no significant price risk	59	59
Total	67	67

	2023	2022
	DKK '000	DKK '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Cheese	113,691	149,087
Powder	387,312	423,539
Export	769,908	682,722
Total	1,270,911	1,255,348

Revenue comprises the following geographical markets:

Scandinavia	334,078	364,153
Europe - outside Scandinavia	92,574	145,022
Markets outside Europe	844,259	746,173
Total	1,270,911	1,255,348

	2023	2022
	DKK '000	DKK '000

2. Staff costs

Wages and salaries	28,425	34,530
Pensions	3,050	2,916
Other social security costs	363	354
Other staff costs	863	703
Total	32,701	38,503

Average number of employees during the year	38	38
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	3,748
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By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to the management is not disclosed for 2022.

	2023	2022
	DKK '000	DKK '000

3. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	-3,518	-1,699
Amortisation of goodwill	-150	-150
Total	-3,668	-1,849

4. Income from participating interests

Share of profit or loss of participating interests	3,663	1,908
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	2023	2022
	DKK '000	DKK '000

5. Financial income

Interest, group enterprises	603	0
Other interest income	4	40
Foreign currency translation adjustments	5,252	7,473
Other financial income	3	2
Total	5,862	7,515

6. Financial expenses

Interest, group enterprises	352	316
Other financial expenses	21,510	19,266
Total	21,862	19,582

7. Tax on profit for the year

Current tax for the year	5,180	8,621
Adjustment of deferred tax for the year	63	20
Total	5,243	8,641

8. Proposed appropriation account

Extraordinary dividend for the financial year	25,300	6,500
Retained earnings	-6,892	24,083
Total	18,408	30,583

9. Property, plant and equipment

Figures in DKK '000	Land and buildings	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	22,443	19,572
Additions during the year	3,472	339
Cost as at 31.12.23	25,915	19,911
Depreciation and impairment losses as at 01.01.23	-6,927	-11,940
Depreciation during the year	-655	-1,474
Depreciation and impairment losses as at 31.12.23	-7,582	-13,414
Carrying amount as at 31.12.23	18,333	6,497

10. Equity investments

Figures in DKK '000	Equity invest- ments in group enterprises	Equity investments in participating interests
Cost as at 01.01.23	20,500	3,013
Additions during the year	745	0
Cost as at 31.12.23	21,245	3,013
Revaluations as at 01.01.23	-11,464	5,294
Foreign currency translation adjustment of foreign enterprises	0	-402
Net profit/loss from equity investments	-3,668	3,663
Dividend relating to equity investments	0	-304
Revaluations as at 31.12.23	-15,132	8,251
Carrying amount as at 31.12.23	6,113	11,264
The item comprises goodwill as at 31.12.23 of	600	0

Name and registered office:	Ownership interest
Subsidiaries:	
Fayrefield Food France, Frankrig	100%
Lacto Foods A/S, Vejle	100%
AB Foods Aps, Vejle	100%
AKH Foods Aps, Vejle	100%
Avanti ApS, Vejle	100%
Avlscenter Vest ApS, Vejle	100%
Bamsemælk ApS, Vejle	100%
Biolat ApS, Vejle	100%
BVQ Foods ApS, Vejle	100%
Caesin ApS, Vejle	100%
Dan Dairy ApS, Vejle	100%
Dairy Management ApS, Vejle	100%
Danzai ApS, Vejle	100%
DNR Imports ApS, Vejle	100%
Grating Ingredients ApS, Vejle	100%
JGP Imports ApS, Vejle	100%
Serost ApS, Vejle	100%
Skimmeloste ApS, Vejle	100%
Smørimporten ApS, Vejle	100%

10. Equity investments - continued -

Name and registered office:	Ownership interest
Participating interests:	
Fayrefield Foods LLC, Chapel Hill, USA	46.25%

11. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.01.23	333
Additions during the year	4
Cost as at 31.12.23	337
Carrying amount as at 31.12.23	337

31.12.23	31.12.22
DKK '000	DKK '000

12. Prepayments

Prepaid insurance premiums	8	8
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13. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK '000
Share capital	5,000	5,000

	31.12.23 DKK '000	31.12.22 DKK '000
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14. Deferred tax

Deferred tax as at 01.01.23	1,599	1,580
Deferred tax recognised in the income statement	63	20
Deferred tax as at 31.12.23	1,662	1,600

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

15. Long-term payables

Figures in DKK '000	Repayment first year	Total payables at 31.12.23	Total payables at 31.12.22
Subordinate loan capital	7,617	13,426	14,832
Total	7,617	13,426	14,832

Loans of t.DKK 7,617 has been granted by the parent companies and are subordinated in relation to all other creditors.

The loan of t.DKK 8,714 term to maturity over 6 years when the entity has solvency ratio of 20 %.

The loan of t.DKK 5,500 term to maturity is December 31, 2028 at the latest.

The interest is added to the principal and does fall annually and will be added to the principal until payment.

16. Fair value information

Figures in DKK '000	Listed securities and equity investments	Fair value hedged assets and liabilities	Total
Fair value as at 31.12.23	58	1,505	1,563
Unrealised changes of fair value recognised in equity for the year	0	-1,305	-1,305

17. Derivative financial instruments

The Board of Directors lays down the framework for the conclusion of contracts for derivative financial instruments. The company concludes contracts for the sole purpose of hedging the currency risk on the future sale of goods in foreign currency. At the end of 2023, a future sale of goods of USD 7,542k was secured for a period of up to 3 months. The fair value of the forward exchange contracts amounts to DKK 50,900k as at 31.12.23, and the unrealised net gain before tax recognised in equity as at 31.12.23 also constitutes DKK 1,504k. Forward exchange contracts are only concluded with counterparties (Danish banks) with a good credit score from a reputable credit rating agency.

18. Contingent liabilities*Lease commitments*

The company has concluded lease agreements with terms to maturity of 5-23 months and total lease payments of DKK 958k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The maximum liability totals an amount corresponding to the share of the capital in the company which is owned directly or indirectly by the ultimate parent. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Fayrefield Ingredients Holding A/S.

19. Charges and security

The Company has pledged a mortgage deed registered to the mortgage of DKK 2,200k with security in land register no. 7 f Rostrup By, Rostrup, Rostrup Byvej 3, DK-9510 Arden as security for bank debts. The book value of assets put up for collateral is DKK 18,333k at 31.12.23.

The company has provided a company charge of DKK 125,000k as security for debt to credit institutions. As at 31.12.23, the company charge comprises the following assets with the following carrying amounts:

- Other plant, fixtures and fittings, tools and equipment, DKK 6,498k
- Inventories, DKK 157,192k
- Trade receivables, DKK 128,158k

The collateral is also provided as security for bank debt in group companies totalling DKK 29,900k.

The company has signed non-pledge statements regarding shares in fully owned subsidiaries.

The company has issued transfer of receivables to Sydbank.

20. Related parties

Controlling influence	Basis of influence
Fayrefield Ingredients Holding A/S, Vejle	Shareholder
Peter Nielsen	Member of the executive board and supervisory board
Lars Buhl	Chairman of the supervisory board
Susanne Hougaard Steffensen	Member of the supervisory board
Jens Søgaard Jacobsen	Member of the supervisory board
Frank Therkildsen	Member of the supervisory board
Kunmei Lian	Member of the supervisory board
Rasmus Kjær Laursen	Member of the supervisory board

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 2 Staff costs.

The company is included in the consolidated financial statements of the parent Fayrefield Ingredients Holding A/S, Vejle.

	2023	2022
	DKK '000	DKK '000
21. Adjustments for the cash flow statement		
Depreciation and impairments losses of property, plant and equipment	2,128	2,045
Income from equity investments in group enterprises	3,668	1,849
Income from participating interests	-3,663	-1,908
Financial income	-5,863	-7,515
Financial expenses	21,861	19,582
Tax on profit or loss for the year	5,243	8,641
Total	23,374	22,694

22. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for large enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Fayrefield Ingredients Holding A/S, Vejle, CVR no. 42345008, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets

22. Accounting policies - continued -

acquired in foreign currencies are translated using historical exchange rates.

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for

22. Accounting policies - continued -

hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

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

INCOME STATEMENT**Revenue**

Income from the sale of goods for resale and finished goods, including cheese and other products, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including management fee, salary refunds etc.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

22. Accounting policies - continued -**Other external expenses**

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Buildings	30-40	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises as well as participating interests

For equity investments in equity investments in subsidiaries as well as participating interests, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses. For participating interests only the proportionate share of intercompany gains and losses is eliminated.

22. Accounting policies - continued -

Income from equity investments in equity investments in subsidiaries as well as participating interests also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Property, plant and equipment**

Property, plant and equipment comprise land and buildings as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on

22. Accounting policies - continued -

useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises as well as participating interests*Equity investments in group enterprises*

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

Participating interests

Participating interests are recognised and measured according to the equity method. For participating interests, the equity method is considered a measurement method, and reference is made to the 'Equity method' section for further details.

Equity method

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Goodwill recognised under equity investments is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 10 years for equity investments in subsidiaries. The useful life has been determined in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

Gains or losses on disposal of equity investments

Gains or losses on disposal of equity investments are determined as the difference between

22. Accounting policies - continued -

the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal

22. Accounting policies - continued -

value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Receivables for which there is no objective evidence of individual impairment are assessed for objective evidence of impairment at portfolio level. The objective indicators used at portfolio level are based on historical experience.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Cash

Cash includes operating cash.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

22. Accounting policies - continued -**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

With subordinate loan capital, the creditor has subordinated its claim to those of all other creditors of the company.

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from

22. Accounting policies - continued -

operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term securities with no significant price risk.