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SFK Food A/S
Niels Bohrs Vej 55
8660 Skanderborg
Central Business Registration No
34077444

Annual report 2016

The Annual General Meeting adopted the annual report on 26.05.2017

Chairman of the General Meeting

Name: _____

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Entity details

Entity

SFK Food A/S
Niels Bohrs Vej 55
8660 Skanderborg

Central Business Registration No: 34077444
Registered in: Skanderborg
Financial year: 01.01.2016 - 31.12.2016

Phone: +4586291100
Website: www.sfkfood.dk
E-mail: info@solina-group.dk

Statutory reports on the entity's website

Statutory report on corporate social responsibility: https://www.solina-retail.dk/Files/Images/Solina/F%C3%B8devareroversigt/CSR_report_UN_Global_Compact.pdf

Board of Directors

Eric Henri Jacques Terré, Chairman
Casper Leganger Juul Sørensen
Bertrand Marie Vaz
Laurent Weber

Executive Board

Casper Leganger Juul Sørensen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SFK Food A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

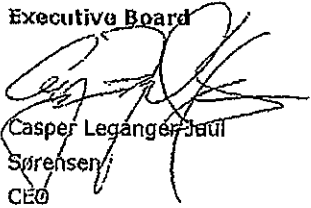
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.


Stilling, 26.05.2017

Executive Board

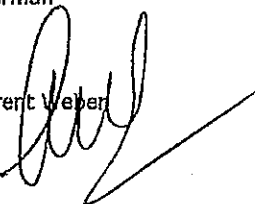


Casper Leganger Juul
Sørensen
CEO

Board of Directors



Eric Henri Jacques Terré
Chairman



Laurent Weber



Casper Leganger Juul Sørensen



Bertrand Marie Vaz

Independent auditor's report

To the shareholders of SFK Food A/S

Opinion

We have audited the financial statements of SFK Food A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 26.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Jacob Nørmark

State Authorised Public Accountant

Management commentary

	2016	2014/15	2013/14	2012/13	2011/12
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key figures					
Revenue	360.208	430.107	326.626	338.851	0
Gross profit/loss	78.442	90.291	64.932	67.685	0
Operating profit/loss	15.809	14.923	(362)	15.415	(37)
Net financials	(2.920)	(1.418)	(2.520)	(4.276)	5.544
Profit/loss for the year	9.658	9.714	(3.630)	7.329	5.511
Total assets	179.725	185.809	199.588	222.513	102.514
Investments in property, plant and equipment	2.057	2.371	10.478	27.844	0
Equity	100.821	90.943	99.757	105.763	102.484
Ratios					
Gross margin (%)	21,8	21,0	19,9	20,0	-
Net margin (%)	2,7	2,3	(1,1)	2,2	-
Return on equity (%)	10,1	10,2	(3,5)	7,0	5,4
Equity ratio (%)	56,1	48,9	50,0	47,5	100,0

The financial highlights for 2014/15 is not directly comparable to the comparative figures, as the financial year was extended and covered the period 01.10.2014-31.12.2015, equal to 15 months, whereas the other year's figures covers a period equal to 12 months each.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

SFK Food A/S' primary activity is to manufacture blends of spices and functional ingredients and to sell spices, ingredients, additives, intestine etc. for the industrial market in and outside Denmark. SFK Food A/S is also a full-line supplier of spices, spice blends, marinades, packaging, intestine and hand tools for butchers as well as for butcher and food specialty stores in the Danish retail sector.

Development in activities and finances

The considerable resources spent in the last financial year on optimisation of the Company's future business model as part of the Solina Group have resulted in considerable progress in revenue as well as earnings. As appears from the statement by Management on the annual report, the financial statements for 2016 cover a period of 12 months, whereas the financial statements 2014-15 cover a period of 15 months. When adjusting for the difference in period, revenue for 2016 has increased by 4.7%, whereas earnings have increased by 24.3%.

Also in 2016, considerable management resources were spent on the establishment of a Nordic region structure within the Solina Group. The Danish company has made considerable contributions within management, sales, development, quality, purchase and finances to set up an even closer and more efficient cooperation across the Nordic countries (incl. the Baltic and CIS states).

Development and profit for the year are considered to be at a satisfactory level.

Outlook

Management is looking forward to continued positive development in the coming financial years when significant synergies, see above integration efforts, are expected to be realised. Moreover, increasing sales are anticipated from a targeted effort towards international and regional key accounts, selected, untapped market segments and general cross-selling activities in which the Company can profit from Solina Group's wide product portfolio.

During 2016, the Company also spent considerable resources on investments in product development in the long term as well as short term from which considerable future benefits are expected to flow to the Company.

Statutory report on corporate social responsibility

The Company has joined the UN Global Compact. The progress report prepared is publicly accessible using the following link:

https://www.solina-retail.dk/Files/Images/Solina/F%C3%B8devareroversigt/CSR_report_UN_Global_Compact.pdf

Statutory report on the underrepresented gender

It is important to SFK Foods A/S to avoid any kind of discrimination in all parts of the enterprise - in Denmark as well as abroad. It is SFK Food A/S' aim that the specific conditions, including working conditions, comply with group policies and with relevant local conditions.

Management commentary

Employment with SFK Food A/S is always based on the actual competences for which reason recruitment, promotions and dismissals are never affected by the applicant's or the employee's race, ethnic or social background, gender, religion etc. Our recruitment and promotion processes always pay regard to these targets. SFK Food A/S wants the composition of the total workforce of employees and executives to be broad and diversified as we believe this to foster innovation and development and to be a basic condition for continued business success.

SFK Foods AIS has prepared a policy for equality in the different management bodies of the enterprise with the purpose of securing more female representatives in Management. Thus, it is the Company's target that at least one woman joins the Company's Board of Directors by the end of year 2020. At present, there are no women represented on the Board of Directors. Another target is that the Company's management group consists of 30% women as a minimum, also by the end of year 2020. At present, there is one woman represented in the management group, which is equal to 11%.

Events after the balance sheet date

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

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2014/15 DKK</u>
Revenue	1	360.208.347	430.106.737
Cost of sales		(231.019.170)	(278.849.315)
Production costs	2, 3	<u>(50.747.183)</u>	<u>(60.966.819)</u>
Gross profit/loss		78.441.994	90.290.603
Distribution costs	2, 3	(45.274.063)	(54.527.055)
Administrative costs	2, 3	<u>(17.359.147)</u>	<u>(20.840.700)</u>
Operating profit/loss		15.808.784	14.922.848
Income from investments in group enterprises		(675.157)	(452.832)
Other financial income	4	0	978.135
Other financial expenses	5	<u>(2.244.991)</u>	<u>(1.943.257)</u>
Profit/loss before tax		12.888.636	13.504.894
Tax on profit/loss for the year	6	<u>(3.230.795)</u>	<u>(3.791.305)</u>
Profit/loss for the year	7	<u>9.657.841</u>	<u>9.713.589</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2014/15 DKK</u>
Completed development projects		2.995.928	0
Acquired intangible assets		<u>21.191.741</u>	<u>29.807.536</u>
Intangible assets	8	<u>24.187.669</u>	<u>29.807.536</u>
Plant and machinery		18.040.967	23.538.613
Other fixtures and fittings, tools and equipment		2.516.717	4.028.131
Leasehold improvements		12.228.103	13.742.210
Property, plant and equipment in progress		<u>1.457.530</u>	<u>571.909</u>
Property, plant and equipment	9	<u>34.243.317</u>	<u>41.880.863</u>
Investments in group enterprises		4.302.325	4.757.358
Other receivables		<u>2.212.238</u>	<u>2.147.811</u>
Fixed asset investments	10	<u>6.514.563</u>	<u>6.905.169</u>
Fixed assets		<u>64.945.549</u>	<u>78.593.568</u>
Raw materials and consumables		40.735.524	44.896.180
Manufactured goods and goods for resale		<u>8.530.661</u>	<u>4.697.268</u>
Inventories		<u>49.266.185</u>	<u>49.593.448</u>
Trade receivables		56.595.783	55.236.606
Receivables from group enterprises		614.271	449.503
Other receivables		519.631	516.152
Income tax receivable		1.678.169	195.761
Prepayments	11	<u>953.494</u>	<u>860.481</u>
Receivables		<u>60.361.348</u>	<u>57.258.503</u>
Cash		<u>5.151.919</u>	<u>363.753</u>
Current assets		<u>114.779.452</u>	<u>107.215.704</u>
Assets		<u>179.725.001</u>	<u>185.809.272</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2014/15 DKK</u>
Contributed capital	12	500.000	500.000
Reserve for development expenditure		2.336.824	0
Retained earnings		<u>97.984.532</u>	<u>90.443.390</u>
Equity		<u>100.821.356</u>	<u>90.943.390</u>
Deferred tax	13	<u>7.100.000</u>	<u>9.082.000</u>
Provisions		<u>7.100.000</u>	<u>9.082.000</u>
Finance lease liabilities		2.028.765	2.945.754
Payables to group enterprises		<u>17.922.160</u>	<u>21.660.324</u>
Non-current liabilities other than provisions	14	<u>19.950.925</u>	<u>24.606.078</u>
Current portion of long-term liabilities other than provisions	14	1.134.100	1.416.066
Bank loans		1.604.952	2.323.857
Trade payables		23.433.361	26.572.928
Payables to group enterprises		7.395.862	14.012.624
Other payables		<u>18.284.445</u>	<u>16.852.329</u>
Current liabilities other than provisions		<u>51.852.720</u>	<u>61.177.804</u>
Liabilities other than provisions		<u>71.803.645</u>	<u>85.783.882</u>
Equity and liabilities		<u>179.725.001</u>	<u>185.809.272</u>
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Mortgages and securities	18		
Related parties with controlling interest	19		
Group relations	20		

Statement of changes in equity for 2016

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	0	90.443.390	90.943.390
Exchange rate adjustments	0	0	220.125	220.125
Profit/loss for the year	0	2.336.824	7.321.017	9.657.841
Equity end of year	500.000	2.336.824	97.984.532	100.821.356

Cash flow statement 2016

	<u>Notes</u>	<u>2016</u> <u>DKK</u>	<u>2014/15</u> <u>DKK</u>
Operating profit/loss		15.808.784	14.922.848
Amortisation, depreciation and impairment losses		18.909.098	24.782.250
Working capital changes	15	<u>(9.617.386)</u>	<u>9.445.836</u>
Cash flow from ordinary operating activities		25.100.496	49.150.934
Financial income received		0	978.135
Financial income paid		(2.244.991)	(1.943.257)
Income taxes refunded/(paid)		<u>(6.695.203)</u>	<u>(17.966.868)</u>
Cash flows from operating activities		16.160.302	30.218.944
Acquisition etc of intangible assets		(3.595.114)	0
Acquisition etc of property, plant and equipment		(2.056.571)	(2.371.118)
Sale of property, plant and equipment		0	418.000
Acquisition of fixed asset investments		<u>(64.427)</u>	<u>(3.792.589)</u>
Cash flows from investing activities		(5.716.112)	(5.745.707)
Instalments on loans etc		(3.738.164)	0
Incurrence of debt to group enterprises		0	21.660.324
Reduction of lease commitments		(1.198.955)	(1.952.945)
Dividend paid		<u>0</u>	<u>(17.922.154)</u>
Cash flows from financing activities		(4.937.119)	1.785.225
Increase/decrease in cash and cash equivalents		5.507.071	26.258.462
Cash and cash equivalents beginning of year		<u>(1.960.104)</u>	<u>(28.218.566)</u>
Cash and cash equivalents end of year		3.546.967	(1.960.104)
Cash and cash equivalents at year-end are composed of:			
Cash		5.151.919	363.753
Short-term debt to banks		<u>(1.604.952)</u>	<u>(2.323.857)</u>
Cash and cash equivalents end of year		3.546.967	(1.960.104)

Notes

	2016	2014/15
	DKK	DKK
1. Revenue		
Denmark	274.496.251	337.143.099
Other EU Countries	30.774.356	30.286.252
Other Countries	54.937.740	62.677.386
	360.208.347	430.106.737
	2016	2014/15
	DKK	DKK
2. Staff costs		
Wages and salaries	48.138.338	56.920.378
Pension costs	3.537.732	4.466.573
Other social security costs	787.235	673.211
Staff costs classified as assets	(306.340)	43.366
	52.156.965	62.103.528
Average number of employees	105	104

Referring to S. 98b, 3 of the Danish Financial Statement Act, disclosures on management's remuneration have been omitted.

	2016	2014/15
	DKK	DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	9.214.981	12.553.335
Depreciation on property, plant and equipment	9.694.117	12.238.271
Profit/loss from sale of intangible assets and property, plant and equipment	0	(9.356)
	18.909.098	24.782.250
	2016	2014/15
	DKK	DKK
4. Other financial income		
Interest income	0	1.556
Other financial income	0	976.579
	0	978.135

Notes

	2016	2014/15
	DKK	DKK
5. Other financial expenses		
Financial expenses from group enterprises	1.734.889	768.793
Interest expenses	336.379	628.634
Other financial expenses	173.723	545.830
	2.244.991	1.943.257
	2016	2014/15
	DKK	DKK
6. Tax on profit/loss for the year		
Tax on current year taxable income	5.295.217	7.832.305
Change in deferred tax for the year	(1.982.000)	(4.041.000)
Adjustment concerning previous years	(82.422)	0
	3.230.795	3.791.305
	2016	2014/15
	DKK	DKK
7. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	0	17.922.154
Transferred to other reserves	2.336.824	0
Retained earnings	7.321.017	(8.208.565)
	9.657.841	9.713.589
	Completed	Acquired
	develop-	intangibile
	ment	assets
	projects	DKK
	DKK	DKK
8. Intangible assets		
Cost beginning of year	0	63.929.253
Additions	3.595.114	0
Cost end of year	3.595.114	63.929.253
Amortisation and impairment losses beginning of year	0	(34.121.717)
Amortisation for the year	(599.186)	(8.615.795)
Amortisation and impairment losses end of year	(599.186)	(42.737.512)
Carrying amount end of year	2.995.928	21.191.741

Notes

	Plant and machinery DKK	Other fixtures, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
9. Property, plant and equipment				
Cost beginning of year	40.143.439	11.301.102	17.622.055	571.909
Transfers	283.111	838.215	14.556	(1.135.882)
Additions	27.978	0	7.090	2.021.503
Cost end of year	40.454.528	12.139.317	17.643.701	1.457.530
Depreciation and impairment losses beginning of the year	(16.604.826)	(7.272.971)	(3.879.845)	0
Depreciation for the year	(5.808.735)	(2.349.629)	(1.535.753)	0
Depreciation and impairment losses end of the year	(22.413.561)	(9.622.600)	(5.415.598)	0
Carrying amount end of year	18.040.967	2.516.717	12.228.103	1.457.530
Recognised assets not owned by entity	4.041.565	-	-	-

Notes

	Investments in group enterprises DKK	Other receivables DKK
10. Fixed asset investments		
Cost beginning of year	7.045.163	2.147.811
Additions	0	64.427
Cost end of year	7.045.163	2.212.238
Impairment losses beginning of year	(2.287.805)	0
Exchange rate adjustments	220.125	0
Amortisation of goodwill	(429.337)	0
Share of profit/loss for the year	(245.821)	0
Impairment losses end of year	(2.742.838)	0
Carrying amount end of year	4.302.325	2.212.238
		Equity inte- rest %
	Registered in	
Investments in group enterprises comprise:		
Solina Norway AS	Norway	100,0

11. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	Number	Par value DKK	Nominal value DKK
12. Contributed capital			
Ordinary Shares	500	1000	500.000
	500		500.000

Notes

	2016	2014/15
	DKK	DKK
13. Deferred tax		
Intangible assets	5.284.000	6.508.000
Property, plant and equipment	1.816.000	2.574.000
	7.100.000	9.082.000

Changes during the year

Beginning of year	9.082.000
Recognised in the income statement	(1.982.000)
End of year	7.100.000

	Instalments within 12 months 2016 DKK	Instalments within 12 months 2014/15 DKK	Instalments beyond 12 months 2016 DKK
14. Liabilities other than provisions			
Finance lease liabilities	1.134.100	1.416.066	2.028.765
Payables to group enterprises	0	0	17.922.160
	1.134.100	1.416.066	19.950.925

	2016	2014/15
	DKK	DKK
15. Change in working capital		
Increase/decrease in inventories	327.263	(7.301.031)
Increase/decrease in receivables	(1.621.437)	1.427.009
Increase/decrease in trade payables etc	(8.323.212)	15.319.858
	(9.617.386)	9.445.836

	2016	2014/15
	DKK	DKK
16. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	45.131.060	49.791.215

17. Contingent liabilities

The Company participates in a Danish joint taxation agreement in which Holding Solina Denmark ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act

Notes

the Company is therefore liable from 1 July 2012 for obligations, of any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxes companies.

18. Mortgages and securities

Certain plant and machinery as well as other fixtures, etc have been financed by means of finance leases.

The carrying amount of assets held under finance leases amounts to DKK 4.041.565.

The company has provided a floating charge to Sydbank A/S of DKK 95.000.000. The floating charge is granted on unsecured claims, inventories operating equipment as well as intellectual property rights.

19. Related parties with controlling interest

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Holding Solina Denmark ApS, Skanderborg

20. Group relations

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

Holding Solina Denmark ApS, Skanderborg

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared, as SFK Food A/S is part of the consolidated financial statements for Holding Solina Denmark ApS.

Non-comparability

The financial year 2014/15 was an extended financial year that covered the period 01.10.2014-31.12.2015, equal to 15 months, whereas this year's figures cover the period 01.01.2016-31.12.2016, equal to 12 months. Consequently, this year's figures are not directly comparable to the comparative figures in the income statement.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Accounting policies

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative costs comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

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

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Accounting policies

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights.

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

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

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement. The amortisation periods used are 3-7 years.

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

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	1-5 years
Leasehold improvements	7-12 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the assets and liabilities acquired. Goodwill is amortised over its estimated useful life which is 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Other financial liabilities

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.