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SFK Food A/S

Niels Bohrs Vej 55
8660 Skanderborg
Business Registration No
34077444

Annual report 2018

The Annual General Meeting adopted the annual report on 30.04.2019

Chairman of the General Meeting

____

Name: Laurent Weber

Contents

Entity details

Entity

SFK Food A/S
Niels Bohrs Vej 55
8660 Skanderborg

Central Business Registration No (CVR): 34077444
Registered in: Skanderborg
Financial year: 01.01.2018 - 31.12.2018

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/Solina%20CSR%202018_final.pdf

Board of Directors

Laurent Weber, chairman
Casper Leganger Juul Sørensen
Bertrand Marie Vaz
Morten Hellesen

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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 30.04.2019

Executive Board

Casper Leganger Juul
Sørensen
CEO

Board of Directors

Laurent Weber chairman	Casper Leganger Juul Sørensen	Bertrand Marie Vaz
Morten Hellesen		

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 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, 30.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Jacob Nørmark
State Authorised Public Accountant
Identification No (MNE) mne30176

Kasper Vestergaard Jessen
State Authorised Public Accountant
Identification No (MNE) mne42784

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Revenue	338.177	345.095	360.230	430.345	326.907
Gross profit/loss	85.005	74.619	78.442	90.291	64.932
Operating profit/loss	25.463	13.321	15.809	14.923	(362)
Net financials	956	155	(2.920)	(1.418)	(2.520)
Profit/loss for the year	20.781	10.431	9.658	9.714	(3.630)
Total assets	172.970	173.536	179.725	185.809	199.588
Investments in property, plant and equipment	2.031	3.047	2.057	2.371	27.844
Equity	116.795	110.895	100.821	90.943	99.757
Ratios					
Gross margin (%)	25,1	21,6	21,8	21,0	19,9
Net margin (%)	6,1	3,0	2,7	2,3	(1,1)
Return on equity (%)	18,3	9,9	10,1	10,2	(3,5)
Equity ratio (%)	67,5	63,9	56,1	48,9	50,0

The financial highlights for 2014/15 is not 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 figures covers a period equal to 12 months each.

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

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	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 Company's income statement for 2018 shows a profit of DKK 20,781, and the Company's balance sheet at 31 December 2018 shows equity of DKK 116,795.

Also in 2018, management resources were spent on the establishment of a Nordic region structure within the Solina Group. The Danish company has made 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).

The resources spent in the last financial year on optimisation of the Company's future business model as part of the Solina Group are expected to contribute to progress in revenue as well as earnings.

Development and profit for the year are considered to be at an acceptable 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.

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 2018, the Company also spent resources on investments in product development in the long term as well as short term from which future benefits are expected to flow to the Company.

Particular risks

Relating to exchange rate risks the company primarily make transactions with customers in either DKK or EUR and thus with minimal exchange rate risk. On the supply side transactions are also made in e.g. USD but risk is minimized by long term contractual agreements.

Statutory report on corporate social responsibility

The Company has joined the UN Global Compact. The publicly accessible UN Global report is compliant with the current CSR legislation for Danish companies and is accessible using the following link:
https://www.solina-retail.dk/Files/Images/Solina/F%C3%B8devareroversigt/Solina%20CSR%202018_final.pdf

Management commentary

Statutory report on the underrepresented gender

Diversity and equality policy

It is important to SFK Food 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.

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. 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 Food A/S has prepared a policy for equality in the different management bodies of the enterprise with the purpose of securing more female representatives in Management. This policy is also known to and complied by our external recruitment partner. In 2018 our recruitment and promotion processes paid regard to these targets. Moreover, 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 but this is based solely on competencies. The board consists of 4 persons.

Another target is that the Company's management group consists of 30% women as a minimum, also by the end of year 2020. We encourage women internally to apply for vacant management positions and the result in 2018 has been that in the past year there have been changes in the management group, and presently there are 3 women represented in the management group (43%).

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 2018

	Notes	2018 DKK	2017 DKK
Revenue	1	338.176.626	345.095.098
Cost of sales		(205.758.359)	(222.752.565)
Production costs	2, 3	(47.413.192)	(47.723.467)
Gross profit/loss		**85.005.075**	**74.619.066**
Distribution costs	2	(43.937.787)	(45.137.294)
Administrative expenses	2, 3	(15.604.302)	(16.160.896)
Operating profit/loss		**25.462.986**	**13.320.876**
Income from investments in group enterprises		1.865.151	909.468
Other financial income	4	0	349.708
Other financial expenses	5	(909.596)	(1.103.700)
Profit/loss before tax		**26.418.541**	**13.476.352**
Tax on profit/loss for the year	6	(5.637.221)	(3.045.428)
Profit/loss for the year	7	**20.781.320**	**10.430.924**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Completed development projects		3.506.435	3.409.224
Acquired intangible assets		5.546.385	12.941.563
Intangible assets	8	**9.052.820**	**16.350.787**
Plant and machinery		11.741.556	13.672.606
Other fixtures and fittings, tools and equipment		1.397.590	1.637.840
Leasehold improvements		9.763.199	10.760.213
Property, plant and equipment in progress		727.043	2.403.258
Property, plant and equipment	9	**23.629.388**	**28.473.917**
Investments in group enterprises		2.919.748	4.854.186
Deposits		2.373.676	2.305.410
Fixed asset investments	10	**5.293.424**	**7.159.596**
Fixed assets		**37.975.632**	**51.984.300**
Raw materials and consumables		29.379.535	43.436.171
Manufactured goods and goods for resale		13.075.400	7.734.150
Prepayments for goods		593.650	0
Inventories		**43.048.585**	**51.170.321**
Trade receivables		50.166.759	51.756.155
Receivables from group enterprises		7.041.489	3.261.809
Other receivables		71.279	326.408
Prepayments	11	1.124.872	944.077
Receivables		**58.404.399**	**56.288.449**
Cash		**33.541.085**	**14.093.010**
Current assets		**134.994.069**	**121.551.780**
Assets		**172.969.701**	**173.536.080**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital	12	500.000	500.000
Reserve for development expenditure		2.735.019	2.659.195
Retained earnings		93.559.582	92.735.488
Proposed dividend		20.000.000	15.000.000
Equity		**116.794.601**	**110.894.683**
Deferred tax	13	2.940.000	4.911.000
Provisions		**2.940.000**	**4.911.000**
Finance lease liabilities		335.864	885.907
Non-current liabilities other than provisions	14	**335.864**	**885.907**
Current portion of long-term liabilities other than provisions	14	548.756	636.621
Bank loans		4.645	1.827.492
Trade payables		28.636.861	31.887.897
Payables to group enterprises		4.470.195	816.106
Joint taxation contribution payable		6.181.221	3.860.849
Other payables		13.057.558	17.815.525
Current liabilities other than provisions		**52.899.236**	**56.844.490**
Liabilities other than provisions		**53.235.100**	**57.730.397**
Equity and liabilities		**172.969.701**	**173.536.080**

Unrecognised rental and lease commitments	16
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Assets charged and collateral	18
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Group relations	21

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	500.000	2.659.195	92.735.488	15.000.000
Ordinary dividend paid	0	0	0	(15.000.000)
Exchange rate adjustments	0	0	118.598	0
Transfer to reserves	0	75.824	(75.824)	0
Profit/loss for the year	0	0	781.320	20.000.000
Equity end of year	**500.000**	**2.735.019**	**93.559.582**	**20.000.000**

	Total DKK
Equity beginning of year	110.894.683
Ordinary dividend paid	(15.000.000)
Exchange rate adjustments	118.598
Transfer to reserves	0
Profit/loss for the year	20.781.320
Equity end of year	**116.794.601**

Cash flow statement for 2018

	Notes	2018 DKK	2017 DKK
Operating profit/loss		25.462.986	13.320.876
Amortisation, depreciation and impairment losses		16.528.849	18.680.154
Working capital changes	15	1.651.302	1.893.464
Cash flow from ordinary operating activities		**43.643.137**	**33.894.494**
Financial income received		0	349.708
Financial expenses paid		(909.596)	(1.103.700)
Income taxes refunded/(paid)		(5.288.279)	304.590
Cash flows from operating activities		**37.445.262**	**33.445.092**
Acquisition etc of intangible assets		(2.355.426)	(2.024.354)
Acquisition etc of property, plant and equipment		(2.030.927)	(3.046.518)
Acquisition of fixed asset investments		(68.266)	(93.172)
Dividends received		3.918.187	0
Cash flows from investing activities		**(536.432)**	**(5.164.044)**
Repayments of loans etc		0	(17.922.160)
Reduction of lease commitments		(637.908)	(1.640.337)
Dividend paid		(15.000.000)	0
Cash flows from financing activities		**(15.637.908)**	**(19.562.497)**
Increase/decrease in cash and cash equivalents		**21.270.922**	**8.718.551**
Cash and cash equivalents beginning of year		12.265.518	3.546.967
Cash and cash equivalents end of year		**33.536.440**	**12.265.518**
Cash and cash equivalents at year-end are composed of:			
Cash		33.541.085	14.093.010
Short-term debt to banks		(4.645)	(1.827.492)
Cash and cash equivalents end of year		**33.536.440**	**12.265.518**

Notes

	2018 DKK	2017 DKK
1. Revenue		
Denmark	258.061.861	263.898.497
Other EU Countries	47.075.366	32.043.944
Other Countries	33.039.399	49.152.657
	338.176.626	**345.095.098**

The revenue is solely derived from one segment.

	2018 DKK	2017 DKK
2. Staff costs		
Wages and salaries	47.912.999	47.748.955
Pension costs	3.517.830	3.558.103
Other social security costs	896.631	924.389
	52.327.460	**52.231.447**
Staff costs classified as assets	(2.355.426)	(2.024.354)
	49.972.034	**50.207.093**
Average number of employees	**100**	**102**

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

	2018 DKK	2017 DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	9.653.393	9.861.236
Depreciation on property, plant and equipment	6.875.456	8.818.918
	16.528.849	**18.680.154**

	2018 DKK	2017 DKK
4. Other financial income		
Other financial income	0	349.708
	0	**349.708**

Notes

	2018 DKK	2017 DKK
5. Other financial expenses		
Financial expenses from group enterprises	0	693.883
Other interest expenses	463.633	311.098
Other financial expenses	445.963	98.719
	909.596	**1.103.700**

	2018 DKK	2017 DKK
6. Tax on profit/loss for the year		
Current tax	7.608.221	5.223.849
Change in deferred tax	(1.971.000)	(2.189.000)
Adjustment concerning previous years	0	10.579
	5.637.221	**3.045.428**

	2018 DKK	2017 DKK
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	20.000.000	15.000.000
Retained earnings	781.320	(4.569.076)
	20.781.320	**10.430.924**

	Completed develop-ment projects DKK	Acquired intangible assets DKK
8. Intangible assets		
Cost beginning of year	5.619.468	63.929.253
Additions	2.355.426	0
Cost end of year	**7.974.894**	**63.929.253**
Amortisation and impairment losses beginning of year	(2.210.244)	(50.987.690)
Amortisation for the year	(2.258.215)	(7.395.178)
Amortisation and impairment losses end of year	**(4.468.459)**	**(58.382.868)**
Carrying amount end of year	**3.506.435**	**5.546.385**

Notes

Completed development projects consists of developed recipes on marinades and spice mixtures. All recipes are included in the company's sales and normal coverings are realized on these. Management has not identified indications of impairment losses in relation to the carrying amount.

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
9. Property, plant and equipment				
Cost beginning of year	41.390.918	13.224.992	17.725.426	2.403.258
Transfers	1.162.002	646.789	573.711	(2.382.502)
Additions	1.057.060	233.525	34.055	706.287
Cost end of year	**43.609.980**	**14.105.306**	**18.333.192**	**727.043**
Depreciation and impairment losses beginning of year	(27.718.312)	(11.587.152)	(6.965.213)	0
Depreciation for the year	(4.150.112)	(1.120.564)	(1.604.780)	0
Depreciation and impairment losses end of year	**(31.868.424)**	**(12.707.716)**	**(8.569.993)**	**0**
Carrying amount end of year	**11.741.556**	**1.397.590**	**9.763.199**	**727.043**
Recognised assets not owned by entity	**804.117**	**-**	**-**	**-**

Notes

	Investments in group enterprises DKK	Deposits DKK
10. Fixed asset investments		
Cost beginning of year	7.045.163	2.305.410
Additions	0	68.266
Disposals	(3.918.187)	0
Cost end of year	**3.126.976**	**2.373.676**
Impairment losses beginning of year	(2.190.977)	0
Exchange rate adjustments	118.598	0
Share of profit/loss for the year	1.894.469	0
Adjustment of intra-group profits	(29.318)	0
Impairment losses end of year	**(207.228)**	**0**
Carrying amount end of year	**2.919.748**	**2.373.676**

	Registered in	Equity interest %
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	1.000	500.000
	500		**500.000**

Notes

	2018 DKK	2017 DKK
13. Deferred tax		
Intangible assets	1.978.000	3.571.000
Property, plant and equipment	962.000	1.340.000
	2.940.000	**4.911.000**

Changes during the year	
Beginning of year	4.911.000
Recognised in the income statement	(1.971.000)
End of year	**2.940.000**

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK
14. Liabilities other than provisions			
Finance lease liabilities	548.756	636.621	335.864
	548.756	**636.621**	**335.864**

Due after more than 5 years amounts to DKK 0.

	2018 DKK	2017 DKK
15. Change in working capital		
Increase/decrease in inventories	8.715.386	(1.904.136)
Increase/decrease in receivables	(2.709.600)	2.394.729
Increase/decrease in trade payables etc	(4.354.484)	1.402.871
	1.651.302	**1.893.464**

	2018 DKK	2017 DKK
16. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**35.679.150**	**41.115.033**

17. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Holding Solina Denmark ApS serves as the administration company. According to the joint taxation provi-sions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any,

Notes

relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial state-ments.

18. Assets charged and collateral
Certain items of 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 is DKK 804,117.

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
Holding Solina Denmark ApS owns all shares in the Entity and therefore has the controlling interest of the Entity.
Solina Belgium NV/SA, Belgium, owns all shares in Holding Solina Denmark ApS and thus has the controlling interest of this.
Solina France SaS, France, owns all shares in Solina Belgium NV/SA and thus has the controlling interest of this.
Holding Solina SaS, France, owns all shares in Solina France SaS and thus has the controlling interest of this.
Solina Corporate SaS, France, owns all shares in Holding Solina SaS and thus has the controlling interest of this.

20. Transactions with related parties
All transactions with related parties are made on market terms.

21. Group relations
Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Solina Corporate SaS, France
Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Holding Solina Denmark ApS, Stilling

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 (large).

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

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.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

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

Accounting policies

at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

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 or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

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

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

The Entity is jointly taxed with Holding Solina Denmark ApS. 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 3 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.

Accounting policies

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.

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 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 asses 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.

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.

Accounting policies

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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

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.

Accounting policies

Joint taxation contributions payable or receivable
Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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.

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.