



## SFK Food A/S

Niels Bohrs Vej 55  
8660 Skanderborg  
CVR No. 34077444

## Annual report 2022

The Annual General Meeting adopted the  
annual report on 04.05.2023

---

**Hans Christensen**

Chairman of the General Meeting

# Contents

Entity details	2
Statement by Management on the annual report	3
Independent auditor's report	4
Management commentary	7
Consolidated income statement for 2022	11
Consolidated balance sheet at 31.12.2022	12
Consolidated statement of changes in equity for 2022	14
Consolidated cash flow statement for 2022	15
Notes to consolidated financial statements	17
Parent income statement for 2022	23
Parent balance sheet at 31.12.2022	24
Parent statement of changes in equity for 2022	26
Notes to parent financial statements	27
Accounting policies	32

# Entity details

## Entity

SFK Food A/S

Niels Bohrs Vej 55

8660 Skanderborg

Business Registration No.: 34077444

Registered office: Skanderborg

Financial year: 01.01.2022 - 31.12.2022

## Statutory reports on the Entity's website

Statutory report on corporate social responsibility: <https://www.solina-retail.dk/foedevareoversigt/sammenslutninger>

## Board of Directors

Adam Paul Jones

Maria Elza M Van Troys

Hans Christensen

## Executive Board

Hans Christensen

## 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 01.01.2022 - 31.12.2022.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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, 04.05.2023

## Executive Board

**Hans Christensen**

## Board of Directors

**Adam Paul Jones**

**Maria Elza M Van Troys**

**Hans Christensen**

# Independent auditor's report

## To the shareholders of SFK Food A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of SFK Food A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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 consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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, 04.05.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Jacob Nørmark**

State Authorised Public Accountant  
Identification No (MNE) mne30176

**Anders Larsen**

State Authorised Public Accountant  
Identification No (MNE) mne47818

# Management commentary

## Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	381,203	348,445	327,330	330,047	361,042
Gross profit/loss	112,359	109,119	99,562	95,874	95,962
Operating profit/loss	26,523	27,771	26,243	25,619	28,013
Net financials	(3,731)	(674)	(3,796)	(4,860)	(5,700)
Profit/loss for the year	17,834	21,116	17,538	15,926	17,097
Balance sheet total	195,068	161,635	144,876	163,761	177,273
Investments in property, plant and equipment	3,707	2,641	1,198	1,931	2,031
Equity	47,331	102,340	21,566	39,425	31,462
Average number of employees	121	114	107	107	108
<b>Ratios</b>					
Gross margin (%)	29.47	31.32	30.42	29.05	26.58
Net margin (%)	4.68	6.06	5.36	4.83	4.74
Return on equity (%)	23.83	34.08	57.51	44.93	58.64
Equity ratio (%)	24.26	63.32	14.89	24.07	17.75

The comparison figures regarding financial year 2018-2020 are from the previous consolidated financial statement, as the previous Parent company has been liquidated in 2022 but the activity in the ongoing group is equivalent to the comparison figures and therefore these are stated.

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

### Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

### Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity



**Equity ratio (%):**

Equity \* 100

Balance sheet total

### Primary activities

SFK Food A/S` primary activities 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 materials, 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 2022 shows a profit of DKK mio. 17,8 and the Company`s balance sheet on 31 December 2022 shows equity of DKK mio. 47,3.

The resources spent in the previous financial year on optimization of the Company`s future business model as part of the Solina Group is expected to contribute to progress in revenue as well as earnings.

In corporation with the Solina Group the Group organization in Denmark/Norway have been restructured by liquidating SFK Holding A/S and hence the Company has taken over the liabilities towards the shareholder Solina Belgium NV/SA.

To sustain the market position in Norway the Company has acquired the Norwegian company Den Norske Kryddermølle who has manufacturing activities within blends of spices and thereby expecting to expand our business potential in Norway.

During 2022, Management, the enterprise, suppliers, and customers have responded and adapted to the continued inflation situation. Consequently, Management has estimated that there is no need to change the planned ambitions entering 2023. Fast progresses are implemented concerning sustainability. The company are now able to measure the CO2 discharge (within scop 1, 2 and part of 3) on a monthly basis, have made a roadmap with activities to reduce CO2, and involved all employees in the sustainability agenda.

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

### Profit/loss for the year in relation to expected developments

The realized profit for the year is below what was expected. However, development and profit for the year are at an acceptable level seen in the light of the back of the Covid-19 pandemic, war in Ukraine and the drastic increase in both general inflation but specifically inflation on all raw materials. Net sales grew primarily driven by price increases. Profit is impacted by the withdrawal from the Russian market.

### Outlook

Management is looking forward to a positive development in the coming financial year. Increasing sales are anticipated from a targeted effort in terms of product development with current customers and innovation initiatives in new product segments with potential new customers.

The company will also benefit from more intercompany activity based on Solina Group`s worldwide product portfolio.

Revenue is expected to grow moderately with 4-5% in 2023 whereby profit is expected to increase in the range of 5-8%.

The drastic increase in raw material prices and a general high inflation (cost increases) through 2022 continues into 2023. This has resulted in increased uncertainty about future customer demand, our supply chain, and our future ability to deliver to our customers. However, none of these uncertainties had significant impact in 2022.

#### **Statutory report on corporate social responsibility**

The Group has joined the UN Global Compact. The publicly accessible UN Global report is compliant with the current CSR legislation for Danish companies according to Section 99a of the Danish Financial Statement Act and can be read by the following link: <https://www.solina-retail.dk/foedevareoversigt/sammenslutninger>

#### **Statutory report on the underrepresented gender**

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 applicants or the employees' 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 2022 our recruitment and promotion processes paid regards to these targets. The Board of directors consists of 3 persons where off 1 female representative and the local management group consists of 6 persons where off 1 female representative. Our targets for both groups are +30% women as a minimum.

#### **Statutory report on data ethics policy**

The company have not made a written politic for data ethics, since the Group does not collect or process external data by use of artificial intelligence or by certain algorithms. Those costumer data which are processed by the company are covered by the Data Protection Act and handled in accordance with applicable law.

#### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which expect to influence the evaluation of the annual report. The continued war in Ukraine and inflation is not expected to have impact of the annual report even it is difficult to predict the uncertainties that such unforeseen events can bring in the future.

# Consolidated income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue	1	381,203,275	348,445,159
Cost of sales		(221,251,132)	(195,437,755)
Production costs		(47,593,159)	(43,888,681)
<b>Gross profit/loss</b>		<b>112,358,984</b>	<b>109,118,723</b>
Distribution costs		(60,538,029)	(52,459,818)
Administrative expenses	2	(25,744,241)	(28,887,745)
Other operating income		446,618	0
<b>Operating profit/loss</b>		<b>26,523,332</b>	<b>27,771,160</b>
Other financial income	5	638,150	48,000
Other financial expenses	6	(4,369,176)	(722,381)
<b>Profit/loss before tax</b>		<b>22,792,306</b>	<b>27,096,779</b>
Tax on profit/loss for the year	7	(4,958,210)	(5,980,460)
<b>Profit/loss for the year</b>	8	<b>17,834,096</b>	<b>21,116,319</b>

# Consolidated balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	10	4,525,261	3,553,883
Acquired intangible assets		0	0
Goodwill		10,110,895	0
<b>Intangible assets</b>	9	<b>14,636,156</b>	<b>3,553,883</b>
Plant and machinery		3,421,029	3,377,238
Other fixtures and fittings, tools and equipment		497,980	467,171
Leasehold improvements		4,347,603	5,259,667
Property, plant and equipment in progress		2,175,452	2,175,452
<b>Property, plant and equipment</b>	11	<b>10,442,064</b>	<b>11,279,528</b>
Deposits		3,006,628	2,977,068
<b>Financial assets</b>	12	<b>3,006,628</b>	<b>2,977,068</b>
<b>Fixed assets</b>		<b>28,084,848</b>	<b>17,810,479</b>
Raw materials and consumables		56,235,940	35,994,522
Manufactured goods and goods for resale		12,339,411	12,570,261
<b>Inventories</b>		<b>68,575,351</b>	<b>48,564,783</b>
Trade receivables		54,673,474	55,057,096
Receivables from group enterprises		10,147,505	2,421,303
Other receivables		799,004	178,701
Prepayments	13	1,190,147	1,915,828
<b>Receivables</b>		<b>66,810,130</b>	<b>59,572,928</b>
<b>Cash</b>		<b>31,597,321</b>	<b>35,687,125</b>
<b>Current assets</b>		<b>166,982,802</b>	<b>143,824,836</b>
<b>Assets</b>		<b>195,067,650</b>	<b>161,635,315</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Contributed capital	14	500,000	500,000
Retained earnings		46,830,920	29,340,121
Proposed dividend for the financial year		0	72,500,000
<b>Equity</b>		<b>47,330,920</b>	<b>102,340,121</b>
Deferred tax	15	771,623	665,000
<b>Provisions</b>		<b>771,623</b>	<b>665,000</b>
Payables to group enterprises		84,723,721	0
<b>Non-current liabilities other than provisions</b>	16	<b>84,723,721</b>	<b>0</b>
Bank loans		2,897,976	248,408
Trade payables		30,127,520	31,092,363
Payables to group enterprises		11,946,025	5,359,211
Tax payable		4,553,137	1,198,466
Joint taxation contribution payable		0	5,129,273
Other payables	17	12,716,728	15,602,473
<b>Current liabilities other than provisions</b>		<b>62,241,386</b>	<b>58,630,194</b>
<b>Liabilities other than provisions</b>		<b>146,965,107</b>	<b>58,630,194</b>
<b>Equity and liabilities</b>		<b>195,067,650</b>	<b>161,635,315</b>
Staff costs	3		
Amortisation, depreciation and impairment losses	4		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Transactions with related parties	22		
Subsidiaries	23		

# Consolidated statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Proposed dividend for the financial year DKK	Total DKK
Equity beginning of year	500,000	29,340,121	72,500,000	102,340,121
Ordinary dividend paid	0	0	(72,500,000)	(72,500,000)
Exchange rate adjustments	0	(343,297)	0	(343,297)
Profit/loss for the year	0	17,834,096	0	17,834,096
<b>Equity end of year</b>	<b>500,000</b>	<b>46,830,920</b>	<b>0</b>	<b>47,330,920</b>

# Consolidated cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		26,523,332	27,771,160
Amortisation, depreciation and impairment losses		9,037,081	7,483,493
Working capital changes	18	(24,833,673)	(6,511,383)
<b>Cash flow from ordinary operating activities</b>		<b>10,726,740</b>	<b>28,743,270</b>
Financial income received		638,150	48,000
Financial expenses paid		(4,369,176)	(722,381)
Taxes refunded/(paid)		(6,626,189)	(2,067,517)
<b>Cash flows from operating activities</b>		<b>369,525</b>	<b>26,001,372</b>
Acquisition etc. of intangible assets		(3,118,149)	(2,390,724)
Acquisition etc. of property, plant and equipment		(3,706,749)	(2,641,071)
Acquisition of fixed asset investments		(50,725)	(51,818)
Acquisition of enterprises		(12,456,995)	0
<b>Cash flows from investing activities</b>		<b>(19,332,618)</b>	<b>(5,083,613)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(18,963,093)</b>	<b>20,917,759</b>
Incurrance of debt to group enterprises		84,723,721	0
Dividend paid		(72,500,000)	0
Changes in short term bank debt		2,649,568	(1,435,738)
<b>Cash flows from financing activities</b>		<b>14,873,289</b>	<b>(1,435,738)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(4,089,804)</b>	<b>19,482,021</b>



Cash and cash equivalents beginning of year	35,687,125	15,756,899
Currency translation adjustments of cash and cash equivalents	0	448,205
<b>Cash and cash equivalents end of year</b>	<b>31,597,321</b>	<b>35,687,125</b>

---

Cash and cash equivalents at year-end are composed of:

Cash	31,597,321	35,687,125
<b>Cash and cash equivalents end of year</b>	<b>31,597,321</b>	<b>35,687,125</b>

---

# Notes to consolidated financial statements

## 1 Revenue

	2022 DKK	2021 DKK
Denmark	293,781,494	262,583,921
Other EU Countries	26,898,107	19,784,381
Other Countries	60,523,674	66,076,857
<b>Total revenue by geographical market</b>	<b>381,203,275</b>	<b>348,445,159</b>

Revenue is solely derived from one segment.

## 2 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK	2021 DKK
Statutory audit services	225,000	220,000
Other assurance engagements	20,000	22,500
Tax services	194,810	51,000
Other services	20,000	25,000
	<b>459,810</b>	<b>318,500</b>

## 3 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	64,239,807	63,124,204
Pension costs	4,849,084	4,481,401
Other social security costs	1,761,399	1,493,914
	<b>70,850,290</b>	<b>69,099,519</b>
Staff costs classified as assets	(3,674,306)	(2,390,724)
	<b>67,175,984</b>	<b>66,708,795</b>

Average number of full-time employees	<b>121</b>	<b>114</b>
---------------------------------------	------------	------------

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

**4 Depreciation, amortisation and impairment losses**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	4,492,871	2,524,639
Depreciation on property, plant and equipment	4,544,210	4,958,854
	<b>9,037,081</b>	<b>7,483,493</b>

**5 Other financial income**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Exchange rate adjustments	48,000	48,000
Other financial income	590,150	0
	<b>638,150</b>	<b>48,000</b>

**6 Other financial expenses**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	2,542,607	0
Other interest expenses	407,084	462,630
Other financial expenses	1,419,485	259,751
	<b>4,369,176</b>	<b>722,381</b>

**7 Tax on profit/loss for the year**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	4,851,188	6,299,460
Change in deferred tax	107,022	(319,000)
	<b>4,958,210</b>	<b>5,980,460</b>

**8 Proposed distribution of profit/loss**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Ordinary dividend for the financial year	0	72,500,000
Retained earnings	17,834,096	(51,383,681)
	<b>17,834,096</b>	<b>21,116,319</b>

## 9 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	15,462,840	63,929,253	0
Additions	3,118,149	0	12,456,995
<b>Cost end of year</b>	<b>18,580,989</b>	<b>63,929,253</b>	<b>12,456,995</b>
Amortisation and impairment losses beginning of year	(11,908,957)	(63,929,253)	0
Amortisation for the year	(2,146,771)	0	(2,346,100)
<b>Amortisation and impairment losses end of year</b>	<b>(14,055,728)</b>	<b>(63,929,253)</b>	<b>(2,346,100)</b>
<b>Carrying amount end of year</b>	<b>4,525,261</b>	<b>0</b>	<b>10,110,895</b>

## 10 Development projects

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.

## 11 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	45,424,859	15,437,041	18,814,970	2,175,452
Additions	2,605,960	371,943	728,843	0
<b>Cost end of year</b>	<b>48,030,819</b>	<b>15,808,984</b>	<b>19,543,813</b>	<b>2,175,452</b>
Depreciation and impairment losses beginning of year	(42,047,621)	(14,969,870)	(13,555,303)	0
Depreciation for the year	(2,562,169)	(341,134)	(1,640,907)	0
<b>Depreciation and impairment losses end of year</b>	<b>(44,609,790)</b>	<b>(15,311,004)</b>	<b>(15,196,210)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3,421,029</b>	<b>497,980</b>	<b>4,347,603</b>	<b>2,175,452</b>

## 12 Financial assets

	Deposits DKK
Cost beginning of year	2,977,068
Additions	50,725
<b>Cost end of year</b>	<b>3,027,793</b>
Exchange rate adjustments	(21,165)
<b>Impairment losses end of year</b>	<b>(21,165)</b>
<b>Carrying amount end of year</b>	<b>3,006,628</b>

### 13 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. 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.

### 14 Contributed capital

	Number	Par value DKK	Nominal value DKK
Ordinary shares	500	1,000.00	500,000
	<b>500</b>		<b>500,000</b>

### 15 Deferred tax

	2021 DKK
Intangible assets	782,000
Property, plant and equipment	(117,000)
<b>Deferred tax</b>	<b>665,000</b>

Changes during the year	2021 DKK
Beginning of year	984,000
Recognised in the income statement	(319,000)
<b>End of year</b>	<b>665,000</b>

### 16 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK
Payables to group enterprises	84,723,721
	<b>84,723,721</b>

Outstanding after 5 years will be 0 DKK.

**17 Other payables**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
VAT and duties	3,827,217	4,531,884
Wages and salaries, personal income taxes, social security costs, etc. payable	4,979,394	5,443,527
Holiday pay obligation	2,651,035	2,683,783
Other costs payable	1,259,082	2,943,279
	<b>12,716,728</b>	<b>15,602,473</b>

**18 Changes in working capital**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Increase/decrease in inventories	(20,010,568)	(5,951,111)
Increase/decrease in receivables	(7,237,202)	3,691,066
Increase/decrease in trade payables etc.	2,414,097	(4,251,338)
	<b>(24,833,673)</b>	<b>(6,511,383)</b>

**19 Unrecognised rental and lease commitments**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Total liabilities under rental or lease agreements until maturity	<b>23,323,409</b>	<b>24,840,251</b>

**20 Contingent liabilities**

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which the Parent serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends 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 statements.

**21 Assets charged and collateral**

The Company SFK Food A/S 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.

The carrying amount of granted unsecured claims as per 31.12.2022 is DKK 50,096,470

The carrying amount of granted operating equipment as per 31.12.2022 is DKK 9,705,781

The carrying amount of granted inventories as per 31.12.2022 is DKK 66,475,079

The carrying amount of granted intellectual property rights as per 31.12.2022 is DKK 4,525,26

SFK FOOD A/S is part of a joint security with other group enterprises to external debt of 1,105 mEUR. The debt is recognized in a parent company of SFK FOOD A/S.

## 22 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

## 23 Subsidiaries

	<b>Registered in</b>	<b>Corporate form</b>	<b>Ownership %</b>
Solina Norway AS	Norway	AS	100.00

# Parent income statement for 2022

	Notes	2022 DKK	2021 DKK
Revenue	1	350,356,345	319,423,061
Cost of sales		(206,342,645)	(182,401,720)
Production costs		(46,166,051)	(43,808,966)
<b>Gross profit/loss</b>		<b>97,847,649</b>	<b>93,212,375</b>
Distribution costs		(50,128,249)	(45,809,309)
Administrative expenses		(24,807,163)	(25,964,660)
Other operating income		446,618	994,555
<b>Operating profit/loss</b>		<b>23,358,855</b>	<b>22,432,961</b>
Income from investments in group enterprises		1,186,734	4,184,511
Other financial income	4	638,150	48,000
Other financial expenses	5	(2,695,453)	(738,880)
<b>Profit/loss before tax</b>		<b>22,488,286</b>	<b>25,926,592</b>
Tax on profit/loss for the year	6	(4,654,190)	(4,810,273)
<b>Profit/loss for the year</b>	7	<b>17,834,096</b>	<b>21,116,319</b>



# Parent balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	9	4,525,261	3,553,883
Acquired intangible assets		0	0
<b>Intangible assets</b>	8	<b>4,525,261</b>	<b>3,553,883</b>
Plant and machinery		3,421,029	3,377,238
Other fixtures and fittings, tools and equipment		329,317	467,171
Leasehold improvements		3,779,983	5,216,607
Property, plant and equipment in progress		2,175,452	2,175,452
<b>Property, plant and equipment</b>	10	<b>9,705,781</b>	<b>11,236,468</b>
Investments in group enterprises		6,712,058	5,868,621
Deposits		2,618,802	2,568,077
<b>Financial assets</b>	11	<b>9,330,860</b>	<b>8,436,698</b>
<b>Fixed assets</b>		<b>23,561,902</b>	<b>23,227,049</b>
Raw materials and consumables		54,135,668	35,009,262
Manufactured goods and goods for resale		12,339,411	12,570,261
<b>Inventories</b>		<b>66,475,079</b>	<b>47,579,523</b>
Trade receivables		50,096,470	50,013,948
Receivables from group enterprises		11,141,463	8,304,642
Other receivables		165,978	221,760
Joint taxation contribution receivable		739,662	0
Prepayments	12	690,803	1,612,957
<b>Receivables</b>		<b>62,834,376</b>	<b>60,153,307</b>
<b>Cash</b>		<b>25,260,924</b>	<b>29,546,970</b>
<b>Current assets</b>		<b>154,570,379</b>	<b>137,279,800</b>
<b>Assets</b>		<b>178,132,281</b>	<b>160,506,849</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Contributed capital		500,000	500,000
Reserve for net revaluation according to equity method		3,585,082	2,741,645
Reserve for development costs		3,529,704	2,772,029
Retained earnings		39,716,134	23,826,447
Proposed dividend for the financial year		0	72,500,000
<b>Equity</b>		<b>47,330,920</b>	<b>102,340,121</b>
Deferred tax	13	757,000	665,000
<b>Provisions</b>		<b>757,000</b>	<b>665,000</b>
Payables to group enterprises		70,822,021	0
<b>Non-current liabilities other than provisions</b>	14	<b>70,822,021</b>	<b>0</b>
Bank loans		2,897,976	248,408
Trade payables		29,466,009	30,848,690
Payables to group enterprises		11,251,678	8,479,821
Tax payable		5,011,477	5,129,273
Other payables	15	10,595,200	12,795,536
<b>Current liabilities other than provisions</b>		<b>59,222,340</b>	<b>57,501,728</b>
<b>Liabilities other than provisions</b>		<b>130,044,361</b>	<b>57,501,728</b>
<b>Equity and liabilities</b>		<b>178,132,281</b>	<b>160,506,849</b>
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Assets charged and collateral	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

# Parent statement of changes in equity for 2022

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development costs DKK	Retained earnings DKK	Proposed dividend for the year DKK
Equity beginning of year	500,000	2,741,645	2,772,029	23,826,447	72,500,000
Ordinary dividend paid	0	0	0	0	(72,500,000)
Exchange rate adjustments	0	(343,297)	0	0	0
Transfer to reserves	0	0	757,675	(757,675)	0
Profit/loss for the year	0	1,186,734	0	16,647,362	0
<b>Equity end of year</b>	<b>500,000</b>	<b>3,585,082</b>	<b>3,529,704</b>	<b>39,716,134</b>	<b>0</b>

	Total DKK
Equity beginning of year	102,340,121
Ordinary dividend paid	(72,500,000)
Exchange rate adjustments	(343,297)
Transfer to reserves	0
Profit/loss for the year	17,834,096
<b>Equity end of year</b>	<b>47,330,920</b>

# Notes to parent financial statements

## 1 Revenue

	2022 DKK	2021 DKK
Denmark	293,781,494	262,583,921
Other EU Countries	26,898,107	19,761,970
Other Countries	29,676,744	37,077,170
<b>Total revenue by geographical market</b>	<b>350,356,345</b>	<b>319,423,061</b>

Revenue is solely derived from one segment.

## 2 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	60,502,065	61,152,217
Pension costs	4,594,833	4,281,296
Other social security costs	1,102,690	1,065,729
	<b>66,199,588</b>	<b>66,499,242</b>
Staff costs classified as assets	(3,118,149)	(2,390,724)
	<b>63,081,439</b>	<b>64,108,518</b>

Average number of full-time employees	<b>114</b>	<b>109</b>
---------------------------------------	------------	------------

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

## 3 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	2,146,771	2,524,639
Depreciation on property, plant and equipment	4,506,316	4,937,949
	<b>6,653,087</b>	<b>7,462,588</b>

## 4 Other financial income

	2022 DKK	2021 DKK
Financial income from group enterprises	48,000	48,000
Other financial income	590,150	0
	<b>638,150</b>	<b>48,000</b>

## 5 Other financial expenses

	2022 DKK	2021 DKK
Financial expenses from group enterprises	1,924,117	0
Other interest expenses	415,634	462,254
Other financial expenses	355,702	276,626
	<b>2,695,453</b>	<b>738,880</b>

## 6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	4,562,190	5,129,273
Change in deferred tax	92,000	(319,000)
	<b>4,654,190</b>	<b>4,810,273</b>

## 7 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Ordinary dividend for the financial year	0	72,500,000
Retained earnings	17,834,096	(51,383,681)
	<b>17,834,096</b>	<b>21,116,319</b>

## 8 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK
Cost beginning of year	15,462,840	63,929,253
Additions	3,118,149	0
<b>Cost end of year</b>	<b>18,580,989</b>	<b>63,929,253</b>
Amortisation and impairment losses beginning of year	(11,908,957)	(63,929,253)
Amortisation for the year	(2,146,771)	0
<b>Amortisation and impairment losses end of year</b>	<b>(14,055,728)</b>	<b>(63,929,253)</b>
<b>Carrying amount end of year</b>	<b>4,525,261</b>	<b>0</b>

## 9 Development projects

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.

## 10 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	45,424,859	15,410,412	18,688,613	2,175,452
Additions	2,605,960	226,259	143,410	0
<b>Cost end of year</b>	<b>48,030,819</b>	<b>15,636,671</b>	<b>18,832,023</b>	<b>2,175,452</b>
Depreciation and impairment losses beginning of year	(42,047,621)	(14,943,241)	(13,472,006)	0
Depreciation for the year	(2,562,169)	(364,113)	(1,580,034)	0
<b>Depreciation and impairment losses end of year</b>	<b>(44,609,790)</b>	<b>(15,307,354)</b>	<b>(15,052,040)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>3,421,029</b>	<b>329,317</b>	<b>3,779,983</b>	<b>2,175,452</b>

## 11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	3,126,976	2,568,077
Additions	0	50,725
<b>Cost end of year</b>	<b>3,126,976</b>	<b>2,618,802</b>
Revaluations beginning of year	2,741,645	0
Exchange rate adjustments	(343,297)	0
Share of profit/loss for the year	1,186,734	0
<b>Revaluations end of year</b>	<b>3,585,082</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>6,712,058</b>	<b>2,618,802</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

## 12 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

## 13 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	996,000	782,000
Property, plant and equipment	(239,000)	(117,000)
<b>Deferred tax</b>	<b>757,000</b>	<b>665,000</b>

	<b>2022</b>	<b>2021</b>
<b>Changes during the year</b>	<b>DKK</b>	<b>DKK</b>
Beginning of year	665,000	984,000
Recognised in the income statement	92,000	(319,000)
<b>End of year</b>	<b>757,000</b>	<b>665,000</b>

#### 14 Non-current liabilities other than provisions

	<b>Due after more than 12 months 2022 DKK</b>
Payables to group enterprises	70,822,021
	<b>70,822,021</b>

Outstanding after 5 years will be 0 DKK.

#### 15 Other payables

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
VAT and duties	2,983,445	3,507,453
Wages and salaries, personal income taxes, social security costs, etc. payable	4,045,113	3,915,671
Holiday pay obligation	2,651,035	2,683,783
Other costs payable	915,607	2,688,629
	<b>10,595,200</b>	<b>12,795,536</b>

#### 16 Unrecognised rental and lease commitments

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Total liabilities under rental or lease agreements until maturity	<b>19,568,727</b>	<b>24,244,544</b>

#### 17 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

### **18 Assets charged and collateral**

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.

The carrying amount of granted unsecured claims as per 31.12.2022 is DKK 50,096,470

The carrying amount of granted operating equipment as per 31.12.2022 is DKK 9,705,781

The carrying amount of granted inventories as per 31.12.2022 is DKK 66,475,079

The carrying amount of granted intellectual property rights as per 31.12.2022 is DKK 4,525,261

SFK FOOD A/S is part of a joint security with other group enterprises to external debt of 1,105 mEUR. The debt is recognized in a parent company of SFK FOOD A/S.

### **19 Related parties with controlling interest**

Solina Belgium NV/SA, Belgium owns all shares in the Entity, thus exercising control.

Solina France SaS, France, owns all shares in Solina Belgium NV/SA and thus has the controlling interest of this.

Solina Corporate SaS, France, owns all shares in Solina France SaS and thus has the controlling interest of this.

### **20 Non-arm's length related party transactions**

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.



# 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 consolidated financial statements and parent financial statements are consistent with those applied last year.

The Parent previously have referred to another Parent Company in terms of consolidated financial statement for the Group. As the previous Parent has been liquidated SFK FOOD A/S have adopted the consolidated financial statement with comparison figures.

## 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.

## Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

## Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

### 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 at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

### 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, and 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 writedown 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., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

**Administrative expenses**

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

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**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, and 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 or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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.

**Balance sheet****Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

**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 less deferred tax is taken to equity in the 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 on 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 on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

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

**Property, plant and equipment**

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

	<b>Useful life</b>
Plant and machinery	3
Other fixtures and fittings, tools and equipment	1
Leasehold improvements	3

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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 in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

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

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 on machinery, factory buildings and equipment used in the manufacturing process, and 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.

### **Receivables**

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

### **Joint taxation contributions payable or receivable**

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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.

### **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.

**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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

**Other financial liabilities**

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

**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.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and 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 financial income, financial expenses and income tax paid.

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

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

Cash and cash equivalents comprise cash.