



SFK Food A/S

Niels Bohrs Vej 55
8660 Skanderborg
CVR No. 34077444

Annual report 2021

The Annual General Meeting adopted the
annual report on 24.05.2022

Bertrand Marie Vaz

Chairman of the General Meeting

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Entity details

Entity

SFK Food A/S

Niels Bohrs Vej 55

8660 Skanderborg

Business Registration No.: 34077444

Registered office: Skanderborg

Financial year: 01.01.2021 - 31.12.2021

Statutory reports on the entity's website

Statutory report on corporate social responsibility:

<https://www.solina-retail.dk/foedevareoversigt/sammenslutninger>

Board of Directors

Dorte Munch-Nielsen Sønderup

Adam Paul Jones

Bertrand Marie Vaz

Executive Board

Hans Christensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 24.05.2022

Executive Board

Hans Christensen

Board of Directors

Dorte Munch-Nielsen Sønderup

Adam Paul Jones

Bertrand Marie Vaz

Independent auditor's report

To the shareholders of SFK Food A/S

Opinion

We have audited the financial statements of SFK Food A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 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 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:

- 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.

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, 24.05.2022

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

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	319,423	304,809	305,868	338,177	345,095
Gross profit/loss	93,587	87,210	82,867	85,005	74,619
Operating profit/loss	22,433	23,255	22,696	25,463	13,321
Net financials	(691)	(438)	(742)	(910)	(754)
Profit/loss for the year	21,116	20,348	18,982	20,781	10,431
Total assets	160,507	146,914	159,596	172,970	173,536
Investments in property, plant and equipment	2,641	1,137	1,873	2,031	3,047
Equity	102,340	95,765	115,814	116,795	110,895
Ratios					
Gross margin (%)	29.30	28.61	27.09	25.14	21.62
Net margin (%)	6.61	6.68	6.21	6.15	3.02
Return on equity (%)	21.32	19.23	16.32	18.25	9.85
Equity ratio (%)	63.76	65.18	72.57	67.52	63.90

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 (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

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, intestine and hand tool for butchers as well as for butcher and food specialty stores in the Danish Retail sector.

Development in activities and finances

The Group`s income statement for 2021 shows a profit of DKK 21,116k, and the Company`s balance sheet on 31 December 2021 shows equity of DKK 102,340k.

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.

Development and profit for the year is at an acceptable level seen in the light of the Covid-19 impact on society.

During 2021, Management, the enterprise, suppliers and customers have responded and adapted to the continued Covid-19 pandemic situation. Consequently, Management has estimated that there is no need to write down the Company`s production plant.

Profit/loss for the year in relation to expected developments

The realized profit for the year is as expected.

Outlook

Management is looking forward to a positive development in the coming financial year. 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 worldwide product portfolio.

During 2021 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.

The lock downs in 2021, related to Covid-19, has affected especially our Food Service segment and 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 2021.

Statutory report on corporate social responsibility

The Group has joined the UN Global Compact. The publicity 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

Diversity and equality policy

It is important to the company to avoid any kind of discrimination in all parts of the enterprise, in Denmark as well as abroad. It is the company`s aim that the specific conditions, including working conditions, comply with group policies and with relevant local conditions.

Employment with the company 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. The company 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.

The company has prepared a policy for equality in the different management boards 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 2021 our recruitment and promotion processes paid regards to these targets. The Board of directors consists of 3 persons and the local management group consists of 6 persons. Our targets for both groups are 30% women as a minimum, and the targets have been met.

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 outbreak of war in Ukraine is not expected to have impact of the annual report even it is difficult to predict the uncertainties that such an unforeseen event as war can bring in the future.

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Revenue	1	319,423,061	304,809,114
Cost of sales		(182,401,720)	(176,560,976)
Production costs		(43,433,919)	(41,037,712)
Gross profit/loss		93,587,422	87,210,426
Distribution costs		(45,202,482)	(42,945,678)
Administrative expenses		(25,951,979)	(21,009,925)
Operating profit/loss		22,432,961	23,254,823
Income from investments in group enterprises		4,184,511	2,495,506
Other financial income	4	48,000	47,375
Other financial expenses	5	(738,880)	(485,498)
Profit/loss before tax		25,926,592	25,312,206
Tax on profit/loss for the year	6	(4,810,273)	(4,963,800)
Profit/loss for the year	7	21,116,319	20,348,406

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	9	3,553,883	3,687,798
Acquired intangible assets		0	0
Intangible assets	8	3,553,883	3,687,798
Plant and machinery		3,377,238	5,940,508
Other fixtures and fittings, tools and equipment		467,171	763,721
Leasehold improvements		5,216,607	6,829,117
Property, plant and equipment in progress		2,175,452	0
Property, plant and equipment	10	11,236,468	13,533,346
Investments in group enterprises		5,868,621	7,073,682
Deposits		2,568,077	2,516,259
Financial assets	11	8,436,698	9,589,941
Fixed assets		23,227,049	26,811,085
Raw materials and consumables		35,009,262	28,902,319
Manufactured goods and goods for resale		12,570,261	12,714,484
Inventories		47,579,523	41,616,803
Trade receivables		50,013,948	42,453,712
Receivables from group enterprises		8,304,642	22,042,241
Other receivables		221,760	111,757
Prepayments	12	1,612,957	1,517,701
Receivables		60,153,307	66,125,411
Cash		29,546,970	12,361,070
Current assets		137,279,800	120,103,284
Assets		160,506,849	146,914,369

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital	13	500,000	500,000
Reserve for net revaluation according to the equity method		2,741,645	3,946,706
Reserve for development expenditure		2,772,029	2,876,482
Retained earnings		23,826,447	73,442,109
Proposed dividend		72,500,000	15,000,000
Equity		102,340,121	95,765,297
Deferred tax	14	665,000	984,000
Provisions		665,000	984,000
Other payables		0	5,305,586
Non-current liabilities other than provisions	15	0	5,305,586
Bank loans		248,408	1,684,146
Trade payables		30,848,690	23,811,408
Payables to group enterprises		8,479,821	4,089,662
Joint taxation contribution payable		5,129,273	831,800
Other payables		12,795,536	14,442,470
Current liabilities other than provisions		57,501,728	44,859,486
Liabilities other than provisions		57,501,728	50,165,072
Equity and liabilities		160,506,849	146,914,369
Staff costs	2		
Amortisation, depreciation and impairment losses	3		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Related parties with controlling interest	20		
Non-arm's length related party transactions	21		
Group relations	22		

Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	500,000	3,946,706	2,876,482	73,442,109	15,000,000
Ordinary dividend paid	0	0	0	0	(15,000,000)
Exchange rate adjustments	0	458,505	0	0	0
Dividends from group enterprises	0	(5,848,077)	0	5,848,077	0
Transfer to reserves	0	0	(104,453)	104,453	0
Profit/loss for the year	0	4,184,511	0	(55,568,192)	72,500,000
Equity end of year	500,000	2,741,645	2,772,029	23,826,447	72,500,000
					Total DKK
Equity beginning of year					95,765,297
Ordinary dividend paid					(15,000,000)
Exchange rate adjustments					458,505
Dividends from group enterprises					0
Transfer to reserves					0
Profit/loss for the year					21,116,319
Equity end of year					102,340,121

Cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		22,432,961	23,254,823
Amortisation, depreciation and impairment losses		7,462,588	8,159,214
Working capital changes	16	4,485,205	2,838,010
Cash flow from ordinary operating activities		34,380,754	34,252,047
Financial income received		48,000	47,375
Financial expenses paid		(738,880)	(485,498)
Taxes refunded/(paid)		(832,700)	(4,760,700)
Cash flows from operating activities		32,857,174	29,053,224
Acquisition etc of intangible assets		(2,390,724)	(2,353,041)
Acquisition etc of property, plant and equipment		(2,641,071)	(1,137,003)
Acquisition of fixed asset investments		(51,818)	(72,020)
Dividends received		5,848,077	0
Cash flows from investing activities		764,464	(3,562,064)
Free cash flows generated from operations and investments before financing		33,621,638	25,491,160
Reduction of lease commitments		0	(335,785)
Dividend paid		(15,000,000)	(40,000,000)
Repayments of shortterm bank debt		(1,435,738)	(692,986)
Cash flows from financing activities		(16,435,738)	(41,028,771)
Increase/decrease in cash and cash equivalents		17,185,900	(15,537,611)
Cash and cash equivalents beginning of year		12,361,070	27,898,681
Cash and cash equivalents end of year		29,546,970	12,361,070
Cash and cash equivalents at year-end are composed of:			
Cash		29,546,970	12,361,070
Cash and cash equivalents end of year		29,546,970	12,361,070

Notes

1 Revenue

	2021	2020
	DKK	DKK
Denmark	262,583,921	251,054,164
Other EU Countries	19,761,970	22,463,994
Other Countries	37,077,170	31,290,956
Total revenue by geographical market	319,423,061	304,809,114

The revenue is solely derived from one segment.

2 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	60,099,694	52,468,096
Pension costs	4,281,296	3,911,370
Other social security costs	1,065,729	1,006,559
	65,446,719	57,386,025
Staff costs classified as assets	(2,390,724)	(2,353,041)
	63,055,995	55,032,984

Average number of full-time employees	109	103
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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

	2021	2020
	DKK	DKK
Amortisation of intangible assets	2,524,639	2,408,269
Depreciation of property, plant and equipment	4,937,949	5,750,945
	7,462,588	8,159,214

4 Other financial income

	2021	2020
	DKK	DKK
Financial income from group enterprises	48,000	47,375
	48,000	47,375

5 Other financial expenses

	2021	2020
	DKK	DKK
Other interest expenses	462,254	397,859
Other financial expenses	276,626	87,639
	738,880	485,498

6 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	5,129,273	5,277,800
Change in deferred tax	(319,000)	(314,000)
	4,810,273	4,963,800

7 Proposed distribution of profit and loss

	2021	2020
	DKK	DKK
Ordinary dividend for the financial year	72,500,000	15,000,000
Extraordinary dividend distributed in the financial year	0	15,000,000
Retained earnings	(51,383,681)	(9,651,594)
	21,116,319	20,348,406

8 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK
Cost beginning of year	13,072,116	63,929,253
Additions	2,390,724	0
Cost end of year	15,462,840	63,929,253
Amortisation and impairment losses beginning of year	(9,384,318)	(63,929,253)
Amortisation for the year	(2,524,639)	0
Amortisation and impairment losses end of year	(11,908,957)	(63,929,253)
Carrying amount end of year	3,553,883	0

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	45,152,382	15,217,270	18,688,613	0
Additions	272,477	193,142	0	2,175,452
Cost end of year	45,424,859	15,410,412	18,688,613	2,175,452
Depreciation and impairment losses beginning of year	(39,211,874)	(14,453,549)	(11,859,496)	0
Depreciation for the year	(2,835,747)	(489,692)	(1,612,510)	0
Depreciation and impairment losses end of year	(42,047,621)	(14,943,241)	(13,472,006)	0
Carrying amount end of year	3,377,238	467,171	5,216,607	2,175,452

11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	3,126,976	2,516,259
Additions	0	51,818
Cost end of year	3,126,976	2,568,077
Revaluations beginning of year	3,946,706	0
Exchange rate adjustments	458,505	0
Share of profit/loss for the year	4,202,800	0
Adjustment of intra-group profits	(18,289)	0
Dividend	(5,848,077)	0
Revaluations end of year	2,741,645	0
Carrying amount end of year	5,868,621	2,568,077

Investments in subsidiaries	Registered in	Equity interest %
Solina Norway	Norway	100,0

12 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

13 Share capital

	Number	Par value DKK	Nominal value DKK
Ordinary Shares	500	1,000	500,000
	500		500,000

14 Deferred tax

	2021	2020
	DKK	DKK
Intangible assets	782,000	811,000
Property, plant and equipment	(117,000)	173,000
Deferred tax	665,000	984,000

	2021	2020
	DKK	DKK
Changes during the year		
Beginning of year	984,000	1,298,000
Recognised in the income statement	(319,000)	(314,000)
End of year	665,000	984,000

15 Non-current liabilities other than provisions

	Outstanding after 5 years 2021 DKK
Other payables	5,305,586
	5,305,586

16 Changes in working capital

	2021	2020
	DKK	DKK
Increase/decrease in inventories	(5,962,720)	1,488,063
Increase/decrease in receivables	5,972,104	(6,842,375)
Increase/decrease in trade payables etc	4,475,821	8,192,322
	4,485,205	2,838,010

17 Unrecognised rental and lease commitments

	2021	2020
	DKK	DKK
Liabilities under rental or lease agreements until maturity in total	24,244,544	27,891,957

18 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Holding Solina Denmark ApS under frivillig likvidation serves as the administration company. 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 for obligations, if any, 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 statements.

19 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 31.12.2021 is DKK 50,013,948

The carrying amount of granted operating equipment as per 31.12.2021 is DKK 11,236,468

The carrying amount of granted inventories as per 31.12.2021 is DKK 47,579,523

The carrying amount of granted intellectual property rights as per 31.12.2021 is DKK 3,553,883

20 Related parties with controlling interest

Holding Solina Denmark ApS under frivillig likvidation 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.

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

21 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

22 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 under frivillig likvidation, Stilling

Accounting policies

Reporting class

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

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

Consolidated financial statements

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

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 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 classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, 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 expenses

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.

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.

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 lease-es, 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	3-12 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, 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.

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.

Other financial liabilities

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

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, 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 taxes 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, 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, and 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.