Infarm - Indoor Urban Farming Denmark ApS

Vendersgade 28, st., 1363 København K

Annual report for the period
1 January to 31 December 2022

CVR no. 40 71 57 46

Adopted at the annual general meeting on 2 August 2023

chairman: Erez Galonska

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Infarm - Indoor Urban Farming Denmark ApS for the financial year 1 January - 31 December 2022.

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

In my opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

In my opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 2 August 2023

Executive board

Erez Galonska
Director

Independent auditor's report

To the shareholder of Infarm - Indoor Urban Farming Denmark ApS

Qualified Opinion

We have audited the financial statements of Infarm - Indoor Urban Farming Denmark ApS for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, except for the potential effects of the matter(s) described in the "Basis for Qualified Opinion" paragraph, the financial statements give a true and fair view of the company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Qualified Opinion

We have not been able to procure sufficient and appropriate documentation for a receivable of 10 DKK million recognised under other receivables in the financial statements.

The Company's Management has not responded to our enquiries and repeated requests for documentation. Consequently, we were unable to determine whether any adjustments to this amount are necessary and assess any possible impact on the income statement.

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

Emphasis of matter

We refer to note 1 in the financial statements and the managements review, which reflect that Management intends to discontinue the Company's operations and commence voluntary winding-up proceedings in 2023.

Recognition, measurement, classification and preparation of the accounting items of the annual accounts etc. are made taking into account that the company's assets and liabilities will be realised. Thus, the Management has decided to prepare the annual accounts according to the realization principle (not going concern).

We have not modified our opinion in respect of this matter.

Independent auditor's report

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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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 management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, 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 management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Copenhagen, 2 August 2023

Ecovis Danmark
statsautoriseret revisionsinteressentskab
CVR no. 28 93 95 23

Jerrik Olsen
Statsautoriseret revisor
MNE no. mne46584

Company details

The company	Infarm - Indoor Urban Farming Denmark ApS Vendersgade 28, st. 1363 København K	
	CVR no.:	40 71 57 46
	Reporting period:	1 January - 31 December 2022
	Domicile:	Copenhagen
Executive board	Erez Galonska, director	
Auditors	Ecovis Danmark statsautoriseret revisionsinteressentskab Vendersgade 28 st. th 1363 København K	

Management's review

Business review

The object of the Company is growing and distributing plants.

In 2023 the Management decided that the company's activities should be discontinued and the company is expected to be dissolved by voluntary solvent liquidation in 2023 or beginning of 2024.

At the time of the preparing of the annual report for 2022, all of the Company's employees have been dismissed.

Unusual matters

As a result of the Management's decision to discontinue the company's activities and dissolve the company, the annual accounts are prepared according to the realization principle (not going concern). Reference is made to the accounting policies for more details.

Financial review

The company's income statement for the year ended 31 December 2022 shows a loss of DKK 43.952.668, and the balance sheet at 31 December 2022 shows negative equity of DKK 94.778.604.

As a result of the Management's decision to discontinue the Company's activities all tangible assets has been written down to 0 DKK.

With effect from 2022 a service agreement has been entered with infarm - Indoor Urban Farming B.V. Niederlassung Deutschland (branch office of infarm - Indoor Urban Farming B.V.). According to this agreement infarm - Indoor Urban Farming B.V. covers the net costs for Infarm Indoor Urban Farming Denmark ApS with a 5 % mark-up. As this agreement was not applicable in 2021 the gross profit and result for 2022 are not comparable with 2021.

Expected development of the company, including specific prerequisites and uncertainties

As stated above the Mangement has decided to discontinue the Company's activities and dissolve the Company in H2 2023 or beginning of 2024.

To be able to complete the dissolution of the Company as a voluntary solvent liquidation the Company's share capital has to be reestablished.

It is the Management's expectations that the reestablishment through a combination of reduction in the share capital and a conversion of intercompany debt.

Income statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Gross profit		**28.816.315**	**-13.125.924**
Staff costs	2	-24.292.010	-19.188.760
Profit/loss before amortisation/depreciation and impairment losses		**4.524.305**	**-32.314.684**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-46.006.102	-1.455.754
Profit/loss before net financials		**-41.481.797**	**-33.770.438**
Financial income		257	0
Financial costs	4	-2.471.128	-804.203
Profit/loss for the year		**-43.952.668**	**-34.574.641**
Retained earnings		-43.952.668	-34.574.641
		-43.952.668	**-34.574.641**

Balance sheet 31 December

	Note	2022	2021
		DKK	DKK
Assets			
Plant and machinery		0	36.862
Other fixtures and fittings, tools and equipment		0	23.750
Leasehold improvements		0	6.402.654
Tangible assets		**0**	**6.463.266**
Deposits		3.314.219	3.264.788
Fixed asset investments		**3.314.219**	**3.264.788**
Total non-current assets		**3.314.219**	**9.728.054**
Raw materials and consumables		2.859.164	600.191
Work in progress		0	213.429
Stocks		**2.859.164**	**813.620**
Trade receivables		2.985.888	666.071
Other receivables		16.639.658	10.731.939
Prepayments		1.731.286	244.566
Receivables		**21.356.832**	**11.642.576**
Cash at bank and in hand		**3.517.910**	**1.975.733**
Total current assets		**27.733.906**	**14.431.929**
Total assets		**31.048.125**	**24.159.983**

Balance sheet 31 December

	Note	2022 DKK	2021 DKK
Equity and liabilities			
Share capital		40.000	40.000
Retained earnings		-94.818.604	-50.865.937
Equity		**-94.778.604**	**-50.825.937**
Payables to group companies		0	50.366.060
Other payables		0	9.458.707
Total non-current liabilities		**0**	**59.824.767**
Short-term part of long-term debt		0	767.890
Trade payables		7.379.317	1.746.700
Payables to group companies		102.936.866	9.045.614
Other payables		15.510.546	3.600.949
Total current liabilities		**125.826.729**	**15.161.153**
Total liabilities		**125.826.729**	**74.985.920**
Total equity and liabilities		**31.048.125**	**24.159.983**

Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January 2022	40.000	-50.865.936	-50.825.936
Net profit/loss for the year	0	-43.952.668	-43.952.668
Equity at 31 December 2022	**40.000**	**-94.818.604**	**-94.778.604**

Notes

1 Going concern

In 2023 the Management decided that the company's activities should be discontinued and the company is expected to be dissolved by voluntary solvent liquidation in 2023 or beginning of 2024.

At the time of the preparing of the annual report for 2022, all of the Company's employees have been dismissed.

As a result of the Management's decision to discontinue the company's activities and dissolve the company, the annual accounts are prepared according to the realization principle (not going concern). Reference is made to the accounting policies for more details.

	2022 DKK	2021 DKK
2 Staff costs		
Wages and salaries	22.992.684	18.315.186
Pensions	803.061	248.911
Other social security costs	496.265	624.663
	24.292.010	**19.188.760**
Average number of employees	54	43

	2022	2021
3 Special items		
Impairment		
Impairment of tangible assets	44.439.685	0
	44.439.685	**0**

	2022	2021
4 Financial costs		
Financial expenses, group entities	1.681.086	523.011
Other financial costs	787.267	280.063
Exchange loss	2.775	1.129
	2.471.128	**804.203**

Notes

		2022	2021
		DKK	DKK
5	**Provision for deferred tax**		
	Deferred tax asset		
	Calculated tax asset	20.371.827	11.053.855
	Write down to assessed value	-20.371.827	-11.053.855
	Carrying amount	**0**	**0**

Management has decided to not capitalize tax assets due to estimation uncertainty regarding the company's ability to utilize the tax loss.

6	**Rent and lease liabilities**		
	Operating lease liabilities. Total future lease payments:		
	Within 1 year	6.247.734	6.121.424
	Between 1 and 5 years	20.287.392	22.126.131
	After 5 years	13.441.362	17.790.046
		39.976.488	**46.037.601**

7 Related parties and ownership structure

Consolidated financial statements

The company is reflected in the group report as the parent company Infarm- Indoor Urban Farming GmbH, Colditzstr. 30, 12099 Berlin, Germany

Accounting policies

The annual report of Infarm - Indoor Urban Farming Denmark ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

The annual report for 2022 is presented in DKK

Changes in accounting policies

The accounting policies have been changed in the following respect:

As the Management has decided to close the Company in 2023, the accounting policy has been changed from preparing the annual report on a going concern basis to preparing the annual report on basis of the realisation principle.

Assets and liabilities are valued at realisable values. As a consequence of the expected closure, all assets are recognised under current assets, while all liabilities are recognised under short-term liabilities

All revaluation adjustments of assets and liabilities as well as operating entries in connection with expected closure are recognised in the income statement.

The accounting policies are otherwise consistent with those of last year.

Basis of recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue less costs of raw materials and consumables and other external expenses.

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Income from the sale of goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Revenue consists also service fee income charged on a cost plus basis and the reimbursement of out of pocket expenses charged at cost.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of fixtures and fittings, tools and equipment and leasehold improvements.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of leasehold improvements and other fixtures and fittings, tools and equipment are measured at realisable value.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Deposits

Deposits are measured at amortised cost.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

Receivables

Receivables are measured at amortised cost.

Accounting policies

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Jerrik Olsen
State Authorized Public Accountant
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