Sparc Group

Annual report 2023

Acquisition-driven stakeholder in the installation industry

Sparc Group is an entrepreneur-driven group that coordinates and acquires companies in the installation industry. Since its launch in 2021, it has acquired more than 60 companies working with HVAC, electrics, networking, project management and security. With over 800 employees, the Group currently operates all over Sweden, from Malmö in the south to Falun in the north. Its growth is based on a common drive for forward momentum, with emphasis on human well-being and development. The Group's vision is to create Sweden's most sustainable workplace in the installation industry, driven by care and commitment.

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Everything points to a bright future

The idea of coordinating companies in the installation industry became reality, and after just over two years Sparc Group is approaching a turnover of 2 billion. With his drive and courage, entrepreneur and founder Erik Björklund has shown that nothing is impossible, and that anything can be achieved if you are surrounded by the right people.

The ink had barely had time to dry before Björklund went from one entrepreneurial journey to another. Selling his shares in previous companies gave Erik the inspiration to sit on the other side of the table and start buying companies instead.

“I've always had this dream of building something bigger, together with other talented entrepreneurs. Sparc Group was launched because I believed in investing in people and companies,” says Erik Björklund.

From idea to action. Erik made the decision to build a corporate group that would coordinate companies in the installation industry. After a few conversations, the pieces of the puzzle started to fall into place and the conditions for starting the journey became a reality.

“The people I phoned included my friend Jonas Kristiansson, who already ran a company and knew a lot about the industry. After chatting for a while, we ended up sharing the same belief in being part of a bigger picture. Wearing team jersey number 1, Jonas's company El-Finess heralded the starting point for Sparc Group's journey of acquisition,” says Erik Björklund.

Jonas had matured when it came to the notion of not being alone. After several years in the industry, he had a desire to work as part of a larger team where everyone could focus on what they do best. Jonas's vision was to be able to let go of the administrative parts of running a business so that he could spend more time on the technology and the trade side of things.

“Being alone never makes you stronger. I'd reached a point where I no longer knew how to take my company forward, while also wanting to invest more effort and energy in my other venture, Eliot Universe, which focuses on high-quality smart home equipment. Together with Erik, I saw an opportunity to become part of something bigger, where I could spend more time developing the product and the business going forward,” says Jonas Kristiansson, co-founder of Sparc Group.

Erik had a clear agenda and an idea. The aim was to achieve a turnover of half a billion in a thousand days, based on the theory “By entrepreneurs, for entrepreneurs”. Compared to other acquisition companies in the industry, they envisioned a model where the entrepreneurial drive in acquired companies would be preserved, while also retaining the history and local knowledge of each business.

“The Sparc model is based on aspects such as the fact that the previous owner continues to maintain a shareholding in the Group while continuing to operate under the same name and brand as before. This allows us to retain the entrepreneurial drive where everyone is involved in creating value in something greater,” says Erik Björklund.

Everything is based on the most valuable capital available to the corporate group – human capital. Active CHR work eliminates organisational ill-health in the workplace, and an academy increases the supply of skills and develops leadership within the Group.

Despite the rapid progress, the founder himself has been involved in every acquisition and transfer of ownership, which is seen as an important part of strengthening relationships for the continued journey together with the entrepreneurs joining along the way.

When the model was established, the vision was clear and the direction was set, it was time for the second acquisition. Next to believe in Erik and Jonas' idea was Stefan Sundblad, who today works with strategic sales at Sparc Group but was previously the owner of City Telecom.

“The whole idea sounded almost too good to be true, but Erik's conviction got me thinking. At the time, I was in a position where I needed to create a long-term plan for City Telecom, so I chose to go along with it,” says Stefan.

With reliable advice from his mentor Bo Jepsson, who had experience with similar business models, they stood united in their decision to be part of the journey.

“I secured the company's future and was able to calmly create good conditions for my successor, CEO Johan Olsson, to continue running the business with stronger backing,” says Stefan Sundblad.

Although quite a few people believed in the idea and joined in the journey along the way, nobody could have imagined that Sparc Group would become what it is today.

Now they are in a position to lay out a new plan for the coming years, and the future looks bright if everything continues in the same direction.


KASK
GW VENTILATION

CFO ANDREAS PÅLSSON

“An enormous challenge” – Andreas has been involved from day one

With a background in finance and over 20 years of experience, Andreas Pålsson became the first Sparc Group employee. After having worked with founder Erik Björklund on previous projects and hearing about his new plans to start a corporate group in the installation industry with a focus on people, Andreas was quick to join.

Andreas was one of the first people to believe in Erik’s idea of building a group within the installation industry, and he was inspired by the challenge while remaining humble about the task ahead.

“I’d already had the opportunity to work with Erik through a consultancy assignment before joining Sparc. Even then, I realised that Erik was a guy with lofty ambitions who had goals that many people would consider impossible. When Erik told me about Sparc, I saw it as an enormous challenge and I wanted to be part of the journey and contribute whatever I could.
And that’s how it all started." Andreas, employee number 1, has been part of a fast-paced journey where the Group has acquired more than 70 companies and grown by over 900 employees in just over two years. A journey that, according to Andreas, has been both exciting and challenging.

“I could immediately picture the blood, sweat and tears that lay ahead. I love tough challenges that we can look back on later, and to see the team photo when we lift the trophy together. I’m proud of the hunger that exists within the organisation, and of the daily drive to improve what we do. Improvements don’t happen overnight – it’s a constant effort. With each passing day, I feel a growing cooperation between our companies, and the shared belief that we’ll move forward as a team is getting stronger and stronger." Perhaps it is precisely that combination of youthful enthusiasm and experience that has made Sparc Group’s journey possible.

"With a mix of youthful enthusiasm and experience, I think we link the companies together in a different way that sets us apart from other industry players – from the Board to our important employees working directly with our end customers. We’ve also been good at creating events that stand out, that help employees to experience something greater than themselves. Hopefully, this can be part of what helps us attract our colleagues of tomorrow,” Andreas continues.

Even though there have not been many ups and downs the journey so far, mostly moving straight ahead, there have still been challenges in establishing a financial structure within a rapidly growing group.

“Of course, liquidity has been tested on this journey, which in itself has been a useful exercise as this is something we have to be able to handle if we’re to take the next step into the future.
During our journey, we’ve made investments to create a stable foundation that will simplify matters and make us more efficient moving forward. If you have a firm foundation, you can build a tall building, and I’m absolutely sure people will refer to Sparc Group in a number of positive contexts going forward,” Andreas concludes.

Andreas Pålsson
Chief Financial Officer, Sparc Group

Well-being is part of the corporate culture

In a time when mental illness is increasing and the climate in workplaces is becoming tougher, there is a great need to strengthen diversity and corporate culture in Swedish companies. Madeleine Helgesson, Maria Larsson and Lovisa Carlman Bydén are working with Human Capital at Sparc Group to enhance well-being within the Group as it grows. This has made all the difference for several companies, which have chosen to become part of the Sparc Group.

In just over two years, Sparc Group has gone from 0 to 900 employees, a journey of growth that really stands out in the installation industry. Most of this growth is taking place through acquisitions of companies working in the fields of electrical, HVAC, networks, projects and security. Today, there are over 70 Group companies located all over Sweden, from Malmö in the south to Falun in the north.

Many of the companies that have chosen to become part of Sparc Group had previously been approached by other players in the industry. One of the reasons for choosing Sparc Group was its clear commitment to CHR and eliminating organisational ill-health.

“We want to take responsibility for our employees’ health and provide our business leaders with the tools they need to create sustainable companies,” says Madeleine Helgesson, Head of Human Capital.

The term CHR stands for Corporate Health Responsibility and is an index of corporate well-being.

“The surveys we carry out at our companies map everything from mental health and physical health to parameters such as leadership, employee engagement and the work environment. This gives us specific answers about the strengths in our companies and what areas we need to strengthen to ensure our employees enjoy their work and feel great,” Madeleine continues.

As a sign of the importance of a strong corporate culture, the Group is focusing on clarifying its vision and values throughout the organisation and ensuring that all staff feel they are part of something bigger.

“Going to work gives our employees a sense of purpose when they know why they’re going there and feel they have something to contribute,” says Maria Larsson, CHR Coordinator.

The importance of feeling part of something bigger has become clear since the pandemic, and given the times we now live in. Today, many people are looking for a place to work that offers more value than just a good salary, and are increasingly on the lookout for workplaces that promote well-being both at work and elsewhere. The new generation of people now entering employment are also looking for something tangible where they feel they fulfil a role in a wider context.

Madeleine points out that People & Culture is currently trending at several companies all over the country, but the installation industry is lagging behind in these matters. This has made Sparc Group an attractive player in the market.

“These values are allowing us to make a difference in the industry. In a short time, a number of our subsidiaries have already seen the effects: reduced staff turnover and increased organic growth.

Besides the surveys that the companies are carrying out, structures are also being added that are creating the conditions for continued growth.

“We feel it’s important to get out there and meet each company. Even though all companies operate within the same group, they all have different needs. ”Another of our goals is to help create a sense of belonging within Sparc Group, where everyone wants to help bring the vision to life,” says Maria Larsson.

The platform used to carry out CHR mapping is based on data from over 60,000 employee surveys from Swedish workplaces. Drawing on experiences from both successful efforts and tough challenges, an intelligent tool has been developed that can map an organisation’s health in depth in order to provide intelligence on what measures are needed to develop the organisation in the desired direction. Making the switch from educated guesses to facts.

- Not only do the surveys provide us with precise ideas on how to strengthen our companies, they also highlight strengths that boost the confidence of our employees and managers,” Madeleine concludes.

”If you feel good,
things will be good”

Maria Larsson
CHR Coordinator

CAPITAL STRUCTURE

Sparc Group AB (publ) enters into long-term financing solution with PCP and Nordea

In the autumn of 2023, Sparc Group evaluated different options for a long-term capital structure. On 10 January 2024, it was announced that P Capital Partners (PCP) and Sparc Group are entering into a long-term financing partnership with Nordea as the continuing bank. The aim of this partnership is to ensure future acquisition growth and the development of existing subsidiaries without raising external venture capital.

Sparc Group is a young player that has quickly established a strong position in the installation industry. Since its launch in 2021, it has acquired more than 70 companies working with HVAC, electrics, networking, project management and security and has a turnover approaching two billion.

An entrepreneur-driven organisation where the companies that become part of the Group after acquisition continue to operate under their local brand with partial ownership in the parent company, The philosophy of the young installation group is based on the concept of “By entrepreneurs, for entrepreneurs”. With a focus on continued growth, a long-term financing package has been entered into with PCP which will enable the Group’s operations to continue their stable development.

“Since the very beginning, we’ve been approached by a number of players wanting to invest in us and buy the entire business. Together with PCP and with Nordea as our bank, we can continue our journey without external venture capital, which means we can also avoid diluting the shares,” says Erik Björklund, CEO of Sparc Group.

The partnership means that Sparc Group is entering into a credit agreement that will allow it to continue its journey towards the business goals it has set while standing on its own two feet.

“Thanks to the financing package now in place, we’re securing a capital structure that enables us to achieve our financial goals for the next three years according to the business plan we’ve established,” continues Erik Björklund.

PCP is a partner that provides tailored financing solutions to medium-sized, entrepreneur-driven companies in Northern Europe and is a strategic financial partner for companies needing additional funds to expand, make acquisitions, refinance their balance sheets or restructure their operations. PCP was selected when various financing options were being evaluated so that the company could continue the journey it had embarked upon.

“Sparc Group suits us very well as a borrower, because it’s an entrepreneurially driven company that focuses on growth, and we have enormous confidence in the founder and how the business is run,” says Ulf Hamberg, Managing Director of PCP.
Nordea, which has been involved almost since Sparc Group was founded, will continue to play an important role and form part of the continued partnership.

“As for the future, at Nordea we hope to continue to be a strong and strategic partner to Sparc Group,” concludes Per Loholmen, Senior Relationship Manager at Nordea.

Ulf Hamberg
Managing Director, PCP

Erik Björklund
CEO, Sparc Group

Directors' Report

Sparc Group AB (publ) is an entrepreneur-driven group that coordinates and acquires companies in the installation industry. Since its launch in 2021, it has acquired more than 60 companies working with HVAC, electrics, networking, project management and security. With over 800 employees, the Group currently operates all over Sweden, from Malmö in the south to Falun in the north.

Its growth is based on a common drive for forward momentum, with emphasis on human well-being and development. The Group's vision is to create Sweden's most sustainable workplace in the installation industry, driven by care and commitment. Sparc Group AB (publ) is based in Gothenburg, Sweden. All amounts are in SEK thousands (SEK '000) unless otherwise stated.

Multi-year overview, Group	2023	2022	2021 (7 months)
Net sales	1,312,002	715,208	84,255
Operating profit	14,168	8,850	278
Operating profit, %	1.1%	1.2%	0.3%
Adjusted operating profit	46,836	23,395	2,021
Adjusted operating profit, %	3.6%	3.3%	2.4%
Equity ratio, %	27.1%	36.8%	34.4%
Cash flow from operating activities	-1,283	2,273	1,942
Cash flow from continuing operating activities	18,214	-976	1,942
Number of employees	819	551	149

Multi-year overview, parent company	2023	2022	2021 (7 months)
Profit/loss after financial items	19,143	16	-1,958
Equity	351,585	286,507	46,340
Equity ratio, %	34.1%	48.1%	49.5%
Number of employees	17	8	-

See the definition of key figures in Note 45

Comments on the multi-year overview

At the end of the Group's third financial year, turnover exceeded SEK 1,300 million and revenue was up 83% on the previous year. This increase is driven by a continued high rate of acquisitions, which contributed revenue of SEK 348 million; while the Group has organic growth attributable to an increased workforce, improved pricing and individual major project agreements that have been recognised in profit during the year.

The Group continues to present an operating margin just above 1% and an adjusted operating margin above 3%, below our long-term target of 10%. The year has been characterised by market uncertainties and caution. Increased prices for materials and harsher market conditions have led to a negative outcome for some major contracts that were negotiated at fixed prices before the war between Ukraine and Russia. These projects are in their final phase and have been fully provisioned during the financial year, and they are expected to be completed in the first six months of 2024.

The Group has focused on upgrading its organisation to achieve its long-term goals, and to manage the units and contracts held by the Group. The reorganisation has involved strengthening support functions at both parent company and subsidiary level and restructuring unprofitable units through changes in leadership and action plans. Finally, a great deal of emphasis has also been placed on securing a stable capital structure for the coming years, testing various options before ultimately culminating in a partnership with P Capital Partners.

In 2023, Sparc Group was in negotiations for a major business acquisition. The negotiation period required significant resources in terms of both time and money. In the end, a decision was made to withdraw from the acquisition opportunity due to significant uncertainties identified during the due diligence process. The costs incurred during the negotiation period have led to lower profitability than expected.

Acquisitions

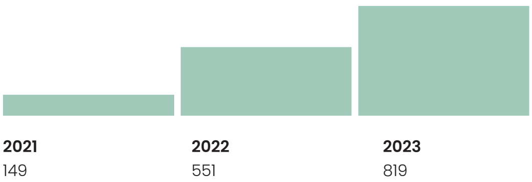
Although acquisitions are in the Group's DNA, the Sparc model is based on values different to those held by regular acquisition players in the industry. The ambition is to do this together with other entrepreneurs who want to join in and be part of the journey. That is why a great deal of emphasis is placed on human capital and ensuring that employees at each subsidiary, after acquisition, feel that they are continuing to work in the same place where they worked before, under the same brands and the same leadership. Becoming part of a wider community should bring opportunities for development and training, an improved work environment, and interaction and socialising with colleagues all over the country.

We acquired 19 subsidiaries and affiliates during the year, one of which is the Group's first foreign acquisition. This year's acquisitions contribute a turnover of SEK 542 million with a profit before tax of SEK 71 million, calculated on a rolling 12-month basis. Consolidated profit for 2023 has been impacted by SEK 348 million in revenue and SEK 52 million in operating profit.

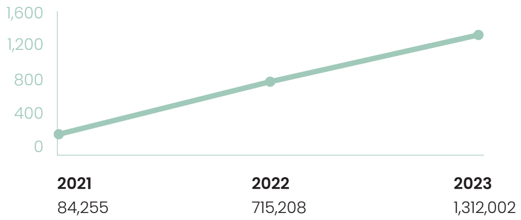
The autumn of 2023 saw a buyback of a subsidiary that had been acquired in 2022. The buyback took place on good grounds and in mutual agreement between the parties.

We also acquired a further 7 companies in the new financial year, in the Electrics, HVAC and Networks business areas.

Number of employees
Group



Net revenue
Group



Cash flow and investments

Cash flow from operating activities is mainly used to facilitate the continued pace of acquisitions. To achieve the desired cash flows, stringent demands are placed on liquidity planning and payment follow-ups: there has been major emphasis on these during the year. The Group reports a negative cash flow from operating activities of SEK -1 (2) million, which is mainly affected by the cash flow from discontinued operations, amounting to SEK -19 (3) million. As the Group grows, we are also tying up increased working capital in relation to customers.

Cash flow from investing activities essentially consists of business combinations amounting to SEK -171 (-186) million, which is in line with our long-term strategy.

During the Group's continued expansion phase, a large proportion of the business combinations are being financed through external loans and new share issues, with cash flow from financing activities totalling SEK 169 (167) million.

Risks and uncertainties

Sparc Group operates mainly in the Swedish market and has a decentralised structure where the subsidiaries and operations are largely run autonomously within each company, with a large number of customers and suppliers. The business model limits the aggregated business risks and financial risks. Sparc Group's earnings and financial position, as well as its strategic position, are affected by a number of internal factors that the Group can control, as well as a number of external factors where the ability to influence the course of events is limited. The operational risks of greatest significance, beyond the general risks associated with economic fluctuations, structural changes and the competitive situation, are described below.

Construction projects

Sparc Group's revenue recognition partly relates to fixed-price agreements where incorrect cost calculations during the tender process can have a significant negative impact on earnings. Additionally, the margin may deteriorate during the course of a project if project management is inadequate. To strengthen the security of individual major contracts, an authorisation scheme has been implemented whereby tenders must be approved by the respective business area manager and/or the Group CEO. Major ongoing construction projects are closely monitored by the Group's support functions and management in order to identify deviations at an early stage and implement action plans to minimise negative impacts. The Group also has its own estimators and project managers who assist the units in order to enhance security in the case of major contracts.

Business combinations

The decision to make an acquisition and the determined purchase price are based on expected long-term profitability. Deviations from expectations in the form of reduced profitability or inadequate management and project control have a direct impact on the Group's operating profit and increase the risk of goodwill impairment. This risk is mitigated by means of a designated project group dedicated to due diligence of potential acquisitions. Based on the experience gained from previous acquisitions, the acquisition process has been developed in order to manage existing risks. Guarantees are included in the contracts that are drawn up in order to limit the risk of unknown liabilities.

Acquisitions that are completed have a clear target profile regarding what they are expected to contribute to the Group to achieve maximum synergy and profitability.

Staff

The entire Group's operations rely on the human capital within the units in order to contribute to desired growth and profitability. The vision is to create Sweden's most sustainable workplace by offering competitive remuneration in a stimulating work environment with strong leadership. This is why the Group has a support function that focuses on developing and retaining this vital component of the business through training opportunities at Sparc Academy and regular employee surveys.

Suppliers

As materials constitute a significant part of the product delivered to customers, there is an operational risk if competitively priced materials cannot be sourced. Supplier agreements have been established with critical main suppliers in order to secure delivery throughout the entire value chain. The Group's central purchasing function maintains these supplier relationships in order to further strengthen cooperation while continuing to build relationships with future key partners.

IT security

The increase in cyberattacks, data breaches and information leaks is the operational risk that has grown most significantly in both frequency and impact in the recent period, with direct consequences for the Group. To ensure a stable IT environment, the Group has worked to centralise the IT structure via its subsidiary Two Stone IT, which is responsible for the implementation, maintenance and monitoring of IT security for the Group and its units.

Financial risks

In addition to the above, the Group is affected by financial risks, which include: liquidity risk, currency risk, credit risk and interest rate risk. These risks are addressed and referred to in Note 23 – Financial instruments and risks.

Market

The market is generally strong, driven by new construction, renovation and energy efficiency measures in the private and public sectors. The supply of installation projects has decreased slightly in certain regions, from a high level. A slowdown is noticeable in new housing production, mainly due to uncertainty regarding interest rates. Rising electricity prices and investments in Swedish basic industries are increasing the need for energy efficiency and investments in the distribution network. Rising inflation and high material prices are affecting the profitability of the industry. Material prices and delivery times have presented a major challenge, with soaring prices and difficulties in planning project execution due to the inability to guarantee deliveries of certain components. Price increases have receded and recovered to some extent. Despite difficult times globally, the year ended with an order intake of SEK 1,157 million. Much of the order intake relates to the Networks business area, which has significant opportunities in the coming years. Generally, work is carried out with relatively short lead times, resulting in lower order intake.

Employees

At the end of the year, the number of employees totalled 827 (588). This increase is mainly due to business combinations, adding 210 employees to the Group. The Group perceives a continued need for recruitment to enable strong organic growth, which is why the Group has developed its own recruitment platform to simplify recruitment processes.

The Group is maintaining its strong focus on human capital by creating, developing and maintaining employee well-being throughout the Group and strengthening the culture within Sparc Group. The Group's vision is to use its considerable commitment to create Sweden's most sustainable workplace in the installation industry. The Group's core values are joy, togetherness, trust, innovation and sustainability. Regular employee surveys are conducted within the subsidiaries to assess how well this vision is being achieved and to implement necessary measures, while also cultivating and strengthening the culture within the Group.

Sparc Academy is being used by the Group to create its own training platform for employees in order to reinforce its human capital and ensure that staff have the skills and knowledge they need to cope with the challenges posed by the outside world. Areas covered during the year include leadership, contract law, crisis management, diversity and setting goals.

Sustainability

Sparc Group's vision is to create Sweden's most sustainable workplace in the installation industry, driven by care and commitment. The starting point for the sustainability work is responsible entrepreneurship, where economic success, social responsibility, and both consideration for and contribution to the climate transition go hand in hand. The sustainability strategy is based on the business plan and Group-wide goals, is a key part of operations, and permeates all business areas, subsidiaries, business decisions and strategies.

The Group's employees are its most important asset, and so they are a constant priority and an essential sustainability issue. By actively working towards a good and safe work environment characterised by diversity, workplaces are created where people are included, enjoy their work, develop and collaborate. A Group-wide digital tool for reporting work environment-related incidents was implemented in 2023. Not only does this tool streamline the reporting and investigation process, it also helps to leverage the Group-wide advantages in risk minimisation in day-to-day work – regardless of business area or geographical region.

The Group has continued to use Sparc Academy to invest in employee development, to ensure that staff have the skills and knowledge they need to cope with the challenges of a sustainable future. Responsible entrepreneurship includes social responsibility, encouraging our subsidiaries to engage in local initiatives in the places where they operate. During 2023, Sparc and its subsidiaries have supported organisations such as Nattvandrarna, Giving People, the Swedish Narcotics Police Association, Frölunda Hockey, and ALS research.

Sparc Group is a proud and active partner of Glada Hudik-teatern, the "Happy Hudik Theatre". Glada Hudik-teatern was founded in 1996 and works to raise awareness around disabilities Together, various projects are implemented to jointly contribute to a sustainable society characterised by diversity and inclusion. In 2023, the Group has partnered Catwalk 2: The Comeback Cats (in Swedish) and a school project, Det kunde varit vi (It Could Have Been Us).

During 2023, the Group also began preparations for the requirements that will come with the CSRD, which will apply to the Group starting from the 2025 financial year. With the Group perspective as a starting point, a foundation is being laid for legal compliance; while continuous improvement work is intended to contribute to effective, measurable and integrated sustainability work in day-to-day operations. In this way, the Group can continue to work actively to reduce its footprint in areas where it has the greatest impact, while also being able to measure and report on its impact. The key success factor for the transition we are all facing is based on collaboration within the industry. Working together with customers, suppliers, employees and other stakeholders, we are continuing to collaborate to deal with common challenges and create forward momentum for innovative solutions and an attractive offering in the field of installation and security.

Significant events after the end of the financial year

On 10 January 2024, a long-term partnership was initiated between Sparc Group and P Capital Partners, a strategic financial partner, to secure a capital structure that enables future acquisition growth and development of existing subsidiaries without raising external venture capital. Nordea has remained an important partner as our primary bank, and will be part of the continued partnership.

The parent company and its ownership structure

EBJ Holding 3 AB, co. reg. no. 559319-6537, owns 58.57% of shares and 88.06% of votes in Sparc Group AB.

Opinion of the Board of Directors on dividends

The Board of Directors does not intend to propose a dividend to the Annual General Meeting. Instead, the available financial resources will be reinvested in the business to fund the Group's long-term strategy.

Proposal for allocation of earnings

The following profits are at the disposal of the Annual General Meeting:

Share premium reserve	405,482,861
Retained earnings	3,001,443
Net profit for the year	-57,619,620
The Board of Directors proposes that the profits be appropriated as follows:	
carried forward to a new account	350,864,683

Details of the company's profit and overall financial position may be found in the following income statements and balance sheets and supplementary disclosures.

A statement from the CEO

Starting something less than three years ago that was based on ideas and experiences gathered over more than a decade from various industries and in different roles is a huge honour and has required a great deal of courage, determination and hard work, and we can now confirm that we are approaching two billion in turnover and 1,000 employees. There is a lot happening in the market in which we operate, with new players emerging who perceive opportunities to acquire company clusters within the industry, as well as a great deal of activity from established large players making individual acquisitions, but also mergers of larger magnitude.

At a time when changes are happening faster than ever before and external events beyond our control are impacting us, but where we have to relate to their impact, our only focus can be on how we adapt to this based on our circumstances – here and now. As Sweden now truly joins NATO and with the escalation of cyber threats every day against companies and authorities throughout the Nordic region, it is interesting to see that the investments we made two years ago are now becoming reality, by starting our own company that is able to protect our own IT infrastructure; but we are now also entering a broad market in the Nordics, as well as positioning ourselves with a number of public clients with long-term contracts to build and maintain critical infrastructure.

Our concept is based on everyone taking individual responsibility for developing themselves and their teams to be able to participate in and contribute to our collective forward momentum; for each employee, individual company, business area and Sparc Group as a whole, strengthening each individual company to enable continued growth in their markets, but also opening the door to expansion within their part of the industry, or in a new geographical region. Our idea is also based on seizing all the opportunities that come our way in the form of new projects, new employees, new customers and more new companies than ever who want to join us in our forward momentum. We have built a robust organisation with just over 20 employees who, together with our excellent subsidiaries and their employees, can develop the Sparc Group in the long term. Thanks to this, we can truly be a support function to ensure the potential development of each subsidiary based on their circumstances in their part of the market, and in their region. In 2023, we signed a lot of new contracts with strategically important suppliers and analysed our customer portfolio, making a conscious shift away from new housing construction towards more maintenance, refurbishment, energy projects, services and public procurement.

We have taken back full control of some companies, some company managers and project managers have discontinued the journey prematurely, some companies have had to shift their focus from one part of the industry to another – all with Sparc's best interests and long-term development at heart. We are constantly reviewing our organisation to make it as good as possible here and now, but we also maintain an eye to the future and a helicopter perspective so that we can try to predict future requirements and legislation, avoid bottlenecks and build a group that can continue to create long-term forward momentum. A comprehensive review of the entire Group including our subsidiaries was conducted and interviews were held with leading individuals in connection with the new agreements with PCP and Nordea that were concluded in January 2024. This was an instructive process that took place in Q4 2024, and we passed with flying colours. We are proud of the agreements we have put in place that provide us with a robust platform on which to stand while we can continue to grow through further strategic and complementary add-on acquisitions, while also driving organic growth.

We are focusing our efforts today so that together, we can create the best growth in the form of increased turnover, organic growth, increased operating profit and long-term total value growth. It is extremely gratifying to see that many of the major projects and agreements we have signed are now beginning to come to fruition. With the work we have done during 2023, we are ready to take the next step with Sparc Group when we feel it is appropriate, given our own position and the market situation. Everything we do focuses on what is best for Sparc Group in the long term.

Everyone who invests/reinvests in Sparc does so on the basis of an initial value with an expectation of future value development. Our current ownership structure, with over two hundred shareholders who believe in our model and what we can achieve together in terms of potential future value, is a powerful driving force and something we are all passionate about.

Erik Björklund
CEO

Consolidated income statement

Consolidated income statement (SEK 000)	**Note**	**2023**	**2022**
Net sales	6	1,312,002	715,208
Cost of production	7	-977,406	-530,198
Gross profit		**334,596**	**185,010**
Costs of disposal	8	-38,785	-19,649
Administration costs	9,11	-284,405	-156,668
Other operating income	12	11,087	3,996
Other operating expenses	12	-8,325	-3,839
Total other operating items		**-320,428**	**-176,160**
Operating profit	**10**	**14,168**	**8,850**
Financial items			
Financial income	13	1,077	372
Financial expenses	13	-65,068	-12,904
Total financial items		**-63,991**	**-12,532**
Profit before tax		**-49,823**	**-3,682**
Tax on profit for the year	14	1,422	-431
Profit for the year from continuing operations		-48,401	-4,113
Profit for the year from discontinued operations	18	-23,500	2,442
Net profit for the year		**-71,901**	**-1,671**
Profit for the year attributable to:			
Parent company shareholders		-71,901	-1,671

Consolidated statement of other comprehensive income (SEK 000)	**Note**	**2023**	**2022**
Net profit for the year		-71,901	-1,671
Items to be reclassified to profit or loss in subsequent periods:			
Translation differences		-137	-
Other comprehensive income for the year		**-137**	**-**
Total comprehensive income for the year		**-72,038**	**-1,671**
Profit for the year attributable to:			
Parent company shareholders		**-72,038**	**-1,671**

Consolidated balance sheet

Consolidated balance sheet (SEK 000)	Note	31/12/2023	31/12/2022	01/01/2022
Assets				
Fixed assets				
Intangible assets				
Goodwill	4	707,232	443,008	49,451
Capitalised development expenses		10,394	5,586	-
Licences and patents		673	700	607
Other intangible assets		471	30	0
Total intangible fixed assets	**15**	**718,770**	**449,324**	**50,058**
Tangible fixed assets				
Machinery	16	267	384	-
Equipment and vehicles	16	13,267	11,386	341
Improvement to third party property	16	1,819	1,049	-
Right-of-use assets	17	105,691	56,179	-
Total tangible fixed assets		**121,044**	**68,998**	**341**
Financial fixed assets				
Other long-term securities holdings		303	303	-
Deferred tax assets	14	15,147	4,255	-
Other non-current receivables		2,191	1,644	28
Total financial fixed assets		**17,641**	**6,202**	**28**
Total fixed assets		**857,455**	**524,524**	**50,427**
Current assets				
Inventories	7	34,772	21,103	2,028
Current receivables				
Accounts receivable	19,23	222,164	151,050	40,753
Contract assets	6.23	77,071	45,539	9,890
Other receivables		15,302	7,194	3,287
Prepaid expenses and accrued income	24	20,333	12,981	6,842
Cash and cash equivalents	21,23	4,500	7,990	24,077
Total current assets		**374,142**	**245,857**	**86,877**
TOTAL ASSETS		1,231,597	770,381	137,304

Equity and liabilities	Note	31/12/2023	31/12/2022	01/01/2022
Equity				
Share capital		720	335	249
Other contributed capital		408,646	286,170	47,683
Reserves		-137	-	-
Retained earnings, incl. profit for the year		-74,982	-3,081	-726
TOTAL EQUITY	22	334,247	283,424	47,206
Non-current liabilities				
Pension liabilities		773	874	-
Deferred tax liabilities	14	-	-	805
Liabilities to credit institutions	23	199,824	176,002	29,010
Lease liabilities	17	65,392	33,099	-
Liabilities to other Group companies	23	69,872	2,196	7,568
Other liabilities	23	41,402	569	4,000
Total non-current liabilities		**377,263**	**212,740**	**41,383**
Current liabilities				
Bank overdraft facilities	21	36,049	392	4,088
Liabilities to credit institutions	23	114,635	1,025	-
Lease liabilities	17.23	42,024	23,998	-
Liabilities to other Group companies		-	5,033	3,618
Trade accounts payable	23	151,134	110,010	17,814
Contract liabilities	6,23	19,140	18,066	-
Tax liabilities		5,915	232	1,571
Other liabilities		57,133	49,858	15,599
Prepaid expenses and accrued income	24	94,057	65,603	6,025
Total current liabilities		**520,087**	**274,217**	**48,715**
TOTAL LIABILITIES		897,350	486,957	90,098
TOTAL EQUITY AND LIABILITIES		1,231,597	770,381	137,304

Consolidated statement of changes in equity

Consolidated statement of changes in equity (SEK 000)	Share capital	Other contributed capital		Retained earnings, incl. profit for the year Other reserves	Total
Opening equity, 01/07/2021					
Total comprehensive income for the year					
Profit or loss for the year				-1,092	-1,092
Comprehensive income for the year	**-**	**-**	**-**	**-1,092**	**-1,092**
Contributions from and value transfers to owners					
Paid-in share capital	200				200
New issue	49	47,683			47,732
Warrants				366	366
Closing equity, 31/12/2021	**249**	**47,683**	**-**	**-726**	**47,206**
Opening equity, 01/01/2022	**249**	**47,683**	**-**	**-726**	**47,206**
Total comprehensive income for the year					
Profit or loss for the year				-1,671	-1,671
Comprehensive income for the year	**-**	**-**	**-**	**-1,671**	**-1,671**
Contributions from and value transfers to owners					
New issue	86	239,356			239,442
Capital acquisition costs		-1,095			-1,095
Tax effect of capital acquisition costs		226			226
Dividends to non-controlling interests				-684	-684
Closing equity, 31/12/2022	**335**	**286,170**	**-**	**-3,081**	**283,424**
Opening equity, 01/01/2023	**335**	**286,170**	**-**	**-3,081**	**283,424**
Total comprehensive income for the year					
Profit for loss or the year				-71,901	-71,901
Other comprehensive income for the year			-137		-137
Comprehensive income for the year	**-**	**-**	**-137**	**-71,901**	**-72,038**
Contributions from and value transfers to owners					
New issue	385	120,107			120,492
Capital acquisition costs		-795			-795
Tax effect of capital acquisition costs		164			164
Shareholders' contribution received		3,000			3,000
Closing equity, 31/12/2023	**720**	**408,646**	**-137**	**-74,982**	**334,247**

Consolidated cash flow statement

Consolidated cash flow statement (SEK 000)	Note	31/12/2023	31/12/2022
Operating activities			
Operating profit		14,168	8,850
Adjustment for items not included in cash flow	20	32,590	18,667
Interest received		586	3
Interest paid		-25,677	-7,722
Income tax paid		-10,806	-12,052
Cash flow from operating activities before changes in working capital		**10,861**	**7,746**
Changes in working capital			
- Increase / + decrease in inventories		3,749	-4,513
- Increase / + decrease in trade receivables		-32,383	-43,661
- Increase / + decrease in other operating receivables		28,519	-2,008
+ Increase / – decrease in trade payables		-3,111	42,949
+ Increase / – decrease in other operating liabilities		10,579	-1,489
Cash flow from continuing operations		*18,214*	*-976*
Cash flow from discontinued operations	*18*	*-19,497*	*3,249*
Cash flow from operating activities		**-1,283**	**2,273**
Investment activities			
Acquisition of businesses	4,23	-166,945	-184,973
Disposal of businesses	4	-59	1,279
Acquisition of intangible fixed assets		-4,876	-2,328
Acquisition of tangible fixed assets		-7,121	-1,768
Acquisition of financial fixed assets		-274	-582
Sale of fixed assets		7,985	2,596
Dividend received		64	-
Cash flow from continuing operations		*-171,226*	*-185,776*
Cash flow from discontinued operations	*18*	*-*	*-*
Cash flow from investing activities		**-171,226**	**-185,776**
Financing activities			
New share issue and options		12,801	83,107
Loans taken out		277,685	226,176
Repayment of loans		-120,504	-122,336
Change in overdraft facility		35,657	-3,696
Repayment of lease liabilities		-36,493	-15,835
Cash flow from continuing operations		*169,146*	*167,416*
Cash flow from discontinued operations	*18*	*-94*	*-*
Cash flow from financing activities	**23**	**169,052**	**167,416**
Cash flow for the year		-3,457	-16,087
Cash and cash equivalents at beginning of year		**7,990**	**24,077**
Exchange rate difference in cash and cash equivalents		-33	-
Cash and cash equivalents at year-end	**21**	**4,500**	**7,990**
Cash and cash equivalents from continuing operations at year-end		**4,500**	**7,990**

Notes to the consolidated accounts

Note 1 General information

Sparc Group AB (publ) is a Swedish unlisted limited liability company registered with the Swedish Companies Registration Office under company registration number 559320-0347, with its registered office in Gothenburg, Sweden.

Sparc offers the installation industry's most attractive, complete and sustainable total offering in the fields of HVAC, electrical and data technology, as well as locks, alarms and access control systems. Sparc brings together the best installation companies working with the strongest offering on the market. Together we develop and refine not only one another;s core competencies, but also our joint offering to the market.

The annual accounts and the consolidated accounts were approved for issue by the Board of Directors and the Chief Executive Officer on 16 April 2024. The consolidated income statement and balance sheet and the parent company income statement and balance sheet will be presented for adoption by the Annual General Meeting on 30 April 2024.

Note 2 Significant accounting policies and disclosures

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with the Swedish Financial Reporting Board (RFR 1). The accounting policies applied in the preparation of the consolidated financial statements are described in the respective notes in order to provide a better understanding of each accounting area. See the table below for reference to the note in which each significant accounting policy is disclosed, and the applicable IFRS that is deemed to have a material impact.

Accounting policy	Note	IFRS Standard
First-time adoption of IFRS	3	IFRS 1
Business combinations	4	IFRS 3
Operating segments	5	IFRS 8
Revenue	6	IFRS 15
Financial income and expenses	13	IFRS 9
Income taxes	14	IAS 12
Intangible fixed assets	15	IAS 38, IAS 36
Property, plant and equipment	16	IAS 16, IAS 36
Right-of-use assets	17	IFRS 16
Discontinued operations	18	IFRS 5
Inventories	7	IAS 2
Trade receivables	19, 23	IAS 32, IFRS 7, IFRS 9
Trade payables	23	IAS 32, IAS 37, IFRS 7, IFRS 9
Cash flow statement	20	IAS 7

The consolidated financial statements are prepared using the cost method unless otherwise stated in the accounting policies for each note. The consolidated income statement is classified by function. The IASB has issued a number of revised accounting standards, which have been endorsed by the EU. No standards, amendments and interpretations of existing standards with a significant impact on the consolidated financial statements have come into force during the year. Other known changes to IFRS and IFRIC that will be applied in the future are not expected to have a significant impact on the Group's reporting. All amounts, unless otherwise specified, are rounded to the nearest thousand. Data in brackets refers to the previous year.

Significant estimates and assessments for accounting purposes

The management has made numerous estimates and judgements about the most likely outcome in the process of applying the Group's accounting policies in accordance with IFRS. The areas that include a high degree of assessment, which are complex, or areas where assumptions and estimates are of major importance for the consolidated financial statements are set out below. The assessments and judgements are reviewed regularly, and the impact on the carrying amounts is recognised in the income statement.

Estimates and assessments	Note	Area
Revenue recognition related to fixed price projects	6	Revenue
Valuation of tax loss carryforwards	14	Tax
Impairment of goodwill	15	Intangible assets
Leases – determination of lease terms for contracts with renewal options	17	Current assets
Provision for credit losses	19	Accounts receivable
Valuation of contingent considerations	23	Financial instruments

Estimates and assessments are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances. The estimates applied for accounting purposes rarely correspond to the actual outcome, but the deviation affects the subsequent period when estimates are replaced by facts.

Consolidated financial statements

The consolidated financial statements include the parent company and its subsidiaries. Subsidiaries are those companies in which the parent company has a direct or indirect controlling interest. This normally refers to companies where the parent company holds more than 50% of the voting rights. The consolidated financial statements include subsidiaries from the date on which the Group obtains control until the date on which control ceases.

The consolidated financial statements have been prepared in accordance with the acquisition method. The cost of an acquisition is the fair value of assets given as consideration, equity instruments issued and liabilities incurred or assumed at the acquisition date. The acquisition cost also includes the fair value of all assets and liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as they are incurred. For every acquisition, the Group decides whether non-controlling interests in the acquired company are recognised at fair value or at the proportional percentage of the net assets of the acquired company. The amount by which the purchase price, any holding without a controlling influence and the fair value on the acquisition date of earlier shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

In the consolidated financial statements, the appropriations of Group companies are eliminated and included in the reported earnings after deduction of deferred taxes. This means that Group companies' untaxed reserves in the consolidated balance sheet are allocated between deferred tax liabilities and equity.

Translation of foreign currency

Items included in the financial reports for the different units within the Group are valued in the currency used for the primary economic environment where the unit is active (functional currency). The consolidated financial statements use the Swedish krona, which is the functional and presentation currency of the parent company.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies at the rate on the balance sheet date are reported as other operating income and expenses. The exchange gains and losses attributable to borrowings and cash and cash equivalents are reported as financial income and expenses.

The results and financial position of all group companies are translated into the Group's presentation currency. Assets and liabilities are translated at the closing rate, income and expenses are translated at the average rate, and all exchange differences arising from the translation of foreign subsidiaries are recognised as a separate component of equity. Goodwill and fair value adjustments arising on the acquisition of a foreign unit are reported as assets and liabilities of the foreign unit and translated at the exchange rate on the balance sheet date.

The following exchange rates have been used when translating amounts in foreign companies:

	Average price		Closing day rate	
Currency exchange rate	**2023**	**2022**	**2023**	**2022**
EUR	11.48	-	11.10	-

Elimination of intra-Group transactions

Intra-Group receivables and liabilities, as well as transactions between Group companies and unrealised profits, are eliminated in full. Unrealised losses are also eliminated unless there is an impairment requirement.

Classification of current and non-current assets and liabilities

Fixed assets and non-current liabilities essentially comprise amounts that are expected to be recovered or paid more than twelve months after the reporting date. Current assets and liabilities are essentially amounts that are expected to be recovered or paid within twelve months of the reporting date.

Note 3 First-time adoption of IFRS

Sparc Group AB (publ) is applying IFRS for the first time in the financial statements as of 31 December 2023 in order to increase the comparability of the financial statements with similar industry competitors and to provide a more accurate picture of the Group's financial position. For periods up to 01/01/2022, the Group has previously applied the Swedish regulations BFNAR 2012:1 Annual reports and consolidated financial statements (K3).

The Group has adjusted the financial statements as at 31/12/2022 and the opening balance as at 01/01/2022 in accordance with the significant accounting policies mentioned in Note 2. As 31/12/2021 was the Group's first financial report, there is no need to adjust further opening balances earlier than 01/01/2022.

In transitioning to IFRS, the Group has applied certain exemptions allowed for retrospective application under IFRS 1. The following exemption rules have been applied:

IFRS 3 Business Combinations

IFRS 3 has not been applied to business combinations that were part of the Group before 01/01/2022. This means that the acquisition analyses and acquisition values of goodwill that existed in K3 until this date have not changed. All business combinations after 01/01/2022 have been applied in accordance with IFRS 3. The exemption does not allow adjustment of previous amortisation of goodwill. Therefore, the carrying amount of goodwill under K3 is recognised at the carrying amount under IFRS as at 01/01/2022, as opposed to using cost.

IFRS 16 – Operating lease agreements

Finance lease assets have been recognised in prior periods in the K3 framework; but operating lease agreements have been recognised directly in the income statement on a straight-line basis over the lease term. IFRS 16 has not been applied retrospectively to the operating lease agreements, which means that lease liabilities are measured at the present value of the remaining lease payments and discount rate as of 01/01/2022. Right-of-use assets were measured at the same value as their lease liability.

Effect of IFRS on comparative periods

The effect of the transition to IFRS on the financial statements as at 01/01/2022 and 31/12/2022 following retrospective application of IFRS standards, with the exception of the policies mentioned above, is shown below. To clarify the impact of the transition to IFRS, the comparative figures in K3 have been reclassified compared to the previously adopted annual report for 2022.

Consolidated income statement (transition effect on comparative figures)	Notes	K3 as at 31/12/2022	Adjustment	IFRS as at 31/12/2022
Net sales		817,390	-102,182	715,208
Cost of production		-623,229	93,031	-530,198
Gross profit	**F**	**194,161**	**-9,151**	**185,010**
Sales expenses eller Sales costs		-19,649		-19,649
Administration costs	A,B,D	-200,219	43,551	-156,668
Other operating income	D	6,226	-2,230	3,996
Other operating expenses	A,C	8,774	-12,613	-3,839
Total other operating items	**F**	**-204,868**	**28,708**	**-176,160**
Operating profit		**-10,707**	**19,557**	**8,850**
Financial items				
Financial income		372	-	372
Financial expenses	B	-11,229	-1,675	-12,904
Total financial items	**F**	**-10,857**	**-1,675**	**-12,532**
Profit before tax		**-21,564**	**17,882**	**-3,682**
Tax on profit for the year	B,C	-1,254	823	-431
Profit/loss for the year from continuing operations	F	-22,818	18,705	-4,113
Profit for the year from discontinued operations	F	-	2,442	2,442
Profit/loss for the year		**-22,818**	**21,147**	**-1,671**
Attributable to:				
Parent company shareholders		-22,818	21,147	-1,671

Consolidated statement of other comprehensive income	K3 as at 31/12/2022	Adjustment	IFRS as at 31/12/2022
Profit/loss for the year	-22,818	21,147	-1,671
Comprehensive income for the year	**-22,818**	**21,147**	**-1,671**
Attributable to:			
Parent company shareholders	-22,818	21,147	-1,671

Consolidated balance sheet (transition effect on comparative figures)	K3 as at 31/12/2022	Adjustment	IFRS as at 31/12/2022	Notes	K3 as at 01/01/2022	Adjustment	IFRS as at 01/01/2022
Fixed assets							
Intangible assets							
Goodwill	418,689	24,319	443,008	A	49,451		49,451
Capitalised development expenditure	5,586		5,586		-		-
Licences and patents	700		700		607		607
Other intangible assets	30		30		-		-
Total intangible fixed assets	**425,005**	**24,319**	**449,324**		**50,058**	**-**	**50,058**
Tangible fixed assets							
Machinery	384		384		-		-
Equipment and vehicles	11,386		11,386		341		341
Improvement to third party property	1,049		1,049		-		-
Right-of-use assets	28,057	28,122	56,179	B	-		-
Total tangible fixed assets	**40,876**	**28,122**	**68,998**		**341**	**-**	**341**
Financial fixed assets							
Other securities held as non-current assets	303		303		-		-
Deferred tax assets	3,432	823	4,255	B,C	-		-
Other non-current receivables	1,644		1,644		28		28
Total financial fixed assets	**5,379**	**823**	**6,202**		**28**	**-**	**28**
Total fixed assets	**471,260**	**53,264**	**524,524**		**50,427**	**-**	**50,427**
Current assets							
Inventories	21,103		21,103		2,028		2,028
Current receivables							
Trade receivables	153,091	-2,041	151,050	C	40,753		40,753
Contract assets	45,539		45,539		9,890		9,890
Other receivables	7,194		7,194		3,287		3,287
Prepaid expenses and accrued income	13,539	-558	12,981	B	6,842		6,842
Total current receivables	**219,363**	**-2,599**	**216,764**		**60,772**	**-**	**60,772**
Cash and cash equivalents	7,990		7,990		24,077		24,077
Total current assets	**248,456**	**-2,599**	**245,857**		**86,877**	**-**	**86,877**
TOTAL ASSETS	719,716	50,665	770,381		137,304	-	137,304

Consolidated balance sheet (transition effect on comparative figures)	K3 as at 31/12/2022	Adjustment	IFRS as at 31/12/2022	Note	K3 as at 01/01/2022	Adjustment	IFRS as at 01/01/2022
Equity							
Share capital	335		335		249		249
Other contributed capital	286,170		286,170		47,683		47,683
Retained earnings, incl. profit for the year	-24,228	21,147	-3,081		-726		-726
TOTAL EQUITY	**262,277**	**21,147**	**283,424**		**47,206**	**-**	**47,206**
Non-current liabilities							
Pension liabilities	874		874		-		-
Deferred tax liabilities	-		-		805		805
Other provisions	11,116	-11,116	-	E	-		-
Liabilities to credit institutions	176,002		176,002		29,010		29,010
Lease liabilities	12,142	20,957	33,099	B	-		-
Liabilities to other Group companies	2,196		2,196		7,568		7,568
Other liabilities	569		569		4,000		4,000
Total non-current liabilities	**202,899**	**9,841**	**212,740**		**41,383**	**-**	**41,383**
Current liabilities							
Bank overdraft facilities	392		392		4,088		4,088
Liabilities to credit institutions	1,025		1,025		-		-
Lease liabilities	15,437	8,561	23,998	B	-		-
Liabilities to other Group companies	5,033		5,033		3,618		3,618
Trade payables	110,010		110,010		17,814		17,814
Contract liabilities	18,066		18,066		-		-
Tax liabilities	232		232		1,571		1,571
Other liabilities	38,742	11,116	49,858	E	15,599		15,599
Prepaid expenses and accrued income	65,603		65,603		6,025		6,025
Total current liabilities	**254,540**	**19,677**	**274,217**		**48,715**	**-**	**48,715**
TOTAL LIABILITIES	**457,439**	**29,518**	**486,957**		**90,098**	**-**	**90,098**
TOTAL EQUITY AND LIABILITIES	**719,716**	**50,665**	**770,381**		**137,304**	**-**	**137,304**

Consolidated statement of changes in equity (transition effect on comparative figures)	Share capital	Other contributed capital	Retained earnings including profit for the year	Total
IB 01/01/2022 according to K3	249	47,683	-726	47,206
Total comprehensive income for the year				
Profit or loss for the year			-22,818	-22,818
Comprehensive income for the year	-	-	-22,818	-22,818
Contributions from and value transfers to owners				
New share issue	86	239,356		239,442
Capital acquisition costs		-1,095		-1,095
Tax effect of capital acquisition costs		226		226
Dividends to minority interests			-684	-684
UB 31/12/2022 according to K3	335	286,170	-24,228	262,277
Adjustment 01/01/2022	-	-	-	-
Total comprehensive income for the year				
Profit or loss for the year			21,147	21,147
Comprehensive income for the year	-	-	21,147	21,147
Contributions from and value transfers to owners				
New share issue				-
Capital acquisition costs				-
Dividends to minority interests				-
Adjustment 31/12/2022	-	-	21,147	21,147
IB 01/01/2022 according to IFRS	249	47,683	-726	47,206
Total comprehensive income for the year				
Profit or loss for the year			-1,671	-1,671
Comprehensive income for the year	-	-	-1,671	-1,671
Contributions from and value transfers to owners				
New share issue	86	239,356		239,442
Capital acquisition costs		-1,095		-1,095
Tax effect of capital acquisition costs		226		226
Dividends to minority interests			-684	-684
UB 31/12/2023 according to IFRS	335	286,170	-3,081	283,424

Consolidated cash flow statement (transition effect on comparative figures)	**Notes**	**K3 as at 31/12/2022**	**Adjustment**	**IFRS as at 31/12/2022**
Operating activities				
Operating profit	A,B,C,F	-10,707	19,557	8,850
Adjustment for items not included in cash flow	A,B	30,861	-12,194	18,667
Interest received		3		3
Interest paid		-7,722		-7,722
Income tax paid		-12,052		-12,052
Cash flow from operating activities before changes in working capital		**383**	**7,363**	**7,746**
Changes in working capital				
- Increase / + decrease in inventories		-4,513		-4,513
- Increase / + decrease in trade receivables	C	-45,702	2,041	-43,661
- Increase / + decrease in other operating receivables		-2,008		-2,008
+ Increase / – decrease in trade payables		42,949		42,949
+ Increase / – decrease in other operating liabilities		-1,489		-1,489
Cash flow from continuing operations		*-10,380*	*9,404*	*-976*
Cash flow from discontinued operations	*F*	-	*3,249*	*3,249*
Cash flow from operating activities		**-10,380**	**12,653**	**2,273**
Investment activities				
Acquisition of businesses	E	-179,020	-5,953	-184,973
Disposal of businesses		1,279		1,279
Acquisition of intangible assets		-2,328		-2,328
Acquisition of tangible fixed assets		-1,768		-1,768
Acquisition of financial fixed assets		-582		-582
Sale of fixed assets		2,596		2,596
Cash flow from continuing operations		*-179,823*	*-5,953*	*-185,776*
Cash flow from discontinued operations	*F*	-	-	-
Cash flow from investing activities		**-179,823**	**-5,953**	**-185,776**
Financing activities				
New share issue and options		83,107		83,107
Loans raised		226,176		226,176
Repayment of loans		-122,336		-122,336
Change in overdraft facility		-3,696		-3,696
Repayment of lease liabilities	B	-9,135	-6,700	-15,835
Cash flow from continuing operations		*174,116*	*-6,700*	*167,416*
Cash flow from discontinued operations	*F*	-	-	-
Cash flow from financing activities		**174,116**	**-6,700**	**167,416**
Cash flow for the year		**-16,087**		**-16,087**
Cash and cash equivalents at beginning of year		**24,077**		**24,077**
Cash and cash equivalents at year-end		**7,990**		**7,990**
Less cash and cash equivalents attributable to assets held for sale		-		-
Cash and cash equivalents from continuing operations at year-end		**7,990**		**7,990**

Notes to the consolidated financial statements regarding the transition effect on comparative figures

A – Business combinations

Under K3, the Group has capitalised acquisition-related costs as part of goodwill and applied an amortisation period of 10 years. IFRS does not allow capitalisation of acquisition-related costs, which has resulted in increased operating expenses of SEK 10,774 thousand.

Furthermore, goodwill is not amortised on a straight-line basis under IFRS as it is instead subject to impairment testing; accordingly, the scheduled amortisation under K3, amounting to SEK 35,063 thousand, has been reversed. The above adjustments affect cash flow via the change in operating profit and the reduced adjustment item for depreciation and amortisation and acquisition-related costs as part of business combinations.

B - Right-of-use assets and lease liabilities

Under K3, operating and finance leases are classified differently, with finance leases resulting in a right-of-use asset that is depreciated and a lease liability that is amortised. The operational relates essentially to rental premises, which increase fixed assets by SEK 28,122 thousand after amortisation of SEK 6,468 thousand through profit or loss. Attributable lease liabilities amount to SEK 29,518 thousand, of which SEK 8,563 thousand is classified as current. A reduction of prepaid lease payments of SEK 558 thousand is also adjusted against the item Prepaid expenses and accrued income.

In addition to depreciation, the income statement is affected by a reduction in leasing costs of SEK 6,282 thousand and additional an interest expense of SEK 1,770 thousand. There is also a deferred tax impact of SEK 403 thousand, which – according to IFRS – affects both financial and operational leasing. The cash flow statement is affected by an increase of SEK 6,700 thousand in amortisation of lease liabilities.

C – Credit losses

IFRS takes a more forward-looking view of anticipated credit losses than under K3, which is based solely on outstanding receivables. The anticipated credit loss has a negative impact on earnings of SEK 1,620 thousand, distributed as SEK 2,041 thousand in increased provisions for bad debts and deferred tax income of SEK 420 thousand.

The credit loss does not affect cash flow but results in a positive adjustment of accounts receivable to counteract a deterioration in operating profit.

D – Capitalised development expenditure

K3 and IFRS are aligned regarding the recognition of capitalised development expenditures; however, they differ in the classification in the income statement, where the item is reported as Other operating income under K3 but, in accordance with IFRS, must be presented net of the related costs. This results in a reclassification to Administrative expenses under IFRS.

E – Contingent considerations

In accordance with IFRS, estimated contingent considerations must be recognised as a financial liability, unlike under K3 where they are recognised under Provisions. All contingent considerations are classified as current financial liabilities as they are paid out 1 year after closing. Under IFRS, contingent considerations are measured at fair value on initial recognition and subsequently adjusted through the income statement.

F – Discontinued operations

Invoices must be separated between continuing and discontinued activities in the event of a decision to discontinue activities by sale. The regulations have had no effect on the results other than a reclassification to a separate line.

For further information regarding the effect that the classification of discontinued operations has on the comparative figures, see Note 18 – Discontinued operations.

Note 4 Business combinations

Acquisitions in 2023

Company	Co. reg. no.	Segment	Region	Annual turnover, 2023 (SEKm)	Date	Holding, %
HMP Ventilation AB	556759-2737	HVAC	Gävle	31	January	100
Låskompetens i Stockholm AB	556698-3200	Security	Stockholm	21	January	100
Elaffären i Vinberg AB	556872-9346	Electrics	Falkenberg	24	January	100
All Rör & Svets AB	559323-3504	HVAC	Vendelsö	-	January	100
BM Control AB	556604-0852	Projects	Enköping	14	February	100
Rörteknik i Farsta AB	556260-9791	HVAC	Stockholm	100	February	100
VVS Söderort Rickard Granquist AB	556724-8181	HVAC	Stockholm	13	February	100
XaasIT OY	2906918-3	-	Finland	16	March	100
MGA Teknik AB	559249-8090	Projects	Södertälje	3	April	100
Jochnicks Rör Aktiebolag	556194-6509	HVAC	Värnamo	21	April	100
El & Montage i Syd AB	559031-7037	Electrics	Lund	53	May	100
Elteknikbolaget i Stockholm AB	559104-7971	Security	Stockholm	35	June	100
Säkerhetsbolaget Svenska AB	556664-4927	Security	Stockholm	23	June	100
Greenpeak Energi AB	556611-5456	HVAC	Gothenburg	26	June	100
Tenders Sverige AB	556673-6616	Projects	Linköping	9	June	100
Lindevalls Rör i Enköping AB	556679-7261	HVAC	Enköping	21	June	100
Norrstrands VVS AB	556889-7978	HVAC	Karlstad	16	August	100
Solotec AB	556579-4137	HVAC	Åstorp	41	September	100
Solotec Energiteknik AB	559176-7818	Electrics	Ängelholm	75	September	100

A total of 19 subsidiaries and affiliates were acquired in 2023 as part of the Group's continued expansion strategy. Broken down by business area, 8 were acquired in HVAC, 5 in Electrical, 2 in Security and 3 in Projects. Additionally, the Group's first foreign company, XaasIT OY in Finland, was acquired. The acquisition allows the Group to strengthen its IT structure and security together with the previously formed company Two Stone IT AB.

The total purchase price for acquisitions amounts to SEK 362,141 thousand, including estimated contingent considerations. The purchase price was greater than the carrying amounts of the net assets at the time of the acquisitions, which meant that the acquisitions gave rise to goodwill that is mainly attributable to future new markets, synergy effects and profitability.

Acquisition price	2023
Purchase price	362,141
Fair value of assets and liabilities acquired	
Fixed assets	6,421
Current assets	107,591
Cash and cash equivalents	48,278
Deferred taxes	-2,366
Non-current liabilities	-3,357
Other current liabilities	-80,361
Total	**76,206**
Goodwill	285,935
Cash flow effect of acquisitions	**2023**
Purchase price at acquisition	-362,141
Of which contingent consideration	23,750
Shares issued	106,183
Promissory note	67,148
Cash and cash equivalents acquired	48,278
Contingent consideration paid	-41,452
Acquisition-related costs	-8,711
Change in consolidated cash and cash equivalents on acquisition	**-166,945**

From the date of acquisition, the acquired companies have contributed SEK 347,562 thousand and SEK 51,548 thousand respectively to the Group's revenue and profit before tax. If the acquisitions had taken place at the beginning of the financial year, the Group's revenue and profit before tax would have been SEK 542,445 thousand and SEK 71,182 thousand respectively.

Bäkmarks VVS AB was also divested in its entirety in the autumn of 2023 through buyback by the previous owner. The buyback back resulted in a loss of SEK 10,571 thousand and has been classified as profit for the year from discontinued operations. Additionally, Westerlins Automation AB has been merged into EKT Svenska El- och Kraftteknik AB. This merger had no impact on the consolidated financial statements.

Divestment	2023
Purchase price	-
Fair value of assets and liabilities disposed of	
Fixed assets	424
Current assets	23,302
Cash and cash equivalents	59
Deferred tax liabilities	-
Non-current liabilities	-210
Other current liabilities	-24,570
Total	**-995**
Goodwill	11,566
Capital gain/loss	**-10,571**
Cash flow effect of divestment	**2023**
Purchase price on divestment	-
Shares issued	-
Promissory note	-
Cash and cash equivalents disposed of	-59
Change in consolidated cash and cash equivalents on divestment	**-59**

Acquisitions in 2022

Company	Co. reg. no.	Segment	Region	Annual turnover, 2023 (SEKm)	Date	Holding, %
Protectum Sverige AB	556521-8806	Security	Halmstad	40	January	100
Protectum AB	556927-1967	Security	Halmstad	40	January	100
Proevac Sverige AB	559203-1842	Security	Halmstad	2	January	100
Söderlinds El AB	559067-5400	Electrics	Värmdö	50	January	100
Calles Nilsson VVS AB	556740-7266	HVAC	Falkenberg	23	February	100
Skrea Rör AB	556536-1317	HVAC	Falkenberg	8	February	100
Elect Service AB	556161-3877	Electrics	Gothenburg	28	March	100
AB Erlandsson's VVS & fastighetsservice	559067-9139	HVAC	Haninge	16	March	100
Läns Alarm Gothenburg AB	556559-4917	Security	Hisings Kärra	27	March	100
Läns Alarm Linköping AB	556652-3139	Security	Linköping	11	March	100
Directpartner i Stockholm AB	556563-5777	Security	Stockholm	30	March	100
Sparc Academy AB	559372-6028	-	Sundsvall	-	March	100
Kusinkraft AB	556935-5356	ELECTRICS	Stockholm	30	April	Merged
ELAB-Gruppen Holding AB	559373-7173	-	Falun	-	April	100
Elektrikerna i Falun AB	556574-7952	Electrics	Falun	45	April	100
Intrateknik och El i Falun AB	559088-7161	Electrics	Falun	5	April	100
Schakt & Transport i Dalarna AB	556194-1534	Electrics	Falun	25	April	100
Eliot Universe AB	556977-9431	Electrics	Stockholm	17	April	100
Eliot Protect AB	556636-5119	Electrics	Stockholm	8	April	100
Bäkmarks VVS AB	556808-8008	HVAC	Eldsberga	100	April	100
EKT Svenska El- och Kraftteknik AB	556532-4380	Projects	Malmö	25	April	100
Elkonsulten i Finspång AB	556319-4488	Projects	Finspång	34	April	100
Teknovent AB	556508-0396	HVAC	Sollentuna	23	May	100
Westerlins Automation AB	556938-5965	Projects	Malmö	13	May	100
Uusimaa Svets & VVS AB	559215-3893	HVAC	Hässelby	-	May	100
BMA Säkerhet AB	559065-1492	Security	Stockholm	13	June	100
Falu Säkerhetsteknik AB	559014-0850	Security	Upplands Väsby	15	June	100
Kristensons VVS AB	559023-9843	HVAC	Varberg	14	June	100
GW Ventilation AB	559337-5776	HVAC	Varberg	25	June	100
AG Rörteknik AB	556719-8428	HVAC	Gislaved	30	August	100
Rolf Karlström El & Reglerteknik AB	556276-7441	Projects	Uppsala	14	September	100
Berghs Rörteknik AB	556600-7174	HVAC	Hägersten	16	September	100
Effektiv Ventilation AB	559126-3156	HVAC	Kungsbacka	-	September	100
Dahlberg Charging Solutions AB	559127-1266	Electrics	Huddinge	21	September	100
STELKON Stockholms Elkonsult AB	556828-0563	Projects	Solna	2	October	100
Stockholm Rör & Svetsteknik AB	559124-6177	HVAC	Tungelsta	-	October	100
Labkontroll Sverige AB	559257-0930	-	Gothenburg	-	November	100
Labkontroll Väst AB	556786-2148	HVAC	Hisings Backa	12	November	100
Labkontroll Syd AB	556893-1330	HVAC	Lund	9	November	100
Ventilationsgruppen service i Göteborg AB	556892-3097	HVAC	Västra Frölunda	14	November	100
Kustens VVS AB	556966-0680	HVAC	Halmstad	25	December	100

A total of 40 subsidiaries and affiliates were acquired in 2022 as part of the Group's continued expansion strategy. Broken down by business area, 16 companies were acquired in HVAC, 8 in Electrical, 8 in Security, 5 in Projects and 3 not belonging to a business area. The Group's ownership structure was restructured in early 2022, resulting in the formation of Sparc Group Holding AB, which is the parent company of all Group subsidiaries and affiliates. Two Stone IT AB was also formed with a view to strengthening the Group's IT structure and security.

The total purchase price for acquisitions amounts to SEK 448,012 thousand, including estimated contingent considerations. The purchase price was greater than the carrying amounts of the net assets at the time of the acquisitions, which meant that the acquisitions gave rise to goodwill that is mainly attributable to future new markets, synergy effects and profitability. No individual acquisition was material and therefore needs to be disclosed separately.

From the date of acquisition, the acquired companies have contributed SEK 622,481 thousand and SEK 43,962 thousand respectively to the Group's revenue and profit before tax. If the acquisitions had taken place at the beginning of the financial year, the Group's revenue and profit before tax would have been SEK 838,849 thousand and SEK 57,028 thousand respectively.

One company also withdrew from the Group during the year due to differing views on its future development, which led to an agreement to buy back the subsidiary. The buyback resulted in a loss of SEK 510 thousand and has been classified as other operating expenses. Two wholly-owned subsidiaries acquired in 2022 were also merged: these mergers had no impact on the consolidated financial statements.

Acquisition price	2022
Purchase price	448,012
Fair value of assets and liabilities acquired	
Fixed assets	9,822
Current assets	115,865
Cash and cash equivalents	91879
Deferred tax	-2,650
Non-current liabilities	-12,388
Other current liabilities	-143,801
Total	**58,727**
Goodwill	389,285
Cash flow effect of acquisitions	**2022**
Purchase price at acquisition	-448,012
Of which contingent consideration	10,300
Shares issued	155,587
Promissory note	21,950
Cash and cash equivalents acquired	91,879
Contingent consideration paid	-5,953
Acquisition-related costs	-10,724
Change in consolidated cash and cash equivalents on acquisition	**-184,973**

Divestment	2022
Purchase price	2,090
Fair value of assets and liabilities disposed of	
Fixed assets	24
Current assets	2,876
Cash and cash equivalents	811
Deferred tax	-
Non-current liabilities	
Other current liabilities	-3,631
Total	**80**
Goodwill	2,520
Capital gain/loss	**-510**
Cash flow effect of divestment	**2022**
Purchase price on divestment	2,090
Shares issued	-
Promissory note	-
Cash and cash equivalents disposed of	-811
Change in consolidated cash and cash equivalents on divestment	**1,279**

Acquisitions after the reporting period

As of the signing of the annual report and consolidated financial statements, the Group has acquired a further 7 companies: 1 in Networks, 1 in Electrical and the rest in HVAC. These acquisitions follow the Group's acquisition plan, and no one acquisition is of material size.

Accounting policies

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is measured as the aggregate of the acquisition-date fair values of the assets transferred, liabilities assumed and equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Contingent consideration is measured at fair value and classified as a financial liability. Reference is made to the disclosure of financial liabilities: see Note 23.

Acquisition-related costs are expensed in other operating expenses as they are incurred. Reference is made to the disclosure on segment reporting: see Note 5.

Note 5 Segment reporting

HVAC is a key area of modern society and covers everything from sanitation to heating and water. HVAC refers to the technical systems in buildings that are planned, designed and installed, including the products used. In other words, the HVAC business area carries out operations, installations and servicing of heating and cooling systems, sanitation, water/sewage and sales of HVAC products.

Electrical is made up of businesses offering specialised expertise in a range of segments such as power supply, green energy, car charging and traditional contracting and services. The business area designs, fits and implements all types of electrical and telecoms installations in all types of property, from public and vital societal environments to industry and construction. Renewable energy and energy efficiency play an important role in reducing the use of fossil fuels.

The Security business area is a vital societal, technical and innovative area that offers products and services relating to burglar alarms, fire alarms, access control systems, CCTV camera surveillance, operation and alarm transmission, security systems and lock solutions. Integrated security systems, where different systems integrate with one another, are becoming more common. A single system can be fully autonomous, operating independently and coordinated with other facilities via a master system.

The Projects business area is made up of businesses working with consultancy services, as well as control, regulation and automation. A carefully conducted design and feasibility study reduces project risks and increases delivery reliability. A significant part of the consultancy services is provided to other subsidiaries within the Group in the form of cost estimation, project planning and legal services. By preparing tenders, negotiating, creating and reviewing legally compliant contracts, and integrating project planning into one process, the risk of unexpected costs and legal interpretation issues in construction law is minimised, thereby creating conditions for profitable projects and business.

An efficient IT infrastructure is the backbone of today's digital landscape and offers a range of benefits to businesses and organisations that have control over this sensitive area. Networks is made up of activities whose core business is the installation, commissioning and servicing of data centres and server facilities and the commissioning and servicing of telecommunications equipment for sensitive IT environments. This business area also offers services for energy-efficient solutions relating to power supply, climate control, operational alarm services, metering and documentation. We design, install, commission and maintain your IT and telecoms equipment.

Other companies refer to Group-wide functions that mainly assist the other operating segments. These are not reported to the highest executive function, but are presented below as a reconciliation to the financial statements.

Segment reporting 2023	HVAC	Electrics	Security	Projects	Networks	Group-wide	Elimination	Sparc Group
External net sales	396,895	452,209	232,428	102,401	113,172	14,897		1,312,002
Internal net sales	5,697	19,021	11,478	9,714	467	76,826	-123,202	-
Earnings before depreciation and earnings before depreciation and amortisation losses (EBITDA)	**37,374**	**7,978**	**41,522**	**13,680**	**4,127**	**-50,032**		**54,649**
EBITDA margin	9.3%	1.7%	17.0%	12.2%	3.6%	-		4.2%
Extraordinary items								
Acquisition-related costs	505	-	-	-	-	15,194		15,699
Decommissioning costs	-	-	-	-	-	3,052		3,052
Start-up cost, product development	-	2 576	-	-	-	-		2,576
Miscellaneous	-	-	-	-	-	1,668		1,668
Adjusted Earnings before depreciation and amortisation losses (adjusted EBITDA)	**37,879**	**10,554**	**41,522**	**13,680**	**4,127**	**-30,118**		**77,644**
Adjusted EBITDA margin	9.4%	2.2%	17.0%	12.2%	3.6%	-		5.9%
Operating profit	**26,454**	**-3,662**	**32,663**	**10,429**	**933**	**-52,649**		**14,168**
Operating profit, %	6.6%	-0.8%	13.4%	9.3%	0.8%	-		1.1%
Extraordinary items								
Impairment of goodwill	1,489	4,153	3,056	-	-	975		9,673
Adjusted operating profit	**28,448**	**3,067**	**35,719**	**10,429**	**933**	**-31,760**		**46,836**
Adjusted operating profit, %	7.1%	0.7%	14.6%	9.3%	0.8%	-		3.6%
Financial income								1,077
Financial expenses								-65,068
Profit before tax								**-49,823**
Tax								1,422
Profit or loss for the year from continuing operations								-48,401
Profit or loss for the year from discontinued operations								-23,500
Profit or loss for the year								**-71,901**
Number of employees	214	323	128	68	66	20		819
Goodwill	220,018	181,381	204,275	72,595	24,267	4,696		707,232
Trade receivables	61,785	82,327	27,487	16,730	28,916	4,919		222,164
Contract assets	16,599	37,846	11,162	4,518	6,946	0		77,071

Segment reporting 2022	HVAC	Electrics	Security	Projects	Networks	Group-wide	Elimination	Sparc Group
External net sales	104,721	291,679	155,145	64,025	98,055	1,583		715,208
Internal net sales	1,204	13,247	5,768	4,710	1,657	33,420	-60,006	-
Earnings before depreciation and amortisation losses (EBITDA)	**17,165**	**-7,412**	**33,891**	**9,344**	**6,117**	**-30,998**		**28,107**
EBITDA margin	16.2%	-2.4%	21.1%	13.6%	6.1%	-		3.9%
Extraordinary items								
Acquisition-related costs	-	-	-	-	-	10,744		10,744
Start-up cost, product development	-	2,000	-	-	-	-		2,000
Decommissioning costs	-	-	-	-	-	1,300		1,300
Capital gain/loss on disposal of subsidiaries	-	-	-	-	501	-		501
Adjusted earnings before depreciation and amortisation losses (adjusted EBITDA)	**17,165**	**-5,412**	**33,891**	**9,344**	**6,618**	**-18,954**		**42,652**
Adjusted EBITDA margin	16.2%	-1.8%	21.1%	13.6%	6.6%	-		6.0%
Operating profit	**14,461**	**-13,738**	**28,610**	**8,058**	**3,865**	**-32,406**		**8,850**
Operating profit, %	13.7%	-4.5%	17.8%	11.7%	3.9%	-		1.2%
Adjusted operating profit	**14,461**	**-11,738**	**28,610**	**8,058**	**4,366**	**-20,362**		**23,395**
Adjusted operating profit, %	13.7%	-3.8%	17.8%	11.7%	4.4%	-		3.3%
Financial income								372
Financial expenses								-12,904
Profit before tax								**-3,682**
Tax								-431
Profit for the year from continuing operations								-4,113
Profit for the year from discontinued operations								2,442
Profit or loss for the year								**-1,671**
Number of employees	106	211	110	29	86	9		551
Goodwill	85,366	100,116	183,371	48,913	24,267	975		443,008
Trade receivables	47,261	42,668	23,958	16,614	19,971	578		151,050
Contract assets	10,222	20,674	4,310	4,292	6,041	-		45,539
Contract liabilities	-227	-15,454	-797	-1,371	-217	-		-18,066

Revenue from external customers and property, plant and equipment, including right-of-use assets, are allocated geographically as follows:

Geographical segmentation, 2023	Sweden	Nordics	US	Other	Total
Net sales	1,288,016	14,833	4,027	5,126	1,312,002
Fixed assets	132,493	89	-	-	132,582

Geographical segmentation, 2022	Sweden	Other	Total
Net sales	712,448	2,760	715,208
Fixed assets	75,314	-	75,314

Accounting policies

The Group is managed on the basis of the five business areas, which are monitored by both the Group executive and the Board of Directors. The highest executive function is the CEO, who manages the business together with the respective business area manager and the rest of the Group executive. The accounting policies of the segments are the same as those used in the preparation of the consolidated financial statements. The key management and reporting concepts are net sales, adjusted profit before depreciation and adjusted operating profit. The operating profit for a segment includes income and expenses from inter-segment transactions. The impact of IFRS 16 and credit losses are allocated to the different segments.

Note 6 Revenue

The Group offers a wide range of products and solutions in the installation industry. A significant part of the Group's revenue comes from contracts for the sale of goods. A table of revenue breakdown is shown below. The Group has no one customer that exceeds 10% of the Group's total turnover.

Breakdown of revenue for 2023	Contracting	Service	Other	Total
Revenue from fixed price contracts	538,828	98,200	789	637,817
Revenue from current account contracts	264,853	334,375	31,057	630,285
Other turnover	-	3,675	40,225	43,900
Total net turnover	**803,681**	**436,250**	**72,071**	**1,312,002**
Revenue by type of customer				
Public sector	48,814	68,475	19,166	136,455
New construction	282,863	200	98	283,161
Repeat business customers	360,901	246,067	35,041	642,009
Other corporate customers	64,048	92,149	17,660	173,857
Private individuals	47,054	29,359	107	76,520
Total net turnover	**803,680**	**436,250**	**72,072**	**1,312,002**

Breakdown of revenue for 2022	Contracting	Service	Other	Total
Revenue from fixed price contracts	318,507	46,560	14	365,081
Revenue from current account contracts	118,578	188,760	22,627	329,965
Other turnover	0	2,687	17,475	20,162
Total net turnover	**437,085**	**238,007**	**40,116**	**715,208**
Revenue by type of customer				
Public sector	34,383	35,213	14,017	83,613
New construction	203,253	146	-	203,399
Repeat business customers	144,628	142,703	24,459	311,790
Other corporate customers	33,345	50,152	1,594	85,091
Private individuals	21,477	9,792	46	31,315
Total net turnover	**437,086**	**238,006**	**40,116**	**715,208**

Revenue during the financial year attributable to previous years' contracts with customers totalled SEK 222,423 thousand. The transaction price allocated to the remaining performance obligations (unmet or partially unmet) is:

Remaining obligations at year-end	2023	2022
Within one year	262,853	283,193
More than one year	2,871	22,785
Total	**265,724**	**305,978**

Balance sheet

The Group has contract revenue related to both fixed price and current account contracts. There are no contract assets or liabilities classified as non-current. Contract assets are intended to be converted into trade receivables at the earliest possible opportunity in order to help improve liquidity. As a result, the Group closely monitors overdue trade receivables in order to assess recognised revenue. The credit period for trade receivables varies between 30 and 60 days.

See Note 19 – Trade receivables, for reference to doubtful trade receivables.

Contract assets	2023	2022
Accrued	282,978	186,184
Invoiced	-205,907	-140,645
Closing balance	**77,071**	**45,539**

Contract liabilities	2023	2022
Accrued	88,846	75,699
Invoiced	-106,945	-89,096
Reserve for loss-making projects	-1,041	-4,669
Closing balance	**-19,140**	**-18,066**

The significant increase in contract assets stems from business combinations and as a result of the Group's organic growth. No one company or project is responsible for the increase. A significant portion of the Group's revenue is attributable to contracts on a current account basis, which means that projects are rarely front-loaded in invoicing, and therefore contract liabilities do not follow the same trend as contract assets.

Accounting policies

The information on revenue is based on the geographical location of the companies. Information related to the Group's performance obligations and the recognition of the related revenue is summarised below:

Sales of goods

Sales of goods comprise sales of fully assembled products and commercial products in the installation industry. Contracts involving the sale of multiple goods are divided into multiple performance obligations when they are distinct and separable within the contract.
The revenue is recognised at the fair value of what the Group has received or will receive, which means that the Group recognises the revenue at nominal value (invoice amount) if the Group is paid in cash immediately on delivery. Deductions are made for discounts given. In the case of sales of goods, income is normally recognised as revenue when the significant risks and rewards of ownership of the goods have been transferred from the Group to the purchaser.

Sales of services

Sales of services include ongoing servicing work or service contracts for installation services. Revenue from services rendered is recognised as it is earned.

Service and construction contracts

Revenue from service and construction contracts arises from contracts that are either fixed price or on a current account basis for the purpose of delivering fully assembled end products installed at the customer's premises, as well as construction of custom assets. Goods and services are combined into one performance obligation when the installation services are complex and modify or significantly customise the products, and/or the Group delivers goods and services that are highly integrated into a combined solution.

Revenue is recognised over time, provided that the Group's performance either creates or improves an asset that the customer controls when the asset is created or improved, or that the Group's performance does not create an asset with an alternative use for the Group and the Group is entitled to payment for the performance completed to date, or the customer receives and consumes the benefits of the work performed by the Group.

Service contracts/contracts on a current account basis are recognised as revenue as the work is carried out. Accrued, unbilled income is entered in the balance sheet at the amount expected to be invoiced at the balance sheet date.

Fixed-price service contracts/contracts are recognised as income as the work is performed. When calculating earned profit, the degree of completion has been calculated as incurred expenses as of the balance sheet date in relation to total estimated expenses for completion of the assignment. The difference between recognised revenue and invoiced instalments is recognised in the balance sheet.

The transaction price on which the recognised gain is based is calculated on the basis of the contracted revenue plus the cost of modifications and additions, plus an estimate of the probability of receiving full compensation. The Group regularly updates its estimates of the transaction price and adjusts revenue in accordance with this estimate.

If an existing contract is amended or added to (ÄTA), these are recognised as part of the original contract at the time they are ordered.

When a service/contract assignment is identified as a loss-making project, the entire loss is reserved at the time it is identified and reversed as the project is finalised. The loss allowance is recognised in the income statement under the item Cost of goods sold.

Performance-related pay

Variable remuneration refers to sales of products that include return rights, volume discounts and penalties. Only an insignificant portion of the Group's revenue includes sales that include variable remuneration.

Expenses incurred to obtain or fulfil a contract with a customer

No expenditure on obtaining a contract has been capitalised, as all related costs relate to projects that are expected to be secured within one year.

Significant estimates and assessments

The Group provides installation services that are either sold separately or in combination to our customers. The installation component is a promise to transfer services in the future and is part of the consideration to be transferred from the customer to the Group. The Group has decided that revenue for installation services should be recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another company would not have to redo the installation that the Group has provided to date shows that the customer simultaneously receives and consumes the benefits of the Group's performance when it is provided.

The Board's assessments of the degree of completion and the final outcome of ongoing projects are critical judgements that are significant for the annual report and the consolidated financial statements. The reported result in ongoing construction projects is based on an input method whereby revenue recognition is based on the project's degree of completion, which in turn is based on costs incurred in relation to the expected costs of completing the installation. This requires an ability to estimate project costs reliably. Effective systems for costing, forecasting procedures and project monitoring are a prerequisite.

Note 7 Cost of production

The Group applies a function-classified income statement. The breakdown of the cost of production is as follows:

Cost of goods sold	2023	2022
Purchases of goods	537,845	286,763
Subcontractors	93,558	42,057
Personnel	350,782	194,502
Change in loss allowance	-4,789	6,542
Warranty costs	10	334
Total	**977,406**	**530,198**

Inventories	2023	2022
Inventories	35,589	21,589
Written-down value	-817	-486
Total	**34,772**	**21,103**

Accounting policies

Inventories have been measured at the lower of cost and net realisable value at the balance sheet date.
Net realisable value means the estimated selling price of the goods less the costs of disposal. The cost is calculated using the first-in, first-out (FIFO) method and includes the costs of acquiring the goods and bringing the goods to their current state and location.
Standardised obsolescence rate of 3% applied at year-end. Physical inventories are conducted at least annually.

Significant estimates and assessments

The Group makes regular estimates and assumptions about aspects such as future market conditions and estimated net selling prices in order to assess the risk of obsolescence. The risk of obsolescence arises particularly in periods when demand falls unexpectedly. Additionally, obsolescence may occur if the Group fails to utilise its inventory in a timely fashion.

Note 8 Costs of disposal

The Group applies a function-classified income statement. The breakdown of costs of disposal is as follows:

Costs of disposal	2023	2022
Personnel	30,244	15,123
Advertising and public relations	4,412	2,763
Miscellaneous	4,129	1,763
Total	**38,785**	**19,649**

Note 9 Administrative costs

The Group applies a function-classified income statement. The breakdown of administration costs is as follows:

Costs of disposal	2023	2022
Personnel	105,583	56,277
Depreciation and amortisation	40,291	18,842
Vehicle costs	39,365	21,101
Acquisition-related costs	15,699	10,744
IT and software	13,027	5,119
Accounting and auditing	12,744	6,315
Consumables	12,041	6,841
Capitalised development expenses	-4,808	-2,203
Miscellaneous	50,463	33,632
Total	**284,405**	**156,668**

Note 10 Remuneration to employees and Board of Directors

Average number of employees	2023	Of which men, %	2022	Of which men, %
Sparc Group AB	17	65%	8	50%
Subsidiaries				
HVAC	214	92%	106	93%
Electrics	323	95%	211	95%
Security	128	90%	110	89%
Projects	68	94%	29	97%
Networks	66	95%	86	98%
Other	3	70%	1	100%
Number	**819**	**92%**	**551**	**93%**

All Board members and senior executives are resident in Sweden.

	2023		2022	
Board members and senior executives	**Men, %**	**Women, %**	**Men, %**	**Women, %**
Board members	86%	14%	86%	14%
Senior executives	71%	29%	100%	0%

Salaries, wages and social security contributions	2023	2022
Parent company		
Salaries and fees	13,113	4,420
Social security contributions	5,802	1,391
Of which pension costs	1,464	543
Subsidiary		
Salaries and fees	325,130	181,544
Social security contributions	129,481	69,665
Of which pension costs	24,732	12,834
Total	**473,526**	**257,020**

The Group operates defined contribution pension plans for certain eligible employees in Sweden. The Group is required to contribute a specified percentage of salary costs to the pension scheme in order to fund the benefits. The Group's only obligation in respect of the pension plan is to pay the specified contributions.

The total expense recognised in the income statement represents contributions payable by the Group to the defined contribution plans.

Remuneration of the Group executive

The senior executive team is made up of the Group CEO and the other heads of operations. All of them are employed by the parent company; except the Group CEO, who is employed by another Group company.

2023	Board fees	Salaries	Other benefits	Social security payments	Pension	Other remuneration	Total remuneration
CEO		1,260	-	440	225	-	1,925
Other senior executives (6)	3,196	291	1,096	508	5,678	10,769	
Chairman of the Board	59	-	-	18	-	-	77
Board members	351	-	-	110	-	-	461
Total remuneration	**410**	**4,456**	**291**	**1,664**	**733**	**5,678**	**13,232**

2022	Board fees	Salaries	Other benefits	Social security payments	Pension	Other remuneration	Total remuneration
CEO		1,234	-	388	107	-	1,729
Other senior executives (4)	1,620	77	534	141	4,555	6,927	
Chairman of the Board	-	-	-	-	-	-	0
Board members	242	-	-	73	-	-	315
Total remuneration	**242**	**2,854**	**77**	**995**	**248**	**4,555**	**8,971**

No additional remuneration has been paid for services outside the executive role descriptions. No loans or guarantees have been granted to any member of the Group executive, the Board of Directors or any other corporate body.

Accounting policies

Employee benefits refer to all types of compensation that the company provides to employees. The company's benefits include salaries, paid holidays, paid absence, bonuses and post-employment benefits (pensions). These are recognised as they are earned. Post-employment benefits relate to defined contribution pension plans. Defined contribution plans are those plans where fixed contributions are paid and there is no obligation, either legal or constructive, to pay anything in addition to those contributions. Other plans are classified as defined benefit pension plans. The company has no other long-term employee benefits.

Note 11 Remuneration to auditors

The Group applies a function-classified income statement. Auditors' fees are included in administrative expenses

Auditors' fees	2023	2022
Audit fees to Mazars		
Audit engagements	3,066	1,892
Audit services	630	415
Other services	-	144
Total to Mazars	**3,696**	**2,451**
Other audit firms		
Audit engagements	-	335
Total to other audit firms	**-**	**335**
Total	3,696	2,786

Audit assignments refer to the audit of the annual report and advisory services resulting from observations made during the audit.

Audit-related services refer to other engagements to ensure the quality of the financial statements, including advice on reporting requirements and internal controls.

Note 12 Other operating income and expenses

Other operating revenue	2023	2022
Gain on sale of fixed assets	4,600	690
Damages received	4,000	-
Personnel-related remuneration	708	1,250
Government grants	797	728
Insurance compensation	667	402
Exchange rate gains	85	174
Other operating revenue	230	752
Total operating income	**11,087**	**3,996**

Other operating expenses	2023	2022
Bad debts	6,624	3,098
Loss on sale of fixed assets	1,265	92
Capital loss gain/loss on disposal of subsidiaries	-	510
Exchange rate losses	168	87
Other operating expenses	268	52
Total operating expenses	**8,325**	**3,839**

Note 13 Financial income and expenses

Financial income	2023	2022
Interest income	586	291
Gain on disposal of financial assets	425	51
Dividends	65	16
Other financial income	1	14
Total financial income	**1,077**	**372**

Financial expenses	2023	2022
Interest expenses from parent company	11,686	5,032
Interest expenses related to lease liabilities	3,917	1,797
Other interest expenses	21,618	6,064
Contingent consideration recognised through profit or loss	16,885	-
Impairment of financial assets	10,819	-
Other financial expenses	143	11
Total financial expenses	**65,068**	**12,904**

Accounting policies

Financial income and expenses comprise interest income on bank deposits and receivables, interest expense on borrowings and lease liabilities, dividend income and foreign exchange differences.

The interest component of financial lease payments is recognised in the income statement in accordance with the effective interest method, which means that the interest is allocated so that each reporting period is charged with an amount based on the liability recognised during the period in question.

Note 14 Income tax

Reconciliation of effective tax rate	2023	2022
Reported profit before tax	-49,823	-3,682
Tax on recognised income according to the applicable tax rate in Sweden, 20.6%	-10,264	-758
Tax effect of:		
Non-deductible expenses	17,729	4,196
Non-taxable income	-394	-977
Other Group adjustments	2,920	-439
Applied tax loss carryforward	-7,746	-738
Foreign tax rate adjustment	3	-
Less discontinued operations	-2,663	503
Miscellaneous	-1,007	-1,356
Recognised tax	**-1,422**	**431**
Effective tax rate	Neg	Neg

The Group pays tax on its reported profit in Finland at the current tax rate of 20%.

Tax loss carryforwards	2023	2022
Sweden	80,690	46,917
Total tax loss carryforwards	**80,690**	**46,917**
Unrecognised tax loss carryforwards	-3,436	-6,329
Total recognised tax loss carryforwards77,254	**40,588**	

Tax on profit for the year	2023	2022
Current tax	11,836	8,141
Deferred tax	-13,258	-7,710
Total tax on profit for the year	**-1,422**	**431**

Deferred tax assets	2023	2022
Unutilised tax loss carryforwards	15,914	8,361
Untaxed reserves	-2,049	-4,929
Credit losses	556	421
Right-of-use assets	-21,773	-11,573
Lease liabilities	22,499	11,975
Total deferred tax assets	**15,147**	**4,255**

Change in deferred taxes, net	2023	2022
Opening balance	4,255	-805
Recognised in profit for the year	13,258	7,710
Business combinations and disposals	-2,366	-2,650
Closing balance	**15,147**	**4,255**

In 2023, a clarification has been issued on IAS 12 Income Taxes regarding the recognition of deferred taxes related to individual transactions. For the Group, this means recognising deferred tax on lease agreements. Deferred tax assets and deferred tax liabilities amount to the same value and are recognised net in the balance sheet: see the table above.

Accounting policies

Total tax consists of current tax and deferred tax. Taxes are recognised in the income statement; except when the underlying transaction is recognised in other comprehensive income or directly in equity, in which case the related tax effect is recognised in other comprehensive income or equity. Tax assets and liabilities are offset in the balance sheet when there is a legally enforceable right of set-off and when they relate to taxes charged by the same tax authority.

Current tax

Current tax refers to income tax for the current financial year and the part of previous financial years' income tax that has not yet been recorded. Current tax is calculated based on the tax rate applicable on the balance sheet date. This also includes the adjustment of current tax attributable to previous periods.

Deferred tax

Deferred tax is income tax relating to future financial years as a result of previous events. Recording takes place in accordance with the balance sheet method. According to this, deferred tax liabilities and deferred tax assets are recorded on temporary differences arising between the book and tax values of assets and liabilities and for other tax deductions or deficits. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will result in lower tax payments in the future.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from a transaction which constitutes the initial recognition of an asset or liability that is not a business combination and, which at the time of the transaction affects neither accounting nor taxable profit.

Significant estimates and assessments

The deferred tax asset relating to taxable losses has been assessed as recoverable based on estimates of future earnings. Future changes in applicable legislation may affect the deferred tax asset, as well as the right to deduct financial losses.

Note 15 Intangible assets

Intangible assets	Goodwill	Capitalised development costs	Licences and patents	Other intangible assets	Total
Opening acquisition cost, 01/01/2022	**49,451**	**-**	**607**	**-**	**50,058**
Business combinations	387,775	3,445	127	200	391,547
Acquisitions for the year	8,293	2,203	125	-	10,621
Disposals and retirements	-2,511	-	-	-	-2,511
Closing acquisition cost, 31/12/2022	**443,008**	**5,648**	**859**	**200**	**449,715**
Business combinations	285,935	-	-	681	286,616
Acquisitions for the year	-	4,808	68	-	4,876
Disposals and retirements	-11,567	-	-	-	-11,567
Exchange differences	-74	-	-	-	-74
Closing acquisition cost, 31/12/2023	**717,302**	**10,456**	**927**	**881**	**729,566**
Opening amortisation and impairment losses, 01/01/2022-	**-**	**-1**	**-**	**-1**	
Business combinations	-	-62	-69	-148	-279
Amortisation	-	-	-89	-22	-111
Closing amortisation and impairment losses, 31/12/2022	**0**	**-62**	**-159**	**-170**	**-391**
Business combinations	-	-	-	-168	-168
Amortisation	-	-	-95	-72	-167
Impairment losses	-10,070	-	-	-	-10,070
Closing amortisation and impairment losses, 31/12/2023	**-10,070**	**-62**	**-254**	**-410**	**-10,796**
Carrying amount, 31/12/2022	**443,008**	**5,586**	**700**	**30**	**449,324**
Carrying amount, 31/12/2023	**707,232**	**10,394**	**673**	**471**	**718,770**

Capitalised expenditure for development work

The subsidiary Eliot Universe AB develops the product Eliot Alpha, which offers a unique platform enabling property owners, landlords and housing associations to communicate with their residents while effectively managing, controlling and monitoring the property around the clock.

The launch of Eliot Alpha is planned to take place in Q3 2024 and then to be amortised over 10 years. Costs capitalised as development costs for the year amount to SEK 4,808 thousand (2,203). Capitalisation of costs has been carried out in accordance with IAS 38. Costs that do not fulfil the requirements of IAS 38 have been expensed and amount to SEK 2,576 thousand (2,000).

Impairment testing of goodwill

Recognised consolidated goodwill amounts to SEK 707,232 thousand (443,008). The breakdown of goodwill by business area is presented in Note 5 – Segment reporting.

The Group has recognised impairment losses of SEK 10,070 thousand attributable to cash-generating units whose low profitability has led to measures to reduce the scope of operations. For the remaining units, in the opinion of the Group executive there is no significant risk of further impairment of goodwill.

Sensitivity analysis

Alternative calculations have been made to indicate the risk of additional impairment losses by changing the assumptions regarding the discount rate, growth rate and profitability. A change in each of these assumptions, individually, would result in further impairment of the recognised goodwill. The table below shows how the value of goodwill will be affected by changes in various assumptions, given that the other assumptions remain constant:

Indication of impairment in case of change in assumptions		HVAC	Electrics	Security	Projects	Networks	Total
Discount rate	+ 1%	3,380	-	8,378	1,712	-	13,470
Growth rate after 5 years	- 1%	2,491	-	5,091	1,217	-	8,799
Decrease in profitability	- 1%	3,073	617	3,549	754	-	7,993

The sensitivity analysis indicates a risk of further impairment attributable mainly to three business areas. The impairment indications that arise are due to individual units whose forecast for future cash flows is conservative in its assumptions in order to account for potential challenges in case the implemented action plans do not achieve the desired effect.

Accounting policies

Capitalised expenditure for development work

Expenditure on development activities related to a specific project is recognised as an asset in the balance sheet when the Group is able to demonstrate the following:

- the technical feasibility of completing the intangible asset so that it becomes available for use and sale, its intention to complete the intangible asset and use or sell it
- how the intangible asset will generate probable future economic benefits
- the availability of resources to complete the asset
- its ability to reliably measure expenditure during its development.

Capitalised development expenditure is amortised over its expected useful life of 10 years and tested annually for impairment.

Capitalised expenses are netted against costs incurred in the income statement under the heading Administrative expenses.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment losses and is recognised at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the Group are recognised at cost less accumulated depreciation and impairment losses. The Group's other intangible assets mainly include patents and licences which are capitalised on the basis of the expenditure incurred in acquiring the asset and bringing it into use. Expenditure is capitalised insofar as the likely economic benefits exceed the expenditure.

Other intangible assets are amortised over their expected useful lives of 5–10 years and are tested for impairment when there are internal or external indications of impairment.

Amortisation

Amortisation according to plan is based on the original cost less any residual value. Amortisation is calculated using the straight-line method over the useful life of the asset and is recognised as an expense in the income statement: see Note 9. Amortisation is charged from the accounting period in which the asset becomes available for use. The following depreciation periods are applied:

Development expenses	10 years
Licences and patents	10 years
Other intangible assets	5–10 years

Impairment of intangible assets

Previously recognised impairment losses are reversed if the conditions on which the recognised impairment losses were based are no longer applicable. Impairment losses are reversed insofar as the capitalised amount after reversal does not exceed the capitalised amount, net of depreciation, that would have been determined had no impairment loss been recognised. Impairment of goodwill is not reversed.

At least annually, the Group tests goodwill for impairment at subsidiary level, which is considered the smallest cash-generating unit, in conjunction with the annual financial statements. The recoverable amount per cash-generating unit has been determined based on calculations of value in use. The calculations are based on estimated future cash flows from financial plans approved by the Group executive.

Significant estimates and assessments

Goodwill is assessed for impairment at least annually by calculating its recoverable amount. Estimated future cash flows based on internal business plans and forecasts are used to determine the value in use. Although the Group executive believes that the estimated future cash flows are reasonable, other cash flow assumptions may significantly affect the valuations made.

Discount rate

The discount rate is based on the weighted average cost of capital (WACC). The discount rate reflects the current market rate of interest in the industry in which the cash-generating unit is compared. The cost of equity has been calculated on the basis of the capital asset pricing model (CAPM). An interest rate of 10.7 per cent has been used to discount the cash flows for all units. This is based on a risk-free rate of 2.05 per cent, plus a systematic risk premium of 6.1 per cent and a specific risk premium of 1.4 per cent. The risk premium is based on observations of similar companies listed on the Stockholm Stock Exchange.

Key assumptions in the financial plans include projected cash flows, inflation and growth rates, which are based on published statistics on industry developments and market conditions. Forecast cash flows are based on the established budget for the coming year, which is approved by the Group's Board of Directors. The growth rate is assumed to be 6.0 per cent, which is based on the assumed growth rate of the installation industry. Projected cash flows have been discounted to present value using a weighted average cost of capital (WACC). A pre-tax discount rate of 10.7 per cent has been used for all cash-generating units.

Growth rate

The growth rate over the period is based on the management's expectations of market developments. Based on available information and knowledge of the market, the management expects to see a slight increase in growth for the coming years. The management's expectations are based on historical developments in trends and public sector analysis. There may be a need for ex-post adjustments as a consequence of the uncertainty in expectations.

Note 16 Tangible assets

Tangible assets	Machinery	Equipment and vehicles	Improvement expenditure	Total
Opening acquisition cost, 01/01/2022	**-**	**2,012**	**-**	**2,012**
Business combinations	865	27,900	2,307	31,072
Acquisitions for the year	173	1,133	461	1,767
Disposals and retirements	-	-1,449	-1,139	-2,588
Reclassifications	1,168	-1,022	-	146
Closing acquisition cost, 31/12/2022	**2,206**	**28,574**	**1,629**	**32,409**
Business combinations	224	5,603	569	6,396
Acquisitions for the year	126	6,240	755	7,121
Disposals and retirements	-284	-9,359	-109	-9,752
Exchange differences	-	-4	-	-4
Closing acquisition cost, 31/12/2023	**2,272**	**31,054**	**2,844**	**36,170**
Opening depreciation and impairment losses, 01/01/2022	**-**	**-1,671**	**-**	**-1,671**
Business combinations	-585	-14,875	-644	-16,104
Depreciation	-170	-2,125	-81	-2,376
Disposals and retirements	-	624	145	769
Reclassifications	-1,067	859	-	-208
Closing depreciation and impairment losses, 31/12/2022	**-1,822**	**-17,188**	**-580**	**-19,590**
Business combinations	-27	-3,447	-346	-3,820
Depreciation	-171	-3,670	-136	-3,977
Disposals and retirements	132	6,393	43	6,568
Reclassifications	-117	124	-6	1
Exchange differences	-	1	-	1
Closing depreciation and impairment, 31/12/2023	**-2,005**	**-17,787**	**-1,025**	**-20,817**
Carrying amount, 31/12/2022	**384**	**11,386**	**1,049**	**12,819**
Carrying amount, 31/12/2023	**267**	**13,267**	**1,819**	**15,353**

Accounting policies

Property, plant and equipment is recognised in the balance sheet when it is controlled by the Group, is expected to generate future economic benefits and is measurable. Property, plant and equipment are recognised at cost after deduction of accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to the asset to put it in place in working order so that it can be used in accordance with the intended purpose of the acquisition. Repair and maintenance expenditure is recognised in the income statement in the period in which it is incurred.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or retirement, or when no future economic benefits are expected from its use. The gain or loss on disposal or retirement is the sale price and the carrying amount of the asset less direct selling costs. The result is recognised as other operating income/expense.

Depreciation

Depreciation according to plan is based on the original cost less any residual value. Depreciation is calculated using the straight-line method over the useful life of the asset and is recognised as an expense in the income statement: see Note 9. Depreciation is charged from the accounting period in which the asset becomes available for use. The following depreciation periods are applied:

Machinery	5–10 years
Equipment and vehicles	3–5 years
Improvement to third party property	15–20 years

Note 17 Right-of-use assets

Right-of-use assets	Buildings and land	Machinery	Equipment and vehicles	Total
Opening acquisition cost, 01/01/2022	-	-	-	-
Acquisitions for the year	33,874	2,128	37,340	73,342
Closing acquisition cost, 31/12/2022	**33,874**	**2,128**	**37,340**	**73,342**
Acquisitions for the year	35,191	-	49,498	84,689
Contract revaluation	2,411	-	-251	2,160
Disposals and retirements	-3,203	-	-9,508	-12,711
Closing acquisition cost, 31/12/2023	**68,273**	**2,128**	**77,079**	**147,480**
Opening depreciation and impairment losses, 01/01/2022	-	-	-	-
Depreciation and amortisation	-6,456	-89	-10,618	-17,163
Disposals and retirements	-	-	-	0
Depreciation	-	-	-	0
Reclassifications	-	-	-	0
Exchange differences	-	-	-	0
Closing depreciation and impairment, 31/12/2022	**-6,456**	**-89**	**-10,618**	**-17,163**
Depreciation	-13,444	-355	-23,537	-37,336
Disposals and retirements	3,203	-	9,507	12,710
Depreciation	-	-	-	0
Reclassifications	-	-	-	0
Exchange differences	-	-	-	0
Closing depreciation and impairment, 31/12/2023	**-16,697**	**-444**	**-24,648**	**-41,789**
Carrying amount, 31/12/2022	27,418	2,039	26,722	56,179
Carrying amount, 31/12/2023	51,576	1,684	52,431	105,691

As a lessee, the Group has lease agreements mainly for premises, machinery and company cars. Each lease agreement is reflected in the balance sheet as a fixed asset and a liability, with the exception of short-term lease agreements and lease agreements for which the underlying asset is of low value. Variable lease payments that are not based on an index or a price are not included in the initial measurement of the lease liability and asset. Each lease generally contains a restriction that the right-of-use asset can only be used by the Group, unless there is a contractual right for the Group to sublease the asset to another party. Lease agreements either cannot be terminated or can only be terminated by charging a substantial termination fee. Some lease agreements contain an option to purchase the underlying leased asset at the end of the lease term, or to extend the lease agreement for a further term.

The right-of-use assets are classified in the balance sheet in the same way the underlying asset would be recognised if owned and are shown in the table below.

Impact on profit or loss of lease agreements	2023	2022
Lease expenses related to short-term lease agreements	1,293	2,256
Lease expenses related to low-value assets	-	250
Variable charges	4,813	1,816
Impact on profit or loss of leases	**6,106**	**4,322**

Change in lease liabilities	2023	2022
Opening lease liability	57,097	-
Additional lease liability	86,805	72,932
Additional interest expense	4,027	1,852
Repayment of lease liabilities	-40,520	-17,687
Concluded contracts	6	-
Total lease liabilities	**107,415**	**57,097**

The lease agreements contain no restrictions regarding the Group's dividend policy or financing opportunities. The Group has no significant residual value guarantees attached to the lease agreements.

Accounting policies

Right-of-use assets

The Group applies the same accounting and valuation method for all lease agreements, except for short-term lease agreements and lease agreements for low-value assets where the exemption rule is applied. The Group recognises lease liabilities for lease payments and right-of-use assets that represent the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease agreement, i.e. the date on which the underlying asset is available for use. Current assets are valued at acquisition value less accumulated depreciation and impairment losses, and adjusted for revaluation of lease liabilities. The cost of right-of-use assets initially includes the present value of the lease liability, initial direct costs and lease payments made on or before the commencement date, less any benefits received.

Lease liabilities

At the commencement date of the lease agreement, the Group recognises the lease liability at the present value of the lease payments to be made during the lease term. Lease payments include fixed charges net of any receivable for benefits arising from the signing of the lease agreement, variable lease payments that depend on an index or price and amounts expected to be paid under residual value guarantees. The lease agreement also includes the exercise price of a call option that is reasonably expected to be exercised by the Group and penalties payable on termination of the lease agreement if the lease term reflects the fact that the Group will exercise the option to terminate the lease agreement. The Group uses its incremental borrowing rate at the commencement date of the lease agreement when calculating the present value of the lease payments, as the interest rate implicit in the lease agreement is not readily determinable. The carrying amount of the lease liability is increased after the commencement date to reflect interest and decreased to reflect lease payments. Additionally, the carrying amount of the lease liability is remeasured in the event of a modification of the lease agreement, a change in the lease term, or to reflect a change in lease payments or a change in the assessment of an option to purchase the underlying asset.

Variable lease payments, as well as short-term lease agreements and low-value assets

The Group applies the short-term lease agreement exemption to its short-term lease agreements, i.e. those lease agreements with a lease term of 12 months or less from the commencement date and which do not include a purchase option. The exemption also applies to lease agreements for which the underlying asset has a low value. Lease payments on short-term lease agreements and lease agreements for low-value assets are recognised as expenses on a straight-line basis over the lease term.

The Group applies a threshold of SEK 50,000 for an asset to be considered low value and therefore amortised on a straight-line basis over the lease term.

In addition to the lease liabilities above, the Group has committed to pay variable lease payments for some of its lease agreements. The variable lease payments are expensed as they are incurred

Depreciation

Depreciation according to plan is based on the original cost less any residual value. Depreciation is calculated using the straight-line method over the useful life of the asset and is recognised as an expense in the income statement. Depreciation is charged from the accounting period in which the asset becomes available for use. Right-of-use assets are amortised on a straight-line basis over the lease term or the useful life of the asset, whichever is the shorter. Depreciation is calculated using the estimated useful life of the asset if the ownership of the leased assets is transferred to the Group at the end of the lease term or if the cost reflects the exercise of a purchase option.

Significant estimates and assessments

The management regularly reassesses the useful lives of all significant assets. If circumstances change in such a way that the estimated useful life needs to be revised, this may result in additional amortisation in future periods.

Note 18 Discontinued operations

The Group decided to divest Bäkmarks VVS AB in 2023 as the business failed to deliver the profitability expected at the time of acquisition. Bäkmarks VVS has essentially carried out turnkey contracts, which resulted in high turnover at low margins compared to the other cash-generating units. After divestment, there are no similar activities that are essentially turnkey. The disposal was planned to be carried out the same year through a buyback by the previous owner.

Income statement	**2023**	**2022**
Net sales	66,389	102,182
Cost of goods sold	-71,457	-93,031
Gross profit	**-5,068**	**9,151**
Administrative expenses	-8,161	-6,471
Other operating revenue	408	27
Other operating expenses	-23	-172
Total other operating items	**-7,776**	**-6,616**
Operating profit	**-12,844**	**2,535**
Financial items		
Financial income	59	2
Financial expenses	-10,715	-95
Total financial items	**-10,656**	**-93**
Profit before tax	**-23,500**	**2,442**
Tax on the profit for the year	-	-
Profit for the year	**-23,500**	**2,442**

Net cash flow	**2023**	**2022**
From operating activities	-19,497	3,249
From investment activities	-	-
From financing activities	-94	-
Net cash flow	**-19,591**	**3,249**

Accounting policies

An asset or disposal group held for sale is classified separately from other items in the balance sheet, such as assets held for sale and liabilities held for sale, respectively. This classification is made from the time when the management has decided to sell and the sale is expected to take place at a market price within one year of the decision being made. A discontinued operation is an operation that is either classified as a disposal group that is for sale, or an operation that has been disposed of, and relates to either an independent operating segment or independent geographical market, or a subsidiary acquired exclusively with a view to resale.

Income and expenses from a discontinued operation are recognised net on a line in the income statement, i.e. separately from continuing operations. Capital gains/losses from discontinued operations are included in profit from discontinued operations. All comparative years presented for discontinued operations are also adjusted, i.e. the results of discontinued operations are presented on one line for all financial years presented.

Note 19 Trade receivables

Trade receivables	2023	2022
Trade receivables, gross	232,481	159,480
Provision for doubtful debts	-10,317	-8,430
	222,164	**151,050**

Change in provision for doubtful debts	2023	2022
Opening balance	8,430	2,099
Additions from business combinations	2,094	3,313
Additions for the year	2,390	1,166
Reversal	-3,253	-189
Changes in loss allowance	656	2,041
Closing balance	10,317	8,430

Ageing analysis of trade receivables as at 31 Dec 2023	Total	Not past due	<30 days	30-90 days	90-180 days	> 180 days
Trade receivables, gross	232,481	200,257	15,467	6,650	3,620	6,487
Provision for doubtful trade receivables	-7,620	-	-	-679	-2,674	-4,267
Loss allowance for doubtful trade receivables	-2,697	-1,116	-40	-236	-222	-1,083
	222,164	**199,141**	**15,427**	**5,735**	**724**	**1,137**

Ageing analysis of trade receivables as at 31 Dec 2022	Total	Not past due	<30 days	30-90 days	90-180 days	> 180 days
Trade receivables, gross	159,480	150,272	241	305	100	8,562
Provision for doubtful trade receivables	-6,389	-	-	-	-	-6,389
Loss allowance for doubtful trade receivables	-2,041	-302	-	-18	-65	-1,656
	151,050	**149,970**	**241**	**287**	**35**	**517**

Reference is made to the Group's credit risk related to trade receivables in Note 23 – Financial instruments and risks.

Accounting policies

Trade receivables consist of amounts due from customers for the sale of the Group's products and services. Accounts receivable are initially recognised at the transaction price. The Group holds trade receivables for the purpose of collecting contractual cash flows, and therefore measures them at subsequent reporting dates at amortised cost using the effective interest method.

For trade receivables, the loss allowance is initially based on an individual assessment of each receivable. According to the Group's finance policy and IFRS 9, credit losses are based on either specific or non-specific risk. Gains and losses are recognised in the income statement when the asset is recognised, modified or impaired. Other expected credit losses are calculated on the basis of an impairment ladder for all overdue accounts receivable as well as a percentage-based provision for all non-overdue accounts receivable and contract assets, based on historical credit loss experience. Observations and estimates are updated on each reporting occasion. Credit losses are recognised as other operating expenses.

Significant estimates and assessments

Trade receivables consist of amounts due from customers for the sale of the Group's products and services. Accounts receivable are initially recognised at the transaction price. The Group holds trade receivables for the purpose of collecting contractual cash flows, and therefore measures them at subsequent reporting dates at amortised cost using the effective interest method.

Assessments of the relationship between historically observed insolvencies, projected conditions and expected loan loss provisions present a challenge. Provisions for loan losses are sensitive to changes in future economic conditions. The bankruptcy's historical credit losses and financial forecasts may also potentially be unrepresentative of customers' possible future payment difficulties.

Note 20 Adjustments for items not included in cash flow

	2023	2022
Depreciation of fixed assets	40,186	18,842
Capital gain/loss on disposal of fixed assets	-3,679	-598
Capital gain/loss on disposal of subsidiaries	-	510
Miscellaneous	-3,917	-87
Total	32,590	18,667

Note 21 Cash and cash equivalents

Sparc Group AB is the holder of a Group-wide cash pool account with Nordea. Cash and cash equivalents essentially consist of short-term bank deposits in addition to an immaterial cash balance. The Group also has an overdraft facility at its disposal, as specified below.

Bank overdraft facilities	2023	2022
Credit granted	60,000	60,000
Credit utilised	-36,049	-392
Unutilised credit	23,951	59,608

Note 22 Equity

Share capital

All shares are fully paid up and have equal voting and dividend rights. The shares are divided into class A shares, which carry 10 votes, and class B shares, which carry 1 vote.

Shares issued (thousands)	2023	2022
At start of year	33,544	24,900
New share issue	2,468	8,644
Total shares issued	36,012	33,544

Other contributed capital

Other contributed capital refers to the amount paid to shareholders for shares that exceed their nominal value. Total equity consists of equity attributable to owners of the parent company and non-controlling interests. It also consists of subscribed share options from issued option programmes.

Share option programme	Number	Issued	Redemption
2021/2024	500,000	Dec 2021	Dec 2024
2021/2025	500,000	Dec 2022	Dec 2025

Other reserves

Other reserves consist of the translation reserve, which encompasses all foreign exchange gains and losses that arise when translating the financial statements of foreign operations that have prepared their financial statements in a currency other than the Group's presentation currency.

Accounting policies

Equity is divided into capital attributable to equity holders of the parent company and non-controlling interests. Value transfers in the form of dividends from the parent company and the Group must be based on the opinion of the Board of Directors on the dividend proposal. This statement must take into account the prudence rule set out in the law to avoid dividends being distributed in excess of what is covered.

Note 23 Financial instruments and risks

Financial assets	2023	2022
Other non-current receivables	2,191	1,644
Trade receivables	222,164	151,050
Contract assets	77,071	45,539
Accrued income	3,232	4,411
Cash and cash equivalents	4,500	7,990
Total financial assets	**309,158**	**210,634**

Financial liabilities	2023	2022
Non-current interest-bearing liabilities	310,796	178,549
Current interest-bearing liabilities	153,684	19,740
Contingent consideration	26,834	11,116
Trade payables	151,134	110,010
Accrued expenses	14,455	15,487
Total non-current liabilities	**656,903**	**334,902**

Contingent considerations are measured at fair value through profit or loss. All other financial assets and financial liabilities are measured at amortised cost.

Contingent consideration	2023	2022
Opening balance	11,116	-
Business combinations	23,400	17,069
Disbursement	-24,567	-5,953
Adjustment to profit or loss	16,885	-
Closing balance	**26,834**	**11,116**

Range	Minimum	Selected interval	Maximum
2023	-	26,834	35,550
2022	-	11,116	60,450

Change in interest-bearing liabilities	01/01/2023	Cash flow	New leases	Acquisitions	Capitalised interest	Other changes	31/12/2023
Liabilities to credit institutions	177,028	136,767	-	-	-	664	314,459
Bank overdraft facilities	392	35,657	-	-	-	-	36,049
Lease liabilities	57,097	-36,493	84,645	-	-	2,166	107,415
Liabilities to Group companies	7,236	57,959	-		11,686	-7,009	69,872
Promissory notes linked to business combinations	13,634	-37,637	-	68,148	-	-44	44,101
Total	**255,387**	**156,253**	**84,645**	**68,148**	**11,686**	**-4,223**	**571,896**

Change in interest-bearing liabilities	01/01/2022	Cash flow	New leases	Acquisitions	Capitalised interest	Other changes	31/12/2022
Liabilities to credit institutions	29,010	148,271	-	-	-	-253	177,028
Bank overdraft facilities	4,088	-3,696	-	-	-	-	392
Lease liabilities	-	-15,835	72,932	-	-	-	57,097
Liabilities to Group companies	11,186	-30,712	-		5,040	21,722	7,236
Promissory notes linked to business combinations	5,151	-13,720	-	21,950	-	253	13,634
Total	**49,435**	**84,308**	**72,932**	**21,950**	**5,040**	**21,722**	**255,387**

Asset management

The primary focus of the Group's asset management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group may adjust dividends to shareholders, return capital to shareholders or issue new shares in order to maintain or adjust the capital structure. The Group monitors capital using a leverage ratio, which is net debt divided by total capital plus net debt.

Net debt	**2023**	**2022**
Non-current interest-bearing liabilities	310,796	178,549
Current interest-bearing liabilities	153,684	19,740
Interest-bearing receivables	-2,191	-1,644
Cash and cash equivalents	-4,500	-7,990
Net debt (-)	**457,789**	**188,655**

Management of financial risks

In its day-to-day operations, Sparc Group is exposed to various types of financial risks arising from the market and financing practices applied by the Group, which affect the Group's performance to varying degrees. The main risks affecting our business are related to liquidity, trade receivables and interest rates. Financial risks are monitored and managed at Group level.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its payments due to insufficient liquidity and/or difficulties in obtaining credit from external lenders. The Group must ensure that sufficient cash is available by entering into financing agreements in order to finance its activities and mitigate the effects of fluctuations in cash flows. All companies within the Group are exposed to varying degrees of liquidity risk in their respective operations. That is why liquidity planning forms part of the daily activities of the finance function, where liquidity forecasts are prepared on an ongoing basis in order to increase predictability and ensure good foresight in the event of loan maturities and planning of future business acquisitions.

Cash and cash equivalents are also an important component of the Group's existing growth strategy through business combinations. The Group uses a cash pool structure which facilitates the efficient utilisation of available funds within the Group. The cash pool helps to reduce the utilisation of existing loan facilities, and the continuous cash flow forecasts help to reduce external financing and thus also financing costs.

Much of the Group's financing is through external borrowing, which is part of our long-term business strategy. Financing is secured through long-term partnerships and agreements with credit institutions. Covenants for outstanding loans have been agreed with Nordea. The Group was in compliance with all covenant requirements as at the balance sheet date.

The table below summarises the Group's financial liabilities broken down by the time remaining at the balance sheet date until the contractual maturity date. The amounts shown in the table below are undiscounted cash flows:

Liabilities at 31 Dec 2023	**< 1 year**	**1 < 2 years**	**2 < 3 years**	**3 < 4 years**	**4 < 5 years**	**> 5 years**
Liabilities to credit institutions 1)	64,550	64,365	63,525	63,525	63,525	613,525
Lease liabilities	42,474	32,897	20,176	8,360	5,448	5,150
Loans from parent company 1)	-	-	-	-	-	-
Promissory notes linked to business combinations	14,284	32,302	-	-	-	-
Contract liabilities	18,098	-	-	-	-	-
Trade payables	149,081	-	-	-	-	-
Total	**288,487**	**129,564**	**83,701**	**71,885**	**68,973**	**618,675**

1) As of 10 January 2024, a financing partnership was initiated with P Capital Partners which settled the debt issued by Nordea and the parent company to Sparc Group AB (publ) and replaced it with financing of SEK 550,000 thousand, which will be settled in full after 5 years. Liabilities to Nordea and the parent company continue to be presented as non-current in the balance sheet, as no repayments are being made during 2024 and they are instead being replaced by another financier.

Liabilities at 31 Dec 2022	**< 1 year**	**1 < 2 years**	**2 < 3 years**	**3 < 4 years**	**4 < 5 years**	**> 5 years**
Liabilities to credit institutions	17,184	20,302	189,189	-	-	-
Lease liabilities	24,511	16,803	9,871	5,446	2,748	1,806
Loans from parent company	5,395	-	-	-	-	2,196
Promissory notes linked to business combinations	13,408	-	-	-	-	-
Contract liabilities	13,398	-	-	-	-	-
Trade payables	109,938	-	-	-	-	-
Total	**183,834**	**37,105**	**199,060**	**5,446**	**2,748**	**4,002**

Currency risk

Currency risk is the risk that future cash flows will fluctuate due to changes in exchange rates. The Group is very limited in its exposure to changes in the value of SEK relative to other currencies, as only an insignificant portion of the Group's operating activities are conducted in foreign currency.

Credit risk

Customers' credit risk is assessed locally to ensure that products and services are sold only to customers with a satisfactory credit history. Customer credit in the form of payment days is granted only after a credit evaluation has been carried out. To strengthen the security of individual major contracts, an authorisation scheme has been implemented whereby tenders in excess of SEK 1,000 thousand must be approved by the respective business area manager and tenders in excess of SEK 5,000 thousand must also be approved by the Group CEO.

See also Note 19 – Trade receivables for information regarding age distribution and provisioning of the Group's outstanding trade receivables.

Interest rate risk

The Group's external borrowings are mainly at floating rates, resulting in an interest rate risk that has a direct impact on the Group's profit in the event of changes in the interest rate market. Options such as interest rate swaps and fixed-rate loans are reviewed regularly in order to limit the impact of a rise in interest rates. A 1% increase in the Group's interest-bearing financial liabilities, with all other variables remaining constant, has a negative impact on the Group's profit and equity before tax of SEK 4,136 thousand (1,524).

Accounting policies

Financial assets

The Group classifies its financial instruments in the following categories: financial assets at fair value through either profit or loss and other comprehensive income, or financial assets at amortised cost. The classification is based on the Group's business model for managing financial assets and the contractual terms of cash flow assets. The management determines the classification of financial assets at initial recognition. The Group has financial assets only in the amortised cost category.

Purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the asset has expired or been transferred and the Group has essentially transferred all risks and benefits associated with the right of ownership. The Group assesses future credit losses and recognises a loss allowance at each reporting date. The loss allowance is based on assumptions about default risk and expected loss levels. The Group makes its own judgements about assumptions and choices regarding inputs to the calculation of impairment losses. These are based on historical data, known market conditions and forecasts at the end of each reporting period.

Financial liabilities

The Group classifies its financial liabilities in the following categories: liabilities measured at amortised cost. The Group has financial liabilities in the amortised cost category only.

Interest-bearing liabilities are initially recognised at fair value, which usually corresponds to cost. Interest-bearing liabilities are subsequently recognised at amortised cost and any difference between the proceeds, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fair value

The fair value of financial assets and liabilities is determined according to three levels, depending on the available market information used for valuation. Level 1 is quoted prices in active markets for identical assets or liabilities that the unit has the ability to access at the measurement date. Level 2 is inputs other than the quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability. In Level 3, the valuation is based on unobservable inputs for the asset or liability.

Contingent consideration

Contingent consideration is classified as a financial liability, with subsequent changes in fair value recognised through profit or loss in financial items.

Significant estimates and assessments

The majority of business combinations are agreed with a contingent consideration based on the acquired company's operating profit over the next 12 or 24 months. Thus an assessment of the future performance over the agreed period is required in order to value the total purchase price of the business combinations. The assessment is based on forecasts of the results for the period, which are prepared at the time of acquisition.

Note 24 Interim receivables and payables

Prepaid expenses and accrued expenses	2023	2022
Accrued income	3,232	4,411
Prepaid rental costs	3,456	1,261
Prepaid insurance costs	1,312	593
Prepaid lease payments	1,077	378
Other prepaid expenses	11,256	6,338
Total financial assets	**20,333**	**12,981**

Prepaid expenses and accrued income2023	2022	
Accrued salaries	9,509	7,392
Accrued holiday liabilities	41,701	25,533
Accrued social security contributions	26,696	16,913
Accrued interest expense	1,033	276
Other deferred income	1,696	278
Other accrued expenses	13,422	15,211
Total non-current liabilities	**94,057**	**65,603**

Note 25 Pledged assets

The Group has pledged all shares in subsidiaries in excess of the agreed enterprise value of SEK 20 million as collateral for loans and credits to Nordea. The calculation of pledged shares is calculated at consolidated value.

Collateral pledged for liabilities to credit institutions	2023	2022
Corporate mortgages	102,450	63,630
Pledged shares in subsidiaries	687,791	440,138
Assets under retention of title	3,076	4,260
Pledged bank balances	588	133
Miscellaneous	515	665
Total collateral pledged	**794,420**	**508,826**

Note 26 Transactions with associates

FeBe Group is the parent company of Sparc Group AB (publ). FeBe Group prepares consolidated financial statements that include Sparc Group AB (publ), in addition to other sub-groups. The Group has varying transactions with related parties and aims to assist with central administrative activities. All transactions have been carried out in the ordinary course of business and at arm's length prices.

For information on remuneration to the Board of Directors and senior management, please refer to Note 10 – Remuneration to employees and Board of Directors.

2023	FEBE Group	Key individuals	Total
Purchases from related parties	9,751	10,947	20,698
Liabilities to related parties	70,899	3,967	74,866

2022	FEBE Group	Key individuals	Total
Purchases from related parties	8,667	7,657	16,324
Liabilities to related parties	2,228	-	2,228

Note 27 Events after the balance sheet date – Group

On 10 January 2024, a long-term partnership was initiated between Sparc Group and P Capital Partners, a strategic financial partner, to secure a capital structure that enables future acquisition growth and development of existing subsidiaries without raising external venture capital. Nordea remains an important partner as our primary bank, and will be part of the continued partnership.

Parent company income statement

Parent company income statement (SEK 000)	**Note**	**2023**	**2022**
Net sales		68,642	31,566
Operating expenses			
Costs of sales expenses		-3,163	-2,051
Administrative expenses	29,30,31	-42,920	-19,040
Other operating revenue		4,487	78
Other operating expenses		-5,793	-
Total other operating items		**-47,389**	**-21,013**
Operating profit	**10**	**21,253**	**10,553**
Financial items			
Interest receivables and similar income	32	29,920	-
Impairment losses on financial fixed assets		-734	-
Interest expenses and similar items	32	-31,296	-10,537
Total financial items		**-2,110**	**-10,537**
Profit after financial items		**19,143**	**16**
Appropriations			
Group contributions received		44,750	4,150
Group contributions paid		-136,067	-850
Total appropriations		**-91,317**	**3,300**
Profit or loss before tax		**-72,174**	**3,316**
Tax on profit for the year	33	14,555	-1,722
Profit or loss for the year		**-57,619**	**1,594**

Parent company statement of comprehensive income (SEK 000)	**Note**	**2023**	**2022**
Profit for the year		-57,619	1,594
Comprehensive income for the year		**-57,619**	**1,594**

Parent company balance sheet

Parent company balance sheet (SEK 000)	Note	2023	2022
Assets			Fixed assets
Intangible assets			
Patents and licences		667	669
Total fixed assets	35	667	669
Tangible fixed assets			
Equipment and vehicles		2,664	633
Improvement to third party property		832	122
Total property, plant and equipment	35	3,496	755
Financial fixed assets			
Participations in Group companies	34	33,025	25
Receivables from Group companies		813,231	535,404
Deferred tax assets	33	14,555	-
Other non-current receivables		495	495
Total financial fixed assets		861,306	535,924
Total assets		865,469	537,348
Current assets			
Current receivables			
Trade receivables		444	7
Receivables from Group companies		102,440	40,379
Other receivables		6,904	958
Prepaid expenses and accrued income	36	56,509	16,666
Cash and bank balances	39	103	62
Total assets		166,400	58,072
TOTAL ASSETS		1,031,869	595,420

Parent company balance sheet (SEK 000)	Note	2023	2022
Equity and liabilities			
Equity			
Restricted equity			
Share capital	22	720	335
Total restricted equity		720	335
Non-restricted equity			
Share premium reserve		405,483	286,171
Retained earnings		3,001	-1,593
Profit for the year		-57,619	1,594
Total non-restricted equity		350,865	286,172
TOTAL EQUITY		351,585	286,507
Non-current liabilities			
Liabilities to credit institutions		198,594	172,640
Liabilities to Group companies		69,872	2,196
Total non-current liabilities	37	268,466	174,836
Current liabilities			
Bank overdraft facilities	21,39	36,049	392
Liabilities to credit institutions	37	114,000	-
Trade payables		8,288	4,109
Liabilities to Group companies		240,345	121,656
Tax liabilities		1,785	1,539
Other liabilities		3,551	2,937
Prepaid expenses and accrued income	36	7,800	3,444
Total current liabilities		411,818	134,077
TOTAL LIABILITIES		680,284	308,913
TOTAL EQUITY AND LIABILITIES		1,031,869	595,420

Statement of changes in parent company equity

	Restricted equity		Unrestricted equity		
Statement of changes in parent company equity	**Share capital**	**Share premium reserve**	**Retained earnings**	**Profit or loss for the year**	**Total**
Paid-in capital	200				200
New share issue	49	47,684			47,733
Warrants			365		365
Profit or loss for the year				-1,958	-1,958
Closing balance, 31/12/2021	**249**	**47,684**	**365**	**-1,958**	**46,340**
Transfer of previous year's profit			-1,958	1,958	-
New issue	86	239,356			239,442
Capital acquisition costs		-1,095			-1,095
Tax effect of capital acquisition costs		226			
Profit or loss for the year				1,594	1,594
Closing balance, 31/12/2022	**335**	**286,171**	**-1,593**	**1,594**	**286,507**
Transfer of previous year's profit			1,594	-1,594	-
New issue	385	120,107			120,492
Capital acquisition costs		-795			-795
Shareholders' contribution received			3,000		3,000
Profit or loss for the year				-57,619	-57,619
Closing balance, 31/12/2023	**720**	**405,483**	**3,001**	**-57,619**	**351,585**

Parent company cash flow statement

Parent company cash flow statement (SEK 000)	Note	31/12/2023	31/12/2022
Operating activities			
Operating profit		21,253	10,553
Adjustments for items not included in cash flow	38	-3,402	188
Interest received		19	-
Interest paid		-19,610	-5,498
Income tax paid		-5,700	43
Cash flow from operating activities before changes in working capital		**-7,440**	**5,286**
Changes in working capital			
- Increase / + decrease in operating receivables		-32,060	-52,723
+ Increase / – decrease in operating liabilities		3,030	96,757
Cash flow from operating activities		**-36,470**	**49,320**
Investment activities			
Acquisition of shares in subsidiaries		-	-25
Financing of acquisitions via subsidiaries		-204,727	-244,379
Acquisition of tangible fixed assets		-3,269	-855
Acquisition of intangible fixed assets		-68	-125
Acquisition of financial fixed assets		-	-495
Cash flow from investing activities		**-208,064**	**-245,879**
Financing activities			
New share issue and options		12,801	83,107
Change in overdraft facility		35,657	392
Loans raised		277,686	193,337
Repayment of loans		-81,569	-98,508
Cash flow from financing activities		**244,575**	**178,328**
Cash flow for the year		41	-18,231
Cash and cash equivalents at beginning of year		**62**	**18,293**
Cash and cash equivalents at year-end	**39**	**103**	**62**

Parent company notes

Note 28 Accounting policies

The annual report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. RFR 2 means that parent companies in groups that have voluntarily chosen to apply IFRS in their consolidated accounts must, as a general rule, apply the IFRS standards applied in the Group.

Consequently, the parent company applies the policies used in the consolidated financial statements and described in Note 2, with the exceptions stated below.

Transition effect to RFR 2

The transition from K3 to RFR 2 has not resulted in any recalculation effects on the parent company's accounts, and for this reason a third balance sheet and note on transition effects, as presented by the Group in accordance with IFRS 1, are not presented.

Leasing contract

The parent company applies the simplification rule regarding not applying IFRS 16. The company records all lease agreements, both finance and operating, as operating lease agreements. Operating lease agreements are recorded as an expense on a straight-line basis over the lease term.

Shares in subsidiaries

Participations in Group companies are recognised at cost less any impairment losses. Dividends are recognised as income, even if the dividends relate to accumulated profits before the date of acquisition. The dividend is normally recognised when it is decided by the competent body and can be calculated reliably. Dividends that mean that the book value of the holding's net assets in the consolidated accounts is below the book value of the participations are an indication that there is a need for impairment. A calculation of the recoverable amount is made when there is an indication that the value of shares and investments in subsidiaries has decreased. Impairment is recognised if this is lower than the carrying amount.

Shareholder contributions are recognised directly against shareholders' equity by the recipient and are capitalised as shares and participations by the provider to the extent that no impairment is necessary.

Appropriations

Changes in untaxed reserves are recognised as appropriations in the income statement. Group contributions are recognised as an appropriation in the income statement in accordance with the alternative rule in RFR 2, IAS 27 p. 2.

Note 29 Leases – lessees

Future minimum lease fees of lease agreements without option to terminate:	2023	2022
Within 1 year	4,884	1,200
Later than 1 year but within 5 years	13,772	1,669
Later than 5 years	4,283	-
Total future minimum lease payments	**22,939**	**2,869**

Expensed leasing fees included in the profit for the financial year amount to SEK 3,226 thousand (695), of which SEK 316 thousand (74) relates to variable fees.

Note 30 Administrative costs

The parent company applies a function-classified income statement. The breakdown of administration costs is as follows:

Administrative expenses	2023	2022
Personnel	23,246	9,113
Consultancy fees	3,170	3,712
Vehicle costs	2,029	459
Legal fees	1,936	947
Accounting and auditing	1,535	642
IT and software	1,531	368
Depreciation and amortisation	598	187
Miscellaneous	8,875	3,612
Total	**42,920**	**19,040**

Note 31 Remuneration to auditors

The parent company applies a function-classified income statement. Auditors' fees are included in administrative expenses.

	2023	2022
Audit fees to Mazars		
Audit engagements	617	445
Audit services	630	415
Other services	-	144
Total	1,247	1,004

Audit assignments refer to the audit of the annual report and advisory services resulting from observations made during the audit. Audit-related services refer to other engagements to ensure the quality of the financial statements, including advice on reporting requirements and internal controls. All other work performed by the auditor is defined as other services.

Note 32 Financial income and expenses

Interest receivables and similar income	2023	2022
Interest income from Group companies	29,901	-
Other interest income	19	-
Total financial income	29,920	-

Interest payable and similar charges2023	2022	
Interest expenses from parent company	11,686	5,032
Other interest expenses	19,610	5,505
Total financial expenses	31,296	10,537

Note 33 Income tax

Reconciliation of effective tax rate	2023	2022
Reported profit before tax	-72,174	3,316
Tax on recognised income according to the applicable tax rate in Sweden, 20.6%	-14,868	683
Tax effect of:		
Non-deductible expenses	384	1,387
Applied tax loss carryforward	-	-401
Miscellaneous	-71	53
Recognised tax	**-14,555**	**1,722**
Effective tax rate	Neg	51.9%

Tax on profit for the year	2023	2022
Current tax	-	1,722
Deferred tax	-14,555	-
Total tax on profit for the year	-14,555	1,722

Recognised deferred tax assets relate to unutilised tax losses amounting to SEK 70,655 thousand. Deficits are deemed to be capitalised as they can be used against Group contributions from subsidiaries.

Note 34 Participations in Group companies

Participations in Group companies	2023	2022
Opening balance	25	72,534
Acquisitions	-	25
Shareholders' contribution	33,000	-
Disposals	-	-72,534
Closing balance	**33,025**	**25**

Group company	Reg. office	Co. reg. no.	Capital share	No. of shares	Book value
Sparc Group Holding AB	Gothenburg	559362-2490	100%	500	33,025

The parent company owns shares in Sparc Group Holding AB, which in turn owns shares in the remaining subsidiaries. Reference to which subsidiaries are indirectly owned by the parent company can be found in Note 4 – Business combinations.

Note 35 Intangible assets and tangible assets

	Patents and licences	Equipment and vehicles	Improvement to third party property	Total
Opening acquisition cost, 01/01/2022	**608**	**25**	**-**	**633**
Acquisitions for the year	125	719	136	980
Closing acquisition cost 31/12/2022	**733**	**744**	**136**	**1,613**
Acquisitions for the year	68	2,515	755	3,338
Closing acquisition cost, 31/12/2023	**801**	**3,259**	**891**	**4,951**
Opening depreciation and amortisation, 01/01/2022	**-**	**-1**	**-**	**-1**
Depreciation and amortisation	-64	-110	-14	-188
Closing depreciation and amortisation 31/12/2022	**-64**	**-111**	**-14**	**-189**
Depreciation and amortisation	-70	-484	-45	-599
Closing depreciation and amortisation 31/12/2023	**-134**	**-595**	**-59**	**-788**
Carrying amount, 31/12/2022	**669**	**633**	**122**	**1,424**
Carrying amount, 31/12/2023	**667**	**2,664**	**832**	**4,163**

Note 36 Interim receivables and payables

Prepaid expenses and accrued income	2023	2022
Accrued intra-Group income	22,517	16,042
Accrued intra-Group interest income	29,901	-
Prepaid rental costs	859	78
Other prepaid expenses	3,232	546
Total	**56,509**	**16,666**

Prepaid expenses and accrued income2023	2022	
Accrued holiday liabilities	1,169	382
Accrued social security contributions	880	402
Other accrued expenses	5,357	2,418
Total	**7,800**	**3,444**

Note 37 Financial instruments and risks

Financial assets	2023	2022
Other non-current receivables	495	495
Trade receivables	444	7
Receivables from Group companies	915,671	575,783
Accrued income	52,418	16,042
Cash and cash equivalents	103	62
Total financial assets	**969,131**	**592,389**
Financial liabilities	**2023**	**2022**
Non-current interest-bearing liabilities	268,466	174,836
Current interest-bearing liabilities	150,938	6,325
Trade payables	8,288	4,109
Liabilities to Group companies	240,345	121,656
Accrued expenses	5,357	2,418
Total non-current liabilities	**673,394**	**309,344**

All financial assets and financial liabilities are measured at amortised cost.

Asset management

The parent company is responsible for the Group's asset management in order to support the Group's operations and makes adjustments to it in the light of changes in economic conditions. The parent company may adjust dividends to shareholders, return capital to shareholders or issue new shares in order to maintain or adjust the capital structure.
The parent company monitors capital by tracking the Group's leverage ratio as described in the note on the Group's financial instruments and risks: see Note 23.

Management of financial risks

The purpose of the parent company is to manage the units that form part of the Group and are exposed to various types of financial risks arising from the management and capital structure required. The main risks affecting the parent company are related to liquidity and interest rates.

All financial assets and financial liabilities are measured at amortised cost.

Asset management

The parent company is responsible for the Group's asset management in order to support the Group's operations and makes adjustments to it in the light of changes in economic conditions. The parent company may adjust dividends to shareholders, return capital to shareholders or issue new shares in order to maintain or adjust the capital structure. The parent company monitors capital by tracking the Group's leverage ratio as described in the note on the Group's financial instruments and risks: see Note 23.

Management of financial risks

The purpose of the parent company is to manage the units that form part of the Group and are exposed to various types of financial risks arising from the management and capital structure required. The main risks affecting the parent company are related to liquidity and interest rates.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its payments due to insufficient liquidity and/or difficulties in obtaining credit from external lenders. The Group is structured on the basis of a cash pool solution where the parent company is the account owner, thereby requiring the parent company's liquidity to be sufficient to finance the entire Group's operations. The cash pool helps to reduce the utilisation of existing loan facilities, and the continuous cash flow forecasts help to reduce external financing and thus also financing costs.

Much of the Group's financing is through external borrowing, with the parent company as the borrower. Financing is secured through long-term partnerships and agreements with credit institutions. Covenants for outstanding loans have been agreed with Nordea. The Group was in compliance with all covenant requirements as at the balance sheet date.

The table below summarises the parent company's financial liabilities broken down by the time remaining at the balance sheet date until the contractual maturity date. The amounts shown in the table below are undiscounted cash flows:

Liabilities at 31 Dec 2023	< 1 year	1 < 2 years	2 < 3 years	3 < 4 years	4 < 5 years	> 5 years
Liabilities to credit institutions 1)	63,525	63,525	63,525	63,525	63,525	613,525
Loans from parent company 1)	-	-	-	-	-	-
Liabilities to Group companies	240,345	-	-	-	-	-
Trade payables	8,288	-	-	-	-	-
Bank overdraft facilities	36,049	-	-	-	-	-
Total	348,207	63,525	63,525	63,525	63,525	613,525

1) As of 10 January 2024, a financing partnership was initiated with P Capital Partners which settled the debt issued by Nordea and the parent company to Sparc Group AB (publ) and replaced it with financing of SEK 550,000 thousand, which will be settled in full after 5 years. Liabilities to Nordea and the parent company continue to be presented as non-current in the balance sheet, as no repayments are being made during 2024 and they are instead being replaced by another financier.

Liabilities at 31 Dec 2022	< 1 year	1 < 2 years	2 < 3 years	3 < 4 years	4 < 5 years	> 5 years
Liabilities to credit institutions	16,549	16,549	189,189	-	-	-
Loans from parent company	5,395	-	-	-	-	2,196
Liabilities to Group companies	121,656	-	-	-	-	-
Trade payables	4,109	-	-	-	-	-
Bank overdraft facilities	392	-	-	-	-	-
Total	148,101	16,549	189,189	-	-	2,196

Interest rate risk

External borrowings are mainly at floating rates, resulting in an interest rate risk that has a direct impact on the parent company's profit in the event of changes in the interest rate market. Options such as interest rate swaps and fixed-rate loans are reviewed regularly in order to limit the impact of a rise in interest rates. A 1% increase in the parent company's interest-bearing financial liabilities, with all other variables remaining constant, has a negative impact on the parent company's profit and equity before tax of SEK 2,994 thousand (1,097).

Note 38 Adjustments for items not included in cash flow

Depreciation and amortisation	2023	2022
Depreciation and amortisation	598	188
Miscellaneous	-4,000	-
Total	-3,402	188

Note 39 Cash and bank balances

Sparc Group AB is the holder of a Group-wide cash pool account. The total balance of the cash pool account is recognised as cash and cash equivalents, and the subsidiaries' share of the cash pool account is recognised as a current liability to Group companies.

Note 40 Pledged assets

The Group has pledged all shares in subsidiaries in excess of the agreed enterprise value of SEK 20 million as collateral for loans and credits to Nordea. The calculation of pledged shares is calculated at consolidated value.

Collateral pledged for liabilities to credit institutions	2023	2022
Pledged shares in subsidiaries	33,025	25
Total collateral pledged	33,025	25

Note 41 Contingent liabilities

There is a general guarantee undertaking for the Group's Nordea loans and credit facilities, which is shared with the companies within the Group that are covered by the same credit agreement. On the balance sheet date, the Group's credit facility amounted to SEK 60,000 thousand (60,000) and was utilised in the amount of SEK 36,049 thousand (392). The Group has loans totalling SEK 312,594 thousand (172,640). Regarding the aforementioned credit agreement, in addition to a general guarantee undertaking, security has been provided in the form of floating charges over underlying subsidiaries, to the extent permitted under the Swedish Companies Act.

Accounting policies

A potential obligation may be recognised as a contingent liability if it may result in an outflow of resources and fails to meet the criteria for recognition as a liability. These possible obligations arise from past events, and their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control.

Note 42 Transactions with associates

FeBe Group is the parent company of Sparc Group AB (publ). FeBe Group prepares consolidated financial statements that include Sparc Group AB (publ), in addition to other sub-groups. The Group has varying transactions with related parties and aims to assist with central administrative activities. All transactions have been carried out in the ordinary course of business and at arm's length prices.

For information on remuneration to the Board of Directors and senior management, please refer to Note 10 – Remuneration to employees and Board of Directors.

2023	FEBE Group	Key individuals	Total
Purchases from related parties	9,751	9,256	19,007
Liabilities to related parties	70,899	3,858	74,757

2022	FEBE Group	Key individuals	Total
Purchases from related parties	8,667	7,657	16,324
Liabilities to related parties	2,228	-	2,228

Note 43 Appropriation of profit

The following earnings are at the disposal of the AGM (SEK):	2023	2022
Share premium reserve	405,482,861	286,170,674
Retained earnings	3,001,443	-1,593,249
Profit for the year	-57,619,620	1,593,502

The Board of Directors proposes that the profits be appropriated as follows:

carried forward to a new account	**350,864,683**	**286,170,927**

Note 44 Events after the balance sheet date – Parent company

On 10 January 2024, a long-term partnership was initiated between Sparc Group and P Capital Partners, a strategic financial partner, to secure a capital structure that enables future acquisition growth and development of existing subsidiaries without raising external venture capital. Nordea has remained an important partner as our primary bank, and will be part of the continued partnership.

Note 45 Definition of key figures

Gross margin

Gross profit expressed as a percentage of net sales.

Operating profit before depreciation and amortisation (EBITDA)

Earnings before financial items, depreciation and amortisation and impairments of fixed assets plus tax

Adjusted operating profit before depreciation and amortisation (Adjusted EBITDA)

Operating profit before depreciation and amortisation less extraordinary items

Operating profit (EBIT)

Earnings before financial items and tax

Adjusted operating profit (Adjusted EBIT)

Operating profit less extraordinary items.

Equity ratio

Equity expressed as a percentage of total assets

Signatures

Gothenburg, / 2024

Erik Björklund
CEO

Karl Engelbrektson
Board member

Jonas Kristiansson

Pelle Frisack

Thomas Nilsson

Wilma Emanuelsson

Our audit report was submitted on / 2024
Mazars AB

David Johansson
Authorised Public Accountant

Audit report

To the Annual General Meeting of the shareholders of Sparc Group AB Corporate Identity No. 559320-0347

Report on the annual and consolidated accounts

Opinion

We have audited the annual report and the consolidated financial statements of Sparc Group AB for 2023. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the parent company's financial position as of 31 December 2023 and of their financial results and cash flows for the year according to the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, and present fairly, in all material respects, the financial position of the Group at 31 December 2023 and its financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other parts of the annual accounts and consolidated financial statements.
We therefore recommend to the Annual General Meeting that the income statement and balance sheet for the parent company and the Group be adopted.

Basis for opinion

We have conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing practices in Sweden. Our responsibilities under those standards are further described in the "Auditor's responsibilities" section. We are independent of the Parent Company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise met our ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the annual accounts and consolidated financial statements

This document also includes information other than the annual accounts and consolidated financial statements, and this can be found on pages 6–13. This other information is the responsibility of the Board and the Chief Executive Officer.

Our opinion on the annual accounts and consolidated financial statements does not cover this information, and we make no statement with confirmation concerning this other information.

As part of our audit of the annual accounts and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we conclude, on the basis of the work carried out in respect of this information, that the other information contains a material misstatement, we are required to report this. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for implementing the internal controls they deem necessary in preparing annual and consolidated accounts free of material misstatement, whether due to fraud or error. When preparing the annual and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for assessing the capacity of the company and the Group to continue operating. Where applicable, they indicate conditions that may affect the capacity to continue operating and to apply the assumption of continued operation. However, the going concern assumption does not apply if the Board of Directors and the Chief Executive Officer intend to liquidate the company, cease operations or have no realistic alternative to doing any of these things.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated 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. Although reasonable assurance is a high degree of assurance, it is no guarantee that an audit performed in accordance with ISA and generally accepted auditing practices in Sweden will always detect a material misstatement if such 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 annual accounts.
As part of an audit performed in accordance with ISA, we use professional judgement and we take a professionally sceptical approach during the entire audit. Furthermore:

- We identify and assess the risks of material misstatement in the annual and consolidated accounts, whether due to fraud or error, design and perform audit procedures based, among other things, on these 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 due to an irregularity is higher than for a material misstatement due to error, as irregularities may include collusion, falsification, deliberate omissions, misrepresentation or breach of internal control.

- We obtain an understanding of the Company's internal control relevant to our audit 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.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting es-

timates and pertaining disclosures made by the Board of Directors and the Chief Executive Officer.

- We draw a conclusion on the appropriateness of the Board of Directors and the Chief Executive Officer preparing the financial statements based on the assumption of continued operation. We also draw a conclusion, based on the acquired audit evidence, as to whether there is a material uncertainty related to such events or conditions that could cause significant doubt regarding the company's ability to continue operating. 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 annual report and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion about the annual report and consolidated financial statements. Our conclusions are based on the audit evidence obtained up until the date of the Audit Report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the annual and consolidated accounts, including disclosures, and whether the annual and consolidated accounts reflect the underlying transactions and events in a manner that provides a true and fair view.

- We collect sufficient and appropriate audit evidence regarding the financial information on entities or business activities within the Group to make a statement regarding the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinion. We must inform the Board of Directors of aspects such as the planned scope and timing of the audit. We must also provide information on significant observations during the audit, including any significant shortcomings that we have identified in the internal control.

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual accounts and consolidated financial statements, we have also audited the administration of the Board of Directors and the CEO of Sparc Group AB for 2023 and the proposed appropriations of the company's profit or loss. We recommend that the Annual General Meeting approves the appropriation of profits as proposed in the Directors' Report and grants discharge to the Directors and the Chief Executive Officer for the financial year.

Basis for opinion

We conducted our audit in accordance with generally accepted auditing practices in Sweden. Our responsibilities under those standards are further described in the "Auditor's responsibilities" section. We are independent of the parent company and the Group in accordance with generally accepted auditing practices in Sweden and have otherwise met our ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for proposing the appropriation of the company's profit or loss. Where a dividend is proposed, this includes an assessment of whether the dividend is justifiable considering the requirements that the nature, scope and risks of the operations of the company and the Group impose on the scale of equity, consolidation requirements, liquidity and position in general of the company and the Group.

The Board of Directors is responsible for the organisation of the company and the management of its affairs. This includes regularly assessing the financial situation of the company and the Group and ensuring that the company's organisation is formulated so that the accounting, the management of assets and the company's financial affairs in general are controlled in a satisfactory manner. The Chief Executive Officer shall carry out the day-to-day management in accordance with the guidelines and instructions of the Board of Directors and shall, inter alia, take the measures necessary for the company's accounts to be kept in accordance with the law and for the proper management of the funds.

Auditor's responsibility

Our objective with regard to the audit of the management, and therefore our opinion on the discharge from liability, is to obtain audit evidence to enable us to assess, with reasonable assurance, whether any member of the Board of Directors or the Chief Executive Officer have, in any material respect:

- has taken any action or committed any omission which may give rise to a liability to pay compensation to the company, or

- has otherwise acted in breach of the Companies Act, the Annual Accounts Act or the Articles of Association. Our objective regarding the audit of the proposed appropriation of the Company's profit or loss, and accordingly our statement in this regard, is to assess, with a reasonable degree of certainty, whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Swedish Companies Act.

As part of an audit in accordance with good auditing practice in Sweden, we use professional judgement and maintain a professionally sceptical attitude throughout the audit. The audit of the management and the proposal for the appropriation of the company's profit or loss is based primarily on the audit of the accounts. The additional audit procedures performed are based on our professional judgement based on risk and materiality. This means that we focus the review on those actions, areas and conditions that are material to the business and where deviations and breaches would have a particular impact on the company's situation. We review and examine the decisions taken, the documentation supporting those decisions, the actions taken and other matters relevant to our opinion on discharge. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we have examined whether the proposal is in accordance with the Swedish Companies Act.

Gothenburg, / 2024

Mazars AB
David Johansson
Authorised Public Accountant

VISION

To create Sweden’s most sustainable workplace in the installation industry, driven by care and commitment.

Our most valuable capital
is human capital