

Danrec A/S
Vandværksvej 5, 7470 Karup J

Company reg. no. 16 17 17 00

Annual report
1 January - 31 December 2020



The annual report has been submitted and approved by the general meeting on the 30 March 2021.

Detlev Soppert
Chairman of the meeting

Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report on extended review	2
Management commentary	
Company information	4
Management commentary	5
Financial statements 1 January - 31 December 2020	
Accounting policies	6
Income statement	10
Statement of financial position	11
Statement of changes in equity	13
Notes	14

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the executive board have presented the annual report of Danrec A/S for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Karup J, 18 March 2021

Executive board

Peter Aarup Dahse

Detlev Soppert

Board of directors

Peter Adam

Martin Andreas Gruner

Karsten Panow

Independent auditor's report on extended review

To the shareholder of Danrec A/S

Opinion

We have performed an extended review of the financial statements of Danrec A/S for the financial year 1 January to 31 December 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

Based on the work we have performed, we believe that the financial statements give a fair presentation of the assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We performed the extended review in accordance with the standard from the Danish Business Authority applicable to auditor's reports on small enterprises and in accordance with the standard from the Danish Institute of State Authorised Public Accountants applicable to extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the extended review of the financial statements". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a fair presentation in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management considers necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express an opinion on the financial statements. This requires that we plan and perform our procedures with the purpose of achieving moderate assurance as to our opinion on the financial statements. Furthermore, it requires that we perform particularly required additional procedures with a view to achieving further assurance as to our opinion.

Independent auditor's report on extended review

An extended review comprises procedures primarily comprising inquiries to the management and to other persons within the enterprise when appropriate, analytical procedures, and the particularly required additional procedures along with an assessment of the achieved evidence.

The scope of the procedures performed during an extended review is less than in case of an audit, and consequently, we do not express any audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion on the management commentary.

In connection with our extended review the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the extended review, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management commentary is consistent with the financial statements and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not discover any material misstatement in the management commentary.

Viborg, 18 March 2021

Ullits & Winther

State Authorized Public Accounting Firm
Company reg. no. 32 09 32 72

Bo Skårup Sørensen

State Authorised Public Accountant
mne29531

Company information

The company

Danrec A/S
Vandværksvej 5
7470 Karup J

Company reg. no. 16 17 17 00
Established: 1 March 1992
Domicile: Viborg Municipality
Financial year: 1 January - 31 December

Board of directors

Peter Adam
Martin Andreas Gruner
Karsten Panow

Executive board

Peter Aarup Dahse
Detlev Soppert

Auditors

Ullits & Winther
Statsautoriseret Revisionspartnerselskab
Agerlandsvej 1
8800 Viborg

Parent company

DAW Beteiligungs GmbH

Management commentary

The principal activities of the company

Like previous years, the principal activities is the treatment of regranulates with output in the shape of finished plates.

Development in activities and financial matters

The profit and loss account covers 1 January to 31 December and shows a result of DKK 5.451.971 against DKK 1.724.302 last year. The balance sheet shows equity of DKK 14.615.869.

The management finds the result satisfactory.

The result has not been affected by COVID-19.

Accounting policies

The annual report for Danrec A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Accounting policies

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Accounting policies

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Buildings	30 years
Plant and machinery	3-22 years
Other fixtures and fittings, tools and equipment	3-6 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

All leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Inventories

Inventories are measured at cost. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Accounting policies

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross profit	15.039.839	8.951.966
1 Staff costs	-6.485.966	-5.480.420
Depreciation and impairment of property, land, and equipment	-1.155.614	-906.483
Profit before net financials	7.398.259	2.565.063
Other financial income	15.976	0
2 Other financial costs	-423.970	-350.761
Pre-tax net profit or loss	6.990.265	2.214.302
3 Tax on net profit or loss for the year	-1.538.294	-490.000
Net profit or loss for the year	5.451.971	1.724.302
Proposed appropriation of net profit:		
Transferred to retained earnings	5.451.971	1.724.302
Total allocations and transfers	5.451.971	1.724.302

Statement of financial position at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Non-current assets			
4	Land and buildings	10.424.267	5.167.936
4	Plant and machinery	5.668.076	4.253.077
4	Other fixtures and fittings, tools and equipment	0	3.186
4	Tangible assets under construction and prepayments for tangible assets	0	432.349
	Total property, plant, and equipment	<u>16.092.343</u>	<u>9.856.548</u>
	Total non-current assets	<u>16.092.343</u>	<u>9.856.548</u>
Current assets			
	Raw materials and consumables	1.584.725	1.360.781
	Manufactured goods and goods for resale	<u>5.867.783</u>	<u>5.953.456</u>
	Total inventories	<u>7.452.508</u>	<u>7.314.237</u>
	Trade receivables	3.288.419	2.675.719
	Receivables from group enterprises	135.600	125.657
	Deferred tax assets	0	672.000
	Other receivables	<u>152.932</u>	<u>144.832</u>
	Total receivables	<u>3.576.951</u>	<u>3.618.208</u>
	Cash on hand and demand deposits	<u>2.213.589</u>	<u>1.934.550</u>
	Total current assets	<u>13.243.048</u>	<u>12.866.995</u>
	Total assets	<u>29.335.391</u>	<u>22.723.543</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Equity			
	Contributed capital	500.000	500.000
	Retained earnings	14.115.869	8.663.898
	Total equity	14.615.869	9.163.898
Provisions			
	Provisions for deferred tax	517.000	0
	Total provisions	517.000	0
Liabilities other than provisions			
	Payables to group enterprises	11.250.000	10.992.214
	Other payables	570.913	203.888
5	Total long term liabilities other than provisions	11.820.913	11.196.102
	Trade payables	158.939	1.113.310
	Payables to group enterprises	501.343	450.025
	Income tax payable	349.294	0
	Other payables	1.351.785	769.968
	Accruals and deferred income	20.248	30.240
	Total short term liabilities other than provisions	2.381.609	2.363.543
	Total liabilities other than provisions	14.202.522	13.559.645
	Total equity and liabilities	29.335.391	22.723.543

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2019	500.000	6.939.596	7.439.596
Retained earnings for the year	0	1.724.302	1.724.302
Equity 1 January 2020	500.000	8.663.898	9.163.898
Retained earnings for the year	0	5.451.971	5.451.971
	500.000	14.115.869	14.615.869

Notes

All amounts in DKK.

	<u>2020</u>	<u>2019</u>
1. Staff costs		
Salaries and wages	5.568.915	4.685.178
Pension costs	796.400	701.672
Other costs for social security	<u>120.651</u>	<u>93.570</u>
	<u>6.485.966</u>	<u>5.480.420</u>
 Average number of employees	 <u>14</u>	 <u>12</u>
 2. Other financial costs		
Financial costs, group enterprises	415.676	343.019
Other financial costs	<u>8.294</u>	<u>7.742</u>
	<u>423.970</u>	<u>350.761</u>
 3. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	349.294	0
Adjustment of deferred tax for the year	<u>1.189.000</u>	<u>490.000</u>
	<u>1.538.294</u>	<u>490.000</u>

Notes

All amounts in DKK.

4. Property, plant, and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Tangible assets under construction and prepayments for tangible assets
Cost primo	5.900.000	14.760.609	1.778.748	432.348
Additions	5.604.291	2.219.468	0	5.050.000
Disposals	0	0	0	-5.482.348
Cost closing balance	11.504.291	16.980.077	1.778.748	0
Depreciation and writedown primo	732.064	10.507.532	1.775.562	0
Depreciation of the year	347.960	804.469	3.186	0
Depreciation and writedown closing balance	1.080.024	11.312.001	1.778.748	0
Book value closing balance	10.424.267	5.668.076	0	0

5. Liabilities other than provision

	Total payables 31 Dec 2020	Current portion of long term payables	Long term payables 31 Dec 2020	Outstanding payables after 5 years
Payables to group enterprises	11.250.000	0	11.250.000	0
Other payables	570.913	0	570.913	0
	11.820.913	0	11.820.913	0

Notes

All amounts in DKK.

6. Contingencies

Contingent liabilities

The company has entered into operational leases with an average annual lease payment of TDKK 174. The leases have 16 months to maturity and total outstanding lease payments total TDKK 333.

The usual guarantee liabilities as to goods and services rest upon the company.