DAFA A/S

Holmstrupgårdvej 12
8220 Braband
Denmark

CVR no. 40 08 88 73

Annual report 2020

The annual report was presented and approved at the Company's annual general meeting on

3 March 2021

chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of DAFA A/S for the financial year 1 January – 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Aarhus, 3 March 2021
Executive Board:

Steen Bødtker

Board of Directors:

Lars Dige Knudsen Chairman	Steen Bødtker	Kaare Bo Nielsen

Independent auditor's report

To the shareholder of DAFA A/S

Opinion

We have audited the financial statements of DAFA A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

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

— identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Aarhus, 3 March 2021
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

Management's review

Company details

DAFA A/S
Holmstrupgårdvej 12
8220 Braband
Denmark

CVR no.:	40 08 88 73
Established:	5 December 2018
Registered office:	Aarhus
Financial year:	1 January – 31 December

Board of Directors

Lars Dige Knudsen, Chairman
Steen Bødtker
Kaare Bo Nielsen

Executive Board

Steen Bødtker

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

Management's review

Financial highlights

DKK'000	2020*	2019*	5/12-31/12 2018
Key figures			
Gross profit/loss	89,140	92,715	-6
Operating profit	28,881	29,709	-6
Profit/loss from financial income and expenses	-285	-143	0
Profit/loss for the year	35,355	31,229	-5
Total assets	217,449	155,832	501
Equity	112,548	77,193	495
Investment in property, plant and equipment	5,916	9,073	0
Ratios			
Return on invested capital	15.5%	38.0%	-2.4%
Return on equity	37.3%	80.4%	-2.0%
Solvency ratio	51.8%	49.5%	98.8%
Average number of full-time employees (incl. discontinuing operations)	129	127	0

The financial ratios have been calculated as follows:

*Financial highlights for 2019-2020 reflect continuing operations only.

With reference to section 101(3) of the Danish Financial Statements Acts, the financial highlights for the financial year 2018 reflect both continuing and discontinuing operations.

Return on invested capital	$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

DAFA contributes sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. The goal is that customers experience added value by collaborating with DAFA and that they choose DAFA as their preferred supplier.

DAFA sells its products to the industrial segment, building segment and the wind segment. In 2019, DAFA celebrated its 80th anniversary, and DAFA is proud that the solutions are produced and distributed through divisions in Denmark, Poland, Italy, and China. In addition, the Company has sales offices in the USA, Sweden, Germany and Norway.

Business model

DAFA's business model is through a global footprint to follow our customers' development and requirements by offering high service and quality in sustainable, long-lasting foam and rubber solutions which seal, absorb and protect. We want to grow together with our customers by focusing on close customer relations and development of innovative quality products and solutions.

Group structure

In November 2020, DAFA Building Solutions A/S was established, and from 1 January 2021, the construction dealer activities in the building materials segment were split off from DAFA A/S into the newly established DAFA Building Solutions A/S entity.

Development in activities and financial position

The income statement of the Company for 2020 shows a profit of DKK 35.4 million, and at 31 December 2020 equity stood at DKK 112.5 million equivalent to a solvency ratio of 51.8%.

Overall financial performance shows a satisfactory development for 2020 compared to 2019 and is in line with the expectations for 2020 presented in 2019.

Outlook

In 2021, revenue is expected to increase at a range between 5% to 8%, and profit margin is expected to be at the same level as realised in 2020. The growth expectation is based on the continuing investment initiated in the last couple of years, when DAFA Group has moved from having a local footprint to being present with a global footprint to support both existing global key customers as well as to gain new customers and new markets.

Particular risks

In DAFA, risk is a natural part of the way the business is operating. Efficient risk management secures that the risk is revaluated and addressed daily to reduce the risk to a minimum. The Board of Directors has the overall responsibility for DAFA's risk management and for establishing, identifying and controlling the risk. Management has the daily responsibility to follow the overall guidelines and to report to the Board of Directors inside the most important risk areas.

Management's review

Operating review

Operating risks

The Company's key operating risks relate to the ability to maintain and develop its position at existing customers while increasing the market share. The Company's global footprint supports thereby the ability to minimise operating risks.

Market risks

Due to a relatively high solvency ratio and with a global presence, the Company is only to a limited extent exposed to major periodic fluctuations in sales.

Currency risks

Due to foreign activities, profit, cash flows and equity are affected by the exchange and interest rate developments for some currencies. It is the Company's currency policy not to hedge the currency risks as most transactions are naturally hedged through purchases and sales in the same currencies.

Interest rate risks

Due to its high solvency ratio and financial resources, the Company is exposed to interest rate changes only to a limited extent.

Credit risks

According to the Group's credit policy, all major customers are rated on a current basis.

Research and development activities

DAFA continuously develops and improves its products in cooperation with customers. The related costs are charged to the income statement as they are incurred. Resources spent on implementation of new technology is capitalised under the item completed development projects.

Intellectual capital

It is essential for DAFA's continued growth to retain and develop employees; therefore, significant resources are allocated to these efforts. To ensure competitiveness and efficiency, new technology investments are made continuously alongside continued competence development. Intellectual capital resources are of great importance to DAFA. In the construction segment, continuous product development is carried out based on knowledge of the market and our customers. In the industry segment, customised quality solutions are developed for which our employees' know-how of materials and possible solutions are a key factor.

Events after the balance sheet date

The split of the construction dealer activity from DAFA A/S into DAFA Building Solutions A/S took place at 1 January 2021. The closing balance sheet of DAFA A/S at 1 January was split into both DAFA A/S and DAFA Building Solutions, and the split-off has been approved by the authorities.

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Management's review

Operating review

Environment

DAFA aims to live in harmony with our surroundings, neighbours as well as the environment. While maintaining and strengthening the company's competitiveness, we will actively work to reduce the environmental impact from our processes and products. In its decision making, management will consider environment and energy factors, via risk and opportunity management, so that no significant decisions are made before these factors have been assessed. We aim to refine our existing energy management in order to continually achieve better utilization. Changes in energy consumption are observed and monitored through records and measurements. Efforts will be made to reduce energy consumption every time plant or equipment is replaced, modernized or adapted. Wherever possible, xenobiotic substances will be replaced with environmentally neutral alternatives. We aim to expand collaboration with our suppliers to include environmental issues in relation to processes and products. Employees will be moved towards a high level of environmental awareness through training. We undertake to comply with all statutory environmental requirements, including pollution prevention.

We are committed to contributing to sustainable development: "Development that meets the present needs without compromising the ability of future generations to meet their own". In practice, sustainability means that we will respect and balance environmental, economic and social aspects, thereby continually improving DAFA's local environment, business and organization.

In 2016, the environmental system ISO 14001 was implemented, and once a year Management reviews the targets, actions and results.

In 2020, DAFA Denmark has carried out energy audit acc. EN 16247 by third party Energy Solution to meet the requirements of EU Energy Efficiency Directive. The audit report points out the processes with most energy consumption and the most efficient effort to reduce power consumption and carbon dioxide emission.

Also in 2020 Go Green DAFA sustainability report was prepared together with Aarhus Business Academy to focus on minimize use of fossil fuels and reduce energy consumption. Identified areas from the report where consumption can be reduced, will be review and actions will be initiated.

DAFA has in 2020 introduced active Waste Management to the production and innovation process, and it is the goal for the future to lift the lower fractions of the hierarchy to support circular economy. In 2020 the following actions were implemented:

- Installation of machine for shredding of waste material for recycle for reduction of transportation
- Increased recycling of paper in administrative processes
- Phase-out of disposable service in plastic
- Recycling of waste through participation in local Network, UPCYCLE.

In line with the target of 95% of DAFA's building materials are to be included in the Nordic Ecolabelling database of products that can be part of swan-labeled constructions, 200 new products variants were approved to be part of swan-labeled building materials.

In 2021 DAFA will set up project to merge and include DAFA sites into one common management system and eventually multisite certification to ISO 9001 and ISO 14001 by the external 3rd party certification body Bureau Veritas. Hence introducing Environmental Management system to ISO 14001 in DAFA Poland. The site currently works under "Best in Class" Environment Management certificate.

Strategic supplier must follow ISO 14001, and in case the strategic supplier does not have an ISO 14001 certificate, DAFA performs supplier audit, where the supplier must explain and document their environmental policy. In 2020 1 supplier audit was done without any remarks. All other supplier audits were cancelled because of the COVID-19 restrictions.

Management's review

Operating review

Climate impact

Climate change is one of the most serious threats facing humanity. DAFA considers ourselves responsible for contributing to fight the negative impacts on the climate, and we constantly work towards optimising our operation. Even though no formal policy has been drawn up regarding impact on climate, DAFA adopts the goal of the Danish Climate law to reduce greenhouse gas emission by 70% in 2030. The reference level will be 2019 Greenhouse Gases Protocol of Scope 1 and 2. Accounting principles adapted will be on Science Based Targets as the overall best practice.

Furthermore, DAFAs climate change strategy is based on SDG 12 Responsible Consumption and Production and SDG 13 Climate Action.

Anti-corruption and bribery

Bribery and corruption are taken very seriously at DAFA, and such behaviour is not permitted. We have not drawn up any formal policy within anti-corruption and bribery. DAFA Group has a code of conduct for DAFA employees and the suppliers to underline that DAFA wants to appear as a responsible and credible partner focusing on ethical business principles which always complies with the laws, regulations and guidelines in the applicable countries in which they operate. By 2021, as part of the code of conduct, DAFA is planning to formalise an anti-corruption and bribery policy.

Social and staff matters

DAFA Group cares about its employees, and the employees are the most important asset of the business and its success. Every year, we organise different activities to show appreciation for our employees' efforts and their dedication to DAFA. In 2020 most of the planned activities have been cancelled or postponed due to COVID-19 restrictions, but in 2021 we will organise different activities again.

The Company has safety policy, staff policy and a management guideline in place, and a collaboration committee has been established to improve collaboration across functions, departments and seniority.

One of the key actions to reach the target is the biyearly people survey where employees are encouraged to share their opinions and suggest improvements in the working environment. The employees' input is an important tool to improve the social and staff matters and to improve job satisfaction. In 2021 the next people survey will take place, but in 2020 a workplace valuation was made together with a third party, and action plans from this survey are initiated.

In 2020 the DAFA Academy was introduced, and a management training program in DAFA Denmark took place, to ensure all DAFA employees receive good management. In 2021 the management program will continue in Denmark together with a global management training program for all other DAFA entities. DAFA Academy has also introduced other training sessions and to continue employee development, a global HR manager will be hired at the beginning of 2021 to focus on this area.

Human rights

DAFA's policy is commitment to people, and it is the foundation of our work with human rights. Human rights are an essential part of the suppliers' and employees' code of conduct, and as part of UN Global Compact, DAFA follows those guidelines. Everyone dissociates oneself from all kinds of forced labour and child labour and respects and complies with applicable national laws and industry standards on working hours. Everyone respects employees' rights to join labour unions of their own choice. All wages and salaries comply with applicable national laws and industry standards. DAFA does not tolerate child labour, and a supplier working together with DAFA must ensure that the supplier does not use child labour that is younger than the minimum age according to national law.

Management's review

Operating review

DAFA is pleased to say that we have not at any time experienced any violation of the human rights or evaluated a risk of this in respect of the operation of our business. Furthermore, we have in our code of conduct stated that everyone who is covered by the code of conduct considers and respects internationally recognised conventions on human rights, which is supported by supplier audits. Thereby the risk is low.

Non-financial KPIs

DAFA has focus on non-financial KPIs to track our environmental, social and economic performance within defined KPIs. DAFA Group is planning to implement a global non-financial KPI structure in line with the one we have in DAFA A/S. In 2020 DAFA A/S has updated the non-financial KPIs based on Science Based Targets in line with UN Global Compacts recommendations. Below is the development in the environmental KPIs for DAFA A/S:

Environmental KPIs:

	2016	**2017**	**2018**	**2019**	**2020**
CO2-emission (power and heating) [Ton]	248	218	241	240	248
Active operator time in production[hour]	60.335	68.205	74.829	72.740	78.975

Waste 2020

Hierarchy	[kg]	Pct
Reuse	0	0%
Recycle	236.600	42%
Recover	306.470	54%
Deposit	23.180	4%
Total	566.250	100%

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

In DAFA, we acknowledge that diversity in Management and employees is a strength and as a part of this, equality in gender contributes to the business development. DAFA's target regarding the underrepresented gender is that both genders are to be represented on the Board of Directors, and no one is underrepresented. The target was met in 2006 and has remained representative since then with a representation of the underrepresented gender on the Board of Directors of 25% due to a board composition of four members of which one is female. In the future, no new target is needed if the underrepresented gender stays at 25%.

Management's review

Operating review

Diversity in other management levels

DAFA is also considering diversity in other management levels than the Board of Directors. The long-term aim is that the Company reflects the surrounding society and especially the Company's customers, not only in terms of gender, but also in terms of nationality and ethnicity. This reflection of the surrounding society is to contribute to the Company being an attractive choice for customers as well as present and future employees and in this way enabling the Company to achieve its long-term business goals.

The policy of the Company states that both genders are encouraged equally to apply for vacant positions in the Company. Both genders are also guaranteed the same rights and conditions during their employment. As DAFA strives for an equal gender representation in Management, we acknowledge that women are currently underrepresented. Therefore, we have placed special focus on ensuring that women are, where possible, included in the list of candidates for new hires and internal promotions. Moreover, we have in situations where more candidates are assessed to be equally qualified for a position selected the female candidate.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2020	2019
Gross profit		89,140	92,715
Staff costs	2	-53,902	-56,424
Depreciation, amortisation and impairment losses	3	-6,357	-6,582
Operating profit		28,881	29,709
Financial income	4	484	219
Financial expenses	5	-769	-362
Profit before tax		28,596	29,566
Tax on profit		-6,303	-6,514
Profit from continuing operations		22,293	23,052
Discontinued operations	6	13,062	8,177
Profit for the year	7	35,355	31,229

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2020	31/12 2019
ASSETS			
Fixed assets			
Intangible assets	8		
Completed development projects		58	181
Software		1,702	1,766
		1,760	1,947
Property, plant and equipment	9		
Land and buildings		844	863
Plant and machinery		23,097	21,888
Fixtures and fittings, tools and equipment		1,604	2,203
Leasehold improvements		2,106	2,305
		27,651	27,259
Other fixed assets	10		
Deposits		1,354	1,354
Total fixed assets		30,765	30,560
Current assets			
Inventories			
Raw materials and consumables		9,197	10,499
Work in progress		3,381	1,708
Finished goods and goods for resale		14,277	13,060
		26,855	25,267
Receivables			
Trade receivables		41,561	39,941
Receivables from group entities		82,438	33,867
Other receivables		46	795
Prepayments	11	1,826	1,280
		125,871	75,883
Cash at bank and in hand		8	1,160
Assets relating to discontinued operations	12	33,950	22,962
Total current assets		186,684	125,272
TOTAL ASSETS		217,449	155,832

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	25,000	25,000
Reserve for development costs		45	181
Retained earnings		57,503	52,012
Proposed dividends for the financial year		30,000	0
Total equity		112,548	77,193
Provisions			
Provisions for deferred tax	14	2,323	2,162
Total provisions		2,323	2,162
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Lease obligations		6,833	4,401
Current liabilities other than provisions			
Current portion of non-current liabilities		1,222	740
Banks, current liabilities		12,487	0
Trade payables		33,820	32,541
Payables to group entities		2,297	3,858
Corporation tax		633	595
Other payables		11,338	11,379
		61,797	49,113
Liabilities relating to discontinued operations	6, 12	33,948	22,963
		95,745	72,076
Total liabilities other than provisions		102,578	76,477
TOTAL EQUITY AND LIABILITIES		217,449	155,832

Contractual obligations, contingencies, etc.	16
Related party disclosures	17

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2020	25,000	181	52,012	0	77,193
Transfers, reserves	0	-136	136	0	0
Transferred over the profit appropriation	0	0	5,355	30,000	35,355
Equity at 31 December 2020	25,000	45	57,503	30,000	112,548

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of DAFA A/S for 2020 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of DAFA Group A/S.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses. Where foreign exchange transactions are considered hedging of future cash flow, the value adjusments are recognised directly in equity.

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

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Cost of sales

Costs of raw materials and consumables comprise raw materials and consumables consumed to achieve revenue for the year.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise indirect production costs and expenses for premises, costs related to sales, distribution, office, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses from transactions denominated in foreign currencies, etc.

Tax on profit

DAFA A/S is comprised by the Danish rules on compulsory joint taxation.

J.Nordby Holding ApS is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 3 years.

Software

Software is measured at cost less accumulated amortisation and impairment losses. Acquired other similar rights are amortised on a straight-line basis over the remaining life of the rights, which is 3-5 years. Software is amortised on a straight-line basis over 3 years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	40-50 years
Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Depreciation is recognised in the income statement.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other fixed assets

Deposits are recognies at amortised cost.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less write-down for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning consumption taxes, licenses, insurance, etc.

Cash at bank and in hand

Cash comprises bank deposits and cash in hand.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established.

The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Extra payments and repayments under the on-account taxation scheme are recognised as an interest expense in the income statement and expenses.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK'000	2020	2019
Wages and salaries	43,368	46,129
Pensions	5,044	4,962
Other social security costs	2,622	2,129
Other staff costs	2,868	3,204
	53,902	56,424
Average number of full-time employees (includes both discontinuing and continuing operations)	129	127

Staff costs of the Company include remuneration of the Executive Board and Board of Directors of DKK 2,807 thousand (exemption rules applied in 2019).

DKK'000	2020	2019
3 Depreciation, amortisation and impairment losses		
Intangible assets	1,198	1,500
Property, plant and equipment	5,159	5,082
	6,357	6,582
4 Financial income		
Interest income from group entities	474	0
Other financial income	10	219
	484	219
5 Financial expenses		
Interest expense to group entities	0	5
Other financial costs	699	357
	699	362

Financial statements 1 January – 31 December

Notes

6 Discontinued operations

On 26 November 2020, the Company agreed to split the construction dealer activity from DAFA A/S into DAFA Building Solutions A/S. The split had not been completed at the balance sheet date, and consequently, net assets to be transferred are still recognised in the balance sheet as discontinued operations. Profit after tax of the activity is recognised as a separate line item in the income statement. Comparative figures for 2019 have been restated for discontinued operations.

At 1 January 2021, the activities were transferred to DAFA Building Solutions A/S, and the split-off has been approved by the authorities.

DKK'000	2020	2019
Gross profit	49,588	44,358
Other external costs	-12,100	-12,542
Staff costs	-20,477	-21,132
Financial income	251	107
Financial expenses	-516	-307
Tax on profit	-3,684	-2,307
	13,062	8,177

7 Proposed profit appropriation

Proposed dividends for the year	30,000	0
Retained earnings	5,355	31,229
	35,355	31,229

Financial statements 1 January – 31 December

Notes

8 Intangible assets

DKK'000	Completed development projects	Software	Total
Cost at 1 January 2020	3,650	4,241	7,891
Additions for the year	0	1,011	1,011
Cost at 31 December 2020	3,650	5,252	8,902
Amortisation and impairment losses at 1 January 2020	-3,469	-2,475	-5,944
Amortisation for the year	-123	-1,075	-1,198
Amortisation and impairment losses at 31 December 2020	-3,592	-3,550	-7,142
Carrying amount at 31 December 2020	58	1,702	1,760

Completed development projects

Completed development projects relate to development and test of various concepts regarding our wind and building segments and development of AX integration in the Company, which has entailed greater productivity.

9 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2020	954	56,992	18,602	4,088	80,636
Additions for the year	0	5,219	448	249	5,916
Disposals for the year	0	-1,094	0	0	-1,094
Cost at 31 December 2020	954	61,117	19,050	4,337	85,458
Depreciation and impairment losses at 1 January 2020	-91	-35,104	-16,399	-1,783	-53,377
Depreciation for the year	-19	-3,645	-1,047	-448	-5,159
Reversed depreciation and impairment losses on assets sold	0	728	0	0	728
Depreciation and impairment losses at 31 December 2020	-110	-38,021	-17,446	-2,231	-57,808
Carrying amount at 31 December 2020	844	23,097	1,604	2,106	27,651
Assets held under finance leases	0	7,148	164	0	0

Financial statements 1 January – 31 December

Notes

10 Other fixed assets

DKK'000	Deposits
Cost at 1 January 2020	1,354
Cost at 31 December 2020	1,354
Carrying amount at 31 December 2020	1,354

11 Prepayments

Prepayments comprise the accrual of costs incurred relating to subsequent financial years, including insureance and IT licences, etc.

DKK'000	2020	2019
12 Assets and liabilities regarding discontinued operations		
Deposits	128	128
Inventories	10,656	10,026
Trade receivables	7,002	5,487
Prepayments	77	54
	17,863	15,695
Trade payables	11,098	9,224
Payables to group entities	3,036	1,199
Other payables	3,729	5,272
	17,863	15,695

13 Contributed capital

All shares rank equally.

14 Provision for deferred tax

	2020	2019
Deferred tax at 1 January	2,162	2,450
Adjustment for the year in the income statement	161	-288
	2,323	2,162

Financial statements 1 January – 31 December

Notes

15 Non-current liabilities other than provisions

Liabilities other than provisions can be specified as follows:

DKK'000	31/12 2020	31/12 2019
Lease obligations:		
0-1 years	1,222	740
1-5 years	4,872	3,437
>5 years	1,961	964
	8,055	5,141

16 Contractual obligations, contingencies, etc.

Other contingent liabilities

DAFA A/S is jointly and severally liable for jointly taxed income in the J. Norby Holding ApS Group and its Danish affiliates and for certain withholding taxes such as dividend and tax and royalty tax as well as for the joint registration for VAT. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc. may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Group's Danish entities are jointly and severally liable for the joint registration for VAT.

Collateral

DAFA A/S has provided collateral of DKK 25 thousand to an owners' association.

DKK'000	31/12 2020	31/12 2019
Operating lease obligations		
0-1 year	7,731	7,565
1-5 years	28,172	26,822
>5 years	6,508	13,016
	42,411	47,403

Financial statements 1 January – 31 December

Notes

17 Related party disclosures

DAFA A/S related parties comprise the following:

Control

DAFA Group A/S, Holmstrupgårdvej 12, DK-8220 Brabrand, Denmark.

DAFA Group A/S holds the majority of the contributed capital in the Company.

DAFA A/S is part of the consolidated financial statements of DAFA Group A/S, Holmstrupgårdvej 12, DK-8220 Brabrand, and the consolidated financial statements of J. Norby Holding ApS, P. Heises Vej 10, DK-8000 Aarhus C, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of DAFA Group A/S and the consolidated financial statements of J. Norby Holding ApS can be obtained by contacting the companies at the addresses above.

Related party transactions

DKK'000	2020
Sale of goods to group entities	25,280
Sale of services to group entities	2,903
Purchase of goods from group entities	-24,558
Purchase of services from group entities	-313
Sale of fixed assets to group entities	268
Management fee to group entities	-4,772
Paid dividend to parent entity	-20,000
	-21,192

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 2.

Receivables and payables to group entities are disclosed in the balance sheet and interest to group entities is disclosed in note 4.