

---

# ***DAFA A/S***

Holmstrupgårdvej 12, DK-8220 Brabrand

## **Annual Report for 2022**

---

CVR No. 40 08 88 73

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 1/3 2023

Kaare Bo Nielsen  
Chairman of the  
general meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's statement	1
Independent Auditor's report	2
<b>Management's Review</b>	
Company information	4
Financial Highlights	5
Management's review	6
<b>Financial Statements</b>	
Income statement 1 January - 31 December	8
Balance sheet 31 December	9
Statement of changes in equity	11
Notes to the Financial Statements	12

# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of DAFA A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Aarhus, 1 March 2023

## Executive Board

Steen Agerbo Bødtker  
CEO

## Board of Directors

Vilhelm Eigil Hahn-Petersen  
Chairman

Kaare Bo Nielsen  
Vice chairman

Steen Agerbo Bødtker

# Independent Auditor's report

To the shareholder of DAFA A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of DAFA A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, 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 in Management's Review.

## Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the 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.

# Independent Auditor's report

## Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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.

Aarhus, 1 March 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Kragh  
State Authorised Public Accountant  
mne26783

Elife Savas  
State Authorised Public Accountant  
mne34453

## Company information

<b>The Company</b>	DAFA A/S Holmstrupgårdvej 12 DK-8220 Brabrand  Telephone: 87476666 Email: dafa@dafa.dk  CVR No: 40 08 88 73 Financial period: 1 January - 31 December Incorporated: 5 December 2018 Financial year: 5th financial year Municipality of reg. office: Aarhus
<b>Board of Directors</b>	Vilhelm Eigil Hahn-Petersen, chairman Kaare Bo Nielsen, vice chairman Steen Agerbo Bødtker
<b>Executive board</b>	Steen Agerbo Bødtker
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

# Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	80,740	106,984	89,140	92,715	-6
Profit/loss before financial income and expenses	11,528	29,042	28,881	29,709	-6
Profit/loss of financial income and expenses	896	785	-285	-143	0
Net profit/loss	9,784	23,368	35,355	31,229	-5
<b>Balance sheet</b>					
Balance sheet total	132,118	141,425	217,449	155,832	501
Investment in property, plant and equipment	5,655	5,918	5,916	9,073	0
Equity	76,578	86,794	112,548	77,193	495
Number of employees	118	123	129	127	0
<b>Ratios</b>					
Solvency ratio	58.0%	61.4%	51.8%	49.5%	98.8%
Return on equity	12.0%	23.4%	37.3%	80.4%	-2.0%
Return on invested capital	0.0%	16.2%	15.5%	38.0%	-2.4%

# Management's review

## Key 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.

## Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 9,784, and at 31 December 2022 the balance sheet of the Company shows equity of TDKK 76,578.

## Outlook

In 2023 revenue is expected to increase at a range between 5% to 10%, and profit margin is expected to be at the same level as realised in 2022. 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.

## Special risks - operating risks and financial risks

### Particular Risk

In DAFA, risk is a natural part of the way the business is operating. Efficient risk management ensures that the risk is evaluated periodically and addressed daily to reduce the risk to an acceptable level. The Board of Directors has the overall responsibility for DAFA's risk management and for identifying and controlling the risk. Management has the daily responsibility to follow the overall guidelines and to report to the Board of Directors about the most important risk areas.

### Operating risks

The Group'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.

### Foreign exchange risks

Due to foreign activities, profit, cash flows and equity are affected by the exchange and interest rate developments for several 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 only to a limited extent exposed to interest rate changes.

### Credit risks

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



# Management's review

## Strategy and objectives

### 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.

### Research and development

DAFA continuously develops and improves its products in cooperation with its customers. 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.

### External environment

DAFA aims to live in harmony with our surroundings, neighbours as well as the environment. Therefore, DAFA has set out an ambitious strategy: "DAFA Go Green" based on the most significant risks and impacts for climate, environment and CSR. The goals and the status of achievement are reported on DAFAs website on an annual basis:

<https://dafa-group.com/en/sustainability>

### Intellectual capital resources

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 is a key factor.

### Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
<b>Gross profit</b>		<b>80,740</b>	<b>106,984</b>
Staff expenses	1	-63,080	-71,358
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-6,124	-6,584
Other operating expenses		-8	0
<b>Profit/loss before financial income and expenses</b>		<b>11,528</b>	<b>29,042</b>
Financial income	4	1,203	1,066
Financial expenses	5	-307	-281
<b>Profit/loss before tax</b>		<b>12,424</b>	<b>29,827</b>
Tax on profit/loss for the year		-2,640	-6,459
<b>Net profit/loss for the year</b>	6	<b>9,784</b>	<b>23,368</b>

# Balance sheet 31 December

## Assets

	Note	2022 TDKK	2021 TDKK
Completed development projects		0	0
Acquired licenses		943	1,292
<b>Intangible assets</b>	7	<b>943</b>	<b>1,292</b>
Land and buildings		808	826
Plant and machinery		20,592	23,336
Other fixtures and fittings, tools and equipment		4,242	1,849
Leasehold improvements		1,651	2,064
<b>Property, plant and equipment</b>	8	<b>27,293</b>	<b>28,075</b>
Deposits	9	1,608	1,566
<b>Fixed asset investments</b>		<b>1,608</b>	<b>1,566</b>
<b>Fixed assets</b>		<b>29,844</b>	<b>30,933</b>
Raw materials and consumables		12,995	9,647
Work in progress		1,832	1,854
Finished goods and goods for resale		16,791	18,845
<b>Inventories</b>		<b>31,618</b>	<b>30,346</b>
Trade receivables		24,464	27,031
Receivables from group enterprises		43,463	51,028
Prepayments	10	2,729	2,078
<b>Receivables</b>		<b>70,656</b>	<b>80,137</b>
Cash at bank and in hand		0	9
<b>Current assets</b>		<b>102,274</b>	<b>110,492</b>
<b>Assets</b>		<b>132,118</b>	<b>141,425</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital		25,000	25,000
Retained earnings		41,578	41,794
Proposed dividend for the year		10,000	20,000
<b>Equity</b>		<b>76,578</b>	<b>86,794</b>
Provision for deferred tax	11	2,298	2,360
<b>Provisions</b>		<b>2,298</b>	<b>2,360</b>
Lease obligations		4,576	5,659
<b>Long-term debt</b>	12	<b>4,576</b>	<b>5,659</b>
Credit institutions		0	485
Lease obligations	12	1,131	1,237
Trade payables		26,046	34,640
Payables to group enterprises		13,044	2,444
Corporation tax		1,314	784
Other payables		7,131	7,022
<b>Short-term debt</b>		<b>48,666</b>	<b>46,612</b>
<b>Debt</b>		<b>53,242</b>	<b>52,271</b>
<b>Liabilities and equity</b>		<b>132,118</b>	<b>141,425</b>
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

## Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	25,000	41,794	20,000	86,794
Ordinary dividend paid	0	0	-20,000	-20,000
Net profit/loss for the year	0	-216	10,000	9,784
<b>Equity at 31 December</b>	<b>25,000</b>	<b>41,578</b>	<b>10,000</b>	<b>76,578</b>

# Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>1. Staff Expenses</b>		
Wages and salaries	54,703	59,669
Pensions	4,556	5,639
Other social security expenses	1,034	2,885
Other staff expenses	2,787	3,165
	<u><b>63,080</b></u>	<u><b>71,358</b></u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>118</u>	<u>123</u>
-----------------------------	------------	------------

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	912	1,195
Depreciation of property, plant and equipment	5,212	5,313
Gain and loss on disposal	0	76
	<u><b>6,124</b></u>	<u><b>6,584</b></u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>3. Special items</b>		
Integration and strategy costs in connection with changed ownership of DAFA Group A/S	3,266	0
	<u><b>3,266</b></u>	<u><b>0</b></u>

## Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>4. Financial income</b>		
Interest received from group enterprises	4	420
Other financial income	578	646
Exchange gains	621	0
	<u>1,203</u>	<u>1,066</u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>5. Financial expenses</b>		
Interest paid to group enterprises	58	186
Other financial expenses	249	95
	<u>307</u>	<u>281</u>

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>6. Profit allocation</b>		
Proposed dividend for the year	10,000	20,000
Retained earnings	-216	3,368
	<u>9,784</u>	<u>23,368</u>

# Notes to the Financial Statements

## 7. Intangible fixed assets

	Acquired licenses
	TDKK
Cost at 1 January	6,794
Additions for the year	422
Disposals for the year	-58
Cost at 31 December	<u>7,158</u>
Impairment losses and amortisation at 1 January	5,502
Amortisation for the year	771
Reversal of amortisation of disposals for the year	-58
Impairment losses and amortisation at 31 December	<u>6,215</u>
<b>Carrying amount at 31 December</b>	<b><u>943</u></b>

## 8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	954	58,755	19,461	4,754
Additions for the year	0	1,421	4,229	0
Disposals for the year	0	-771	-3,880	4
Cost at 31 December	<u>954</u>	<u>59,405</u>	<u>19,810</u>	<u>4,758</u>
Impairment losses and depreciation at 1 January	128	35,419	17,612	2,690
Depreciation for the year	18	4,165	749	417
Reversal of impairment and depreciation of sold assets	0	-771	-2,793	0
Impairment losses and depreciation at 31 December	<u>146</u>	<u>38,813</u>	<u>15,568</u>	<u>3,107</u>
<b>Carrying amount at 31 December</b>	<b><u>808</u></b>	<b><u>20,592</u></b>	<b><u>4,242</u></b>	<b><u>1,651</u></b>
Including assets under finance leases amounting to	<u>0</u>	<u>6,044</u>	<u>0</u>	<u>0</u>



# Notes to the Financial Statements

## 9. Other fixed asset investments

	Deposits TDKK
Cost at 1 January	1,565
Additions for the year	43
Cost at 31 December	<u>1,608</u>
<b>Carrying amount at 31 December</b>	<b><u>1,608</u></b>

## 10. Prepayments

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

	2022 TDKK	2021 TDKK
Deferred tax liabilities at 1 January	2,360	2,323
Adjustment for the year in the income statement	-62	37
Deferred tax liabilities at 31 December	<u>2,298</u>	<u>2,360</u>

## 11. Provision for deferred tax

## 12. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022 TDKK	2021 TDKK
<b>Lease obligations</b>		
After 5 years	0	838
Between 1 and 5 years	4,576	4,821
Long-term part	4,576	5,659
Within 1 year	1,131	1,237
	<u>5,707</u>	<u>6,896</u>

# Notes to the Financial Statements

2022	2021
TDKK	TDKK

## 13. Contingent assets, liabilities and other financial obligations

### Charges and security

The following assets have been placed as security with mortgage credit institutes:

As partly security for borrowings and bank commitments in the DAFA Holding I ApS Danish Group companies, security in share capital, regarding the Group companies DAFA Building Solutions A/S and DAFA A/S is effective.

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	6,450	7,103
Between 1 and 5 years	17,548	2,441
	<u>23,998</u>	<u>9,544</u>

The Company has entered into operating leases with a remaining term of 41 months. The total obligation of operating leases amounts to DKK 1,107 thousand as of 31 December 2022. Of the total obligation, DKK 514 thousand falls due within 1 year.

The Company has entered into rental agreements with a remaining term of 48 months. The total obligation of rental agreements amounts to DKK 23,716 thousand as of 31 December 2022. Of the total obligation, DKK 6,167 thousand falls due within 1 year.

### Guarantee obligations

The Company has issued a partly guarantee of payment between the Danish DAFA Holding I ApS Group companies DAFA Holding I ApS, DAFA Holding II ApS, DAFA Group A/S, DAFA Building Solutions A/S and DAFA A/S and the DAFA Holding I ApS Groups credit institutions.

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of CC DAFA Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

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

## 14. Related parties and disclosure of consolidated financial statements

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
DAFA Holding I ApS as the largest.	Holmstrupgårdsvej 12, DK-8220 Brabrand, Denmark
DAFA Group A/S as the smallest.	Holmstrupgårdsvej 12, DK-8220 Brabrand, Denmark

# Notes to the Financial Statements

## 15. Accounting policies

The Annual Report of DAFA A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

### Recognition and measurement

#### 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.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

### Income statement

#### Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that 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. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Expenses for raw materials and consumables

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

# Notes to the Financial Statements

## Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales as well as office expenses, etc.

## Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

## Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

## Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

## Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

## Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with CC DAFA Invest ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## Balance sheet

### Intangible fixed assets

#### Software

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over 3 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

# Notes to the Financial Statements

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	40-50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

## Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

## Other fixed asset investments

Other fixed asset investments consist of deposits.

## Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

## Receivables

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

## Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

## Equity

### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

# Notes to the Financial Statements

## Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

## Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.