Global Scanning A/S
Svanevang 2, 3450 Allerød
CVR nr. 34 61 31 41

Annual Report

for the financial period 1 January 2019 – 31 December 2019
7h financial year

Adopted at the Annual General Meeting of shareholders
on / 2020

Gunnel Dueblad.
....
Chairman

Contents

Company details

Main office
Global Scanning A/S
Svanevang 2
3450 Allerød

Phone	+45 48 14 11 22
Fax	+45 48 14 01 22

Country of incorporation
Denmark

Board of Directors
Gunnel Ellinor Duveblad (Chairman)
Tomas Håkan Therén
Anne Raaen Rasmussen
Toke Nielsen (employee elected)
Nis Ulrik Engholm (employee elected)

Executive Board
Graham James Ohn Tinn (CEO)

Shareholders holding 5% or more of the share capital or the voting rights	Percentage
Procuritas Capital Investores V LP	92,50%

Ultimative parent
Procuritas Capital Investors V LP, Guernsey

Auditors
Ernst & Young Godkendt Revisionspartnerselskab

Bankers
Nordea Bank Danmark A/S

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 Global Scanning A/S for 2019.
The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in The Danish Financial Statements Act.
In our opinion the consolidated financial statements and the parent company's financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's Review gives a fair review of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and the Parent Company, as well as a description of material risks and uncertainties facing the Group and the Parent Company.

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

Allerød, 25 May 2020
Executive board:

....
Graham James Ohn Tinn
(CEO)

Board of Directors:

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Gunnel Ellinor Duveblad Chairman	Tomas Håkan Therén	Anne Raaen Rasmussen
....	....	
Toke Nielsen Employee elected	Nis Ulrik Engholm Employee elected	

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(CEO)

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Employee elected	Employee elected

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Allerød, 25 May 2020

Executive board: [redacted]

....

Graham James [redacted]

(CEO)

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....	....	
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Independent auditor's report

To the shareholders of Global Scanning A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Global Scanning A/S for the financial year 1 January – 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements, in which management has described that the Parent Company in 2020 have breached the leverage covenant on its loan USD 23,7m (nominal SEK 235m) due to the impact of the Covid-19 pandemic. An agreement with the lender to secure the loan with no immediate repayment has not yet been obtained and the lender are able to request immediate repayment of the loan. Further, the credit facility in Denmark of USD 1.4m (DKK 10m) is up for renewal in June 2020. These events indicates a material uncertainty that may cast significant doubt on the Parent Company's and the Group's ability to continue as a going concern.

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

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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent 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 Group or the Parent 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, 25 May 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreasen
State Authorised
Public Accountant
mne28603

Financial highlights

In USD thousands, except ratios, USD rate and number of employees.

Key figures group	**2019**	**2018**	**2017**	**2016**	**2015**
Profit & Loss					
Revenue	33.768	42.984	39.543	41.623	46.016
Operating result	(6.316)	65	3.360	(2.337)	(1.215)
Net financials	(1.590)	317	(5.177)	(453)	(2.871)
Net result for the year	(6.163)	771	(1.612)	(2.262)	(2.749)
Cash Flows					
Cash flows from operating activities	(2.257)	2.299	7.216	2.169	4.475
Cash flow to net investments	(2.198)	(4.415)	(3.641)	(4.130)	(4.108)
Hereoff investments in tangible assets	(239)	(229)	(690)	(658)	(1.471)
Net cash flow for the year	(555)	(572)	3.575	(1.960)	(2.909)
Cash and cash equivalents at year-end	1.926	2.481	3.053	(522)	1.438
Balance sheet					
Total equity	21.655	27.717	27.452	28.658	29.253
Total assets	56.926	59.937	59.619	60.153	66.805
Exchange rate per balance sheet date DKK/USD	6,65	6,52	6,21	7,05	6,86
Average number of employees	164	170	159	203	202

Key figures and ratio explanations and definitions

The financial highlights and ratios are defined and calculated in accordance with the online guidance from the Danish Finance Society regarding the calculation of financial highlights and ratios: "Recommendations & Financial Ratios".

Comparatives for 2015 - 2017 are not restated following the implementation of IFRS 9 and 15 and comparatives for 2015 - 2018 are not restated following the implementation of IFRS 16.

Management´s Review

Group overview

The group´s objective is to maintain its position as the market leader in innovative and reliable 2D digital imaging solutions, and to establish itself as a player in the emerging 3D digital imaging marketplace.

Global Scanning A/S is the holding company for Global Scanning Denmark A/S and Global Scanning UK Ltd.

The Group develops, manufactures and markets large-format scanning solutions (2D) for the computer-aided design (CAD), geographic information systems (GIS), reprographic products, copy services and document archiving segments under the brand names of Contex and Colortrac respectively. The scanners digitally capture documents, drawings and other 2D input in order to view, edit, archive, convert or print output data.These 2D products are sold across the world through a value-add distribution network and via OEM agreements with major multinational enterprises within the Large Format Printing industry.

The Group have in 2019 established itself into the market related to 3D object scanning. The first product Sol is a commodity product aimed at the Hobbyist / MakerSpace market enabling the scanning of small objects in 3D.

During 2019, Global Scanning A/S formed new subsidiaries for its other 3D projects, Shapewatch ApS and Brand3D ApS.

Result for the year

The Group´s revenue decreased to USD 33,768 thousand from USD 42.984 thousand in 2018. The decrease was due to customer de-stocking during 2019 from an over-stock position created in 2018.

The group operating profit showed a loss of USD 6,316 thousand influenced by non-capitalised costs incurred on 3D projects (USD 3,367 thousand) and influenced by reduced profits from the 2D business (USD 2,884 thousand) resulting from the decrease in revenue caused by customer de-stocking. In 2018, the operating profit was USD 65 thousand influenced by non-capitalized 3D costs of USD 2,677 thousand.

Both Brand 3D ApS and Shapewatch ApS underperformed in 2019. Following strategic actions, these two businesses will not incur further significant losses in 2020.

The loss for the year before tax is USD 7,906 thousand against a profit of USD 382 thousand in 2018. This was influenced by the reduction in revenue and the impairment of 3D assets.

The net result before tax for the year in the parent company amounts to a profit of USD 859 thousand (USD 3,124 thousand profit in 2018) which mainly consists of dividend from subsidiaries, and an unrealized exchange gain from the company's debt, offset by interest paid on the company's debt.

Capital structure

The balance sheet total at 31 December 2019 was USD 56,926 thousand compared to USD 59,937 thousand in 2018. Cash and cash equivalents at 31 December 2018 is positive by USD 1,926 thousand and the unused credit facilities including cash and cash equivalents total USD 336 thousand.

Movements in the DKK/USD and RMB/USD rate during 2020 may have a limited impact on the Group´s operating profit.

In October 2019, the Parent company redeemed the corporate bonds which were traded on the Stockholm Nasdaq exchange SEK 200,000,000 (equal to USD 20,656 thousand) and established a direct loan of SEK 235,000,000. The loan carries an annual interest rate of 10%. The first instalment of SEK 10,000,000 is due in April 2021 with subsequent instalments of SEK 10,000,000 due in April 2022 and April 2023. The balance is repayable in October 2024.

The Group has, as of 31 December 2019, USD 2,262 thousand in cash and cash equivalents including unutilized credit facilities. In 2020, the Group will breach the leverage covenant with its direct lender due to the impact of the Covid-19 pandemic; if there is no agreement with the lender that they will grant a waiver for the breach, the lender can request repayment of the loan, which would result in the company not being able to continue as a going concern. However, Management does not believe that the lender will request repayment of the loan in this situation.

Research and development

Research and development expenses in 2019 amounted to USD 5,480 thousand (2018: USD 6.885 thousand) equal to 16.0% of the revenue (2018: 16.0%). The Group has, during the year, developed new product platforms for both scanners and software. Of the costs incurred USD 2,113 thousand was capitalized.

In 2019, R&D has focused on (1) developing and introducing one new platform within 2D, covering the high segment productivity market, (2) enhancing the product offerings to OEM customers and (3) continuing development of 3D products with a particular focus on Scan Dimension - an easy-to-use, customer-operated, affordable system for 3D scanning of small objects.

The development will continue with a further strengthening of the product program.

Risk Management

At the Global Scanning group risk management is an integrated part of the operational activities with a view to reducing the uncertainty of the Company´s strategic objectives being met.

The key risks are summarized by the following main areas:

- Industry and market risks, including the risk of continued impact of the current COVID-19 pandemic
- Financial risks (currency, interest rates, liquidity)
- Credit risks (financial institutions and commercial receivables)
- Environmental risks

A detailed description of the Company´s risks is provided in note 23. Financial risk – management objectives and policies.

<u>Industry and market risks</u>

Global Scanning Denmark A/S minimizes industry and market risks through (1) using numerous routes to market under a number of different brands which include two own brands in parallel with OEM contracts with major global suppliers; (2) continuing to invest in research and development to ensure the company's technology base and products are state-of-the-art; and (3) manufacturing in a low-cost environment to ensure products carry a low cost and can be competitively priced.

<u>Environmental risks</u>

Global Scanning Denmark A/S manages risks concerning the environment by (1) ensuring the company's manufacturing operations are fully compliant with relevant international standards and (2) ensuring that all of the company's products meet relevant international standards.

Outlook

Global Scanning A/S has a strong global market position, including opportunities for further profitable growth. A continued focus on R&D investments will enhance the competitive advantages.

Based on the assumptions of (1) stable market conditions on the 2D scanning market and (2) unchanged F/X correlation between USD/SEK/DKK/RMB, the Group expected revenue to recover from the 2019 level and grow by approximately 6%, this growth being driven by a partial recovery from the 2019 customer de-stocking. However, the emergence of the Covid-19 pandemic in early 2020, and the consequential impact on the global economy, will have a significant impact on this projection.

Subsequent events

The emergence of the Covid-19 pandemic will have a significant impact on business in 2020. The company has had in-depth discussions on the sales outlook with its major customers and global distribution partners and has concluded that 2020 revenue will significantly decrease compared to the original outlook. An OPEX reduction program has been implemented and the company has successfully sought financial assistance from various government schemes. The factory in China is fully operational after an initial down-time in February. Although profits will be seriously damaged, the financial outlook indicates that the company can maintain liquidity during 2020, whilst making on-time payments to its creditors.

No other post balance sheet events have occurred which could materially affect the assessment of the Group´s or the Parent Company's financial position.

Statement of profit and loss
for the year ended 31 December

		Group		Parent	
		2019	2018	2019	2018
	Notes	USD´000	USD´000	USD´000	USD´000
Revenue		33.768	42.984	0	0
Production costs	4	(27.702)	(32.928)	0	0
Gross profit		**6.066**	**10.056**	**0**	**0**
Distribution costs	4	(6.515)	(6.421)	0	0
Administrative costs	4	(3.564)	(3.581)	(741)	(663)
Other operating income / expenses	5	(2.303)	11	632	636
Operating result		**(6.316)**	**65**	**(109)**	**(27)**
Financial income	6	1.088	2.767	3.498	5.316
Financial expenses	7	(2.678)	(2.450)	(2.530)	(2.165)
Result before tax		**(7.906)**	**382**	**859**	**3.124**
Income taxes	8	1.743	390	234	(2)
Net result for the year		**(6.163)**	**771**	**1.093**	**3.122**

Statement of other comprehensive Income

		Group		Parent	
		2019	2018	2019	2018
	Notes	USD´000	USD´000	USD´000	USD´000
Net profit for the year		(6.163)	771	1.093	3.122
Other comprehensive income					
Other comprehensive income to be reclassified to profit and loss in subsequent periods					
Exchange differences on translation of foreign operations		101	(506)	0	0
Total comprehensive income for the year, net of tax		**(6.062)**	**266**	**1.093**	**3.122**

Balance sheet
at 31 December

		Group		Parent	
		2019	2018	2019	2018
	Notes	USD´000	USD´000	USD´000	USD´000
Assets					
Non-current assets					
Goodwill		28.602	28.602	0	0
Development costs		5.093	8.187	0	0
Customer relations		587	1.134	0	0
License rights and patents		1.920	1.930	0	0
Total intangible assets	9	36.202	39.853	0	0
Property, plant and equipment					
Land and buildings	10	1.419	1.546	0	0
Leasehold improvements	10	196	385	0	0
Plant and machinery	10	4	5	0	0
Other plant, operating equipment etc.	10	518	662	0	0
Right of use asset	11	1.325	0	0	0
Total property, plant and equipment		3.462	2.597	0	0
Financial assets					
Investments in subsidiaries	12	0	0	58.366	58.366
Receivable from group enterprises		0	0	6.207	6.844
Deferred tax assets	15	2.119	0	522	434
Other long term assets		368	104	0	0
Total financial assets		2.487	104	65.095	65.644
Total non-current assets		42.151	42.554	65.095	65.644
Current assets					
Inventories					
Raw materials and consumables		4.293	4.557	0	0
Finished goods		3.000	2.648	0	0
Total inventories	13	7.293	7.205	0	0
Receivables					
Trade receivables	14	4.200	6.880	0	0
Receivable from group enterprises		0	0	5.892	2.337
Other receivables		19	0	0	0
Income tax receivable	18	839	0	138	0
Prepayments		498	816	0	3
Total receivables		5.556	7.697	6.030	2.340
Cash and cash equivalents		1.926	2.481	0	0
Total current assets		14.775	17.383	6.030	2.340
Total assets		56.926	59.937	71.125	67.984

Balance sheet

at 31 December

		Group		Parent	
		2019	2018	2019	2018
	Notes	USD´000	USD´000	USD´000	USD´000
Equity and liabilities					
Shareholders´ equity					
Share capital		171	171	171	171
Share premium		41.671	41.671	41.671	41.671
Reserve for foreign currency translation		0	(101)	0	0
Retained earnings		(20.187)	(14.024)	4.963	3.870
Total shareholders´equity		21.655	27.717	46.805	45.712
Liabilities other than provisions					
Deferred tax liabilities	15	649	27	0	0
Loan	16	23.686	0	23.686	0
Lease liabilities	11	1.007	0	0	0
Other non-current liabilities		623	0	0	0
Long-term liabilities other than provisions		25.965	27	23.686	0
Loan, short-term part	16	470	22.146	470	22.146
Bank debt	16	3.093	1.544	0	0
Lease liabilities		364	0	0	0
Trade payables		3.711	6.308	0	0
Income taxes payable	18	232	258	0	0
Other liabilities		1.436	1.937	164	126
Short-term liabilities		9.306	32.193	634	22.272
Total liabilities other than provisions		35.271	32.220	24.320	22.272
Total equity and liabilities		56.926	59.937	71.125	67.984

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Changes in equity

USD´000	Group					
	Share capital	**Share premium**	**Retained earnings**	**Reserve for foreign currency translation**	**Proposed dividend**	**Total**
Balance 1/1 2018	171	41.671	(14.795)	405	0	27.452
Addition from capital increases	0	0	0	0	0	0
Options	0	0	0	0	0	0
Transactions with shareholders	0	0	0	0	0	0
Net profit for the year	0	0	771	0	0	771
Exchange differences on translation of foreign operations	0	0	0	(506)	0	(506)
Income tax effect	0	0	0	0	0	0
Comprehensive income	0	0	771	(506)	0	266
Balance 1/1 2019	171	41.671	(14.024)	(101)	0	27.717
Addition from capital increases	0	0	0	0	0	0
Options	0	0	0	0	0	0
Transactions with shareholders	0	0	0	0	0	0
Net profit for the year	0	0	(6.163)	0	0	(6.163)
Exchange differences on translation of foreign operations	0	0	0	101	0	101
Income tax effect	0	0	0	0	0	0
Comprehensive income	0	0	(6.163)	101	0	(6.062)
Shareholders´equity at 31/12 2019	171	41.671	(20.187)	(0)	0	21.655

USD´000	Parent					
	Share capital	**Share premium**	**Retained earnings**	**Reserve for foreign currency translation**	**Proposed dividend**	**Total**
Balance 1/1 2018	171	41.671	749	0	0	42.591
Addition from capital increases	0	0	0	0	0	0
Options	0	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the year	0	0	3.122	0	0	3.122
Comprehensive income	**0**	**0**	**3.122**	**0**	**0**	**3.122**
Balance 1/1 2019	171	41.671	3.870	0	0	45.712
Addition from capital increases	0	0	0	0	0	0
Options	0	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**0**
Net profit for the year	0	0	1.093	0	0	1.093
Comprehensive income	**0**	**0**	**1.093**	**0**	**0**	**1.093**
Shareholders´equity at 31/12 2019	171	41.671	4.963	0	0	46.805

Cash flow statement

	Group		Parent	
	2019	2018	2019	2018
	USD´000	USD´000	USD´000	USD´000
Operating profit/loss	(6.316)	65	(109)	(27)
Amortisation/Depreciation and impairment	6.999	5.124	0	0
EBITDA	683	5.189	(109)	(27)
Change in inventory and receivables	2.892	(1.594)	3	(1)
Change in trade payables	(2.597)	1.352	0	0
Change in other current liabilities	(565)	(562)	46	115
Interest received	173	222	659	627
Interest paid	(2.278)	(2.289)	(1.536)	(2.003)
Income taxes received/(paid)	(565)	(19)	0	325
Cash flow from operating activities	(2.257)	2.299	(937)	(964)
Additions of intangible assets	(2.284)	(4.228)	0	0
Additions of tangible assets	(239)	(229)	0	0
Disposals of property, plant and equipment	325	42	0	0
Investment in subsidiaries	0	0	(304)	0
Dividend received	0	0	2.000	2.500
Group contribution	0	0	0	0
Change in receivables from group enterprises	0	0	(2.918)	(1.536)
Cash flow from investing activities	(2.198)	(4.415)	(1.222)	964
Proceeds from borrowings	22.369	0	22.369	0
Repayment of borrowings	(20.210)	0	(20.210)	0
Change in operating credits	1.549	1.544	0	0
Repayment of lease liabilities and interest	(431)	0	0	0
Change in non-current liabilities	623	0	0	0
Cash flow from financing activities	3.900	1.544	2.159	0
Net cash flow for the year	(555)	(572)	0	0
Cash and cash equivalents at 1/1 2018	2.481	3.053	0	0
Net cash flow for the year	(555)	(572)	0	0
Cash and cash equivalents at 31/12 2019	1.926	2.481	0	0
Cash and cash equivalents at 31/12 2019				
Cash	1.926	2.481	0	0
	1.926	2.481	0	0
Unutilised portion of credit facilities including cash and cash equivalents	**336**	**2.471**	**0**	**0**

Notes

Note 1 Accounting policies

The Annual Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional disclosure requirements in the Danish Financial Statement Act for annual reports of medium sized reporting class C enterprises.

The financial statements of the Group are presented in US dollars, which is the company' functional and presentation currency.

New and amended standards and interpretations that have become operative:

In its Annual Report for 2019, the Group has implemented all new IFRS standards, amendments to existing standards and IFRIC interpretations that have been adopted by the EU and are operative for financial statements covering periods beginning on or after 1 January 2019.

The following standards, amendments to existing standards and interpretations have been implemented in the Group's Annual Report for 2019:

- IFRS 16 Leases
- Amendments to IFRS 9 prepayment features with negative compensation
- IFRIC 23 Uncertainty over income tax treatments
- Annual Improvements to IFRSs 2015-17 Cycle

Of the above mentioned standards, amendments to existing standards and interpretations only IFRS16 Leases have had a significant effect on recognition and measurement in the annual report for the Group:

IFRS 16 was effective for financial years commencing on or after 1 January 2019.

IFRS 16 has resulted in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized.
The Group adopted the new standard of 1 January 2019 using the modified retrospective method, which means that the cumulative impact of the adoption was recognized in retained earnings as of 1 January 2019 and that comparative figures have not been restated.

In accordance with the transitional provisions in IFRS 16, the Group has chosen to implement the following:
• Not to include leases with a maturity of fewer than 12 months or with a low value.
• Not to reassess whether a contract is or contains a lease.
• To set a discounting rate on a portfolio of leases with similar characteristics.

In assessing future lease payments, the Group reviewed its operating leases and identified the lease payments related to a leasing component, which are fixed or variable, but changes in line with fluctuations in an index or an interest rate. The Group has chosen not to recognize payments related to service components as part of the lease obligation.

In assessing the expected lease period, the group has identified the non-cancellable lease term in the agreement plus periods covered by an extension option that management reasonably expects to exercise and added periods covered by a termination option that management reasonably does not expect to exercise.

The Group has, for lease agreements for other plant and operating equipment, assessed that the expected lease period constitutes the non-cancellable lease period in the agreements, as the Group has no history of exercising extension options in similar agreements.

In assessing the expected lease term for property leases, the Group estimates for strategic reasons that the expected rental period is between 3-5 years.
period corresponding to the term of the lease in the currency in which the lease payments are settled. The Group has documented the alternative loan rate. for each portfolio of leases that have similar characteristics.

In assessing the Group's alternative interest rates, the Group has calculated its alternative interest rates based on existing bank loans.

Impact of implementation of IFRS16

In implementing IFRS 16, the Company has recognized a right of use asset of USD 1.925 thousand. and a lease liability of USD 1.925 thousand as of 1 January. The equity effect is thus DKK 0 thousand.
The right of use assets are depreciated on a straight-line basis over the expected lease period, which is:
Properties 3-5 years
Other plant and operating equipment etc. 2-4 years

In measuring the lease commitment, the Group has used an average alternative borrowing rate to discount future lease payments of 4.0% for both properties and other plant and operating equipment.

	USD'000
Operating lease commitment 31. December 2018 (IAS 17)	429
Discounted with alternative borrowing rate on 1 January 2019	-26
Adjusted for expected lease term	1.522
Discounted with alternative borrowing rate recognized on 1 January 2019 (IFRS 16)	**1.925**

Consolidation

The consolidated financial statements comprise the parent, Global Scanning A/S and entities controlled by the parent. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power of an entity.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the parent. The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items. Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.

Identifiable assets and liabilities in the acquired entities are recognized at the fair value at the time of acquisition. Allowance is made for the tax effect of revaluations of assets and liabilities. Any residual difference between the cost and the group's share of the fair value of the identifiable assets and liabilities is recognized as goodwill or negative goodwill.

Currency translation

Transactions in foreign currency are translated into USD at the exchange rate at the date of the transaction.

Foreign subsidiaries

The accounts of foreign subsidiaries are translated according to the following principles:

Balance sheet items are translated at closing rates. The income statement is translated at the rates at the date of the transaction. Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are taken directly through equity.

Revenue

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.
Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from service contracts is allocated over the service period

Production costs

Production costs comprise the direct production costs and production overheads relation to revenue and direct costs and costs of labor for product development, which have not been capitalized according to IAS 38.

Distribution costs

Distribution costs comprise the expenses relation to distribution and sale of products, salaries to the sales staff, advertising and exhibition expenses etc.

Notes

Note 1 Accounting policies, continued

Administrative expenses

Administrative expenses comprise expenses for the administrative staff and management including office expenses, salaries etc.

Other operating income

Other operating income comprises income of secondary nature in relation to the activities of the Company, including rental income, sale of scrap and gain on sale of fixed assets.

Amortization/depreciation and write-downs

Depreciation and write-downs include depreciation and write-downs of intangible assets and property, plant and equipment.

Property, plant and equipment include land and building, plant and machinery, other fixture and fittings, tools and equipment and leasehold improvement.

Land is recorded at cost and is not depreciated.

Intangible assets and property, plant and equipment are amortized/depreciated on a straight-line basis on the basis of the cost, measured by reference to the following assessment of the useful life of the assets:

	Years
Goodwill	Indefinite
Development costs	3
Customer relations	3-10
License rights and patents	5-20
Buildings	30
Leasehold improvements	3
Plant and machinery	4-8
Other plant, operating equipment etc.	2-6

Parent company dividend

Dividend from subsidiaries is recognized fully in the profit and loss statement at the time of distribution.

Net financials

Financial income and expenses are recognized in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realized and unrealized capital and exchange gains and losses in foreign currency transactions and surcharges and allowances under the advance-payment -of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year´s expected taxable income and the year´s deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognized directly in the equity are taken directly on the equity.

The parent company and all Danish group enterprises are jointly taxed. The Danish corporation tax charge is allocated between profit-making and loss-making Danish enterprises in proportion to their taxable income (full allocation).

Intangible assets

Intangible assets comprise goodwill with indefinite useful life and of development costs, customer relations and license rights and patents with finite useful life.

Goodwill:

Goodwill is measured at cost less accumulated write-downs.

Goodwill is tested for impairment annually or when there are indications of decreases in value. The impairment test is made for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or the business area to which the goodwill relates (recoverable amount) if it is lower than the carrying amount.

Development projects:

Development projects that are clearly defined and identifiable and in respect of which the technological feasibility, sufficient resources and a potential future market or development potential in the enterprise can be demonstrated, and where the intention is to produce, market or use the product or the process, are recognized as intangible assets provided that it is sufficiently certain that the future earnings are adequate to cover the production, sales and administrative expenses and the aggregate development costs. Other development costs are expensed in the income statement as incurred.

Development costs are measured at direct costs.

An impairment test is made for acquired intangible assets if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment test is made at yearend for intangible assets that are not ready for use.

Customer relations, license rights and patents

Customer relations, license rights and patents are measured at cost less accumulated amortization and write-downs.

An impairment test is made for acquired intangible assets if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment test is made at yearend for intangible assets that are not ready for use.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, production equipment, machinery and other fixtures, fittings, tools and equipment and leasehold improvements. Property, plant and equipment are measured at cost less accumulated depreciation and write-downs.

An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Notes

Note 1 Accounting policies, continued

Leases valid from 1 january
A right-of-use asset and a lease obligation are recognized in the balance sheet when the specifically identifiable asset is made available under the lease agreement during the lease term, and when the Group gains the right to virtually all the economic benefits from the use of the identified asset and the right to control the use of the identified asset.

Lease liabilities are initially measured at the present value of future lease payments discounted at an alternative loan rate. The following lease payments are recognized as part of the lease obligation:
• Fixed payments;
• Variable payments that change as a change in an index or interest rate, based on that index or interest rate;
• Payments owed under a residual value guarantee:
• The exercise price for call options that management expects to utilize in a high probability;
• Payments covered by an extension option that the Company is likely to utilize;
• Penalties related to a termination option, unless the Company is very likely not to exercise the option

The lease liability is measured at amortized cost using the effective interest rate method. The lease liability is recalculated when there are changes in the underlying contractual cash flows from the changes in an index or interest rate if there are changes in the Group's estimate of a residual value guarantee, or If the Company changes the assessment of whether a purchase, extension or termination option with reasonable probability is expected to be exploited.
On initial recognition, the lease asset is measured at cost, which corresponds to the value of the lease liability adjusted for prepaid lease payments plus direct related costs and estimated costs for demolition, refurbishment or similar and less any rebates or other types of incentive payments received from the lessor. Subsequently, the asset is measured at cost less accumulated amortization and impairment losses. The lease asset is depreciated over the shortest of the lease term and the useful life of the lease asset. Depreciation is recognized on a straight-line basis in the income statement.

The right-of-use asset is adjusted for changes in the lease liability as a result of changes in the terms of the lease or changes in the cash flows of the contract in line with changes in an index or interest rate.

Leasing assets are amortized on a straight-line basis over the expected lease period, which is:
Properties 3-5 years
Other plant, operating equipment etc. 2-4 years

The Group presents the right-of-use asset and the lease liability separately in the balance sheet. The Group has chosen not to recognize payments related to service-components of lease agreements as part of the lease obligation in the balance sheet.

Leases valid before 1 january 2019
Leases are divided into finance leases and operating leases. A finance lease is a lease that in all essential respects transfers the risk and benefits associated with owning the leased asset to the lessee. Other leases are designated as operating leases. Assets held under finance leases are measured at the lower of the fair value of the assets and the net present value of future minimum lease payments. For purposes of calculating the net present value, the internal rate of return is used as discount factor or an approximate
value thereof. Financial liabilities include the capitalized residual obligation on finance leases, measured at amortized cost.

Lease payments concerning operating leases are recognized on a straight-line basis over the term of the lease.

Investments
The value of investments in subsidiaries is stated in the parent company´s financial statement according to the cost method.
Investments are tested for impairment if there is any indication of decreases in value.

Inventories
Inventories are measured at the lower cost (FIFO basis) and net realizable value.
Raw materials and consumables are measured at cost.
Work in progress and finished goods are measured at manufacturing cost, which includes the cost of materials and direct payroll costs plus production overheads.

Receivables
Trade receivables are measured at the lower of amortized cost, which essentially corresponds to the nominal account receivable, and net realizable value.
Write-downs on trade receivables are based on the simplified expected credit loss model.
Credit loss allowances on individual receivables are provided for when objective indications of credit losses occurs such as customer bankruptcy and uncertainty about the customers´ ability and/or willingness to pay etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

Prepayments
Prepayments recognized under assets comprise prepaid expenses

Shareholders´ equity
Dividends proposed for the reporting period are presented as a separate item under Shareholders´ equity. Purchase and sales amounts for treasury shares are recognized directly on equity.

Income taxes
Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years´ taxable income and tax paid in advance.
Provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations for the taxable income.
Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Liabilities
Financial liabilities are recognized at the inception of the loan at the proceeds received net of transaction costs incurred. Interest-baring debt is subsequently measured at amortized cost, using the effective interest rate method at the time of the inception.
Other non-financial liabilities are measured at net realizable value.

Cash flow
The cash flow statement shows the enterprise´s net cash flows, the year´s changes in cash and cash equivalents and the enterprise´s cash and cash equivalents at the beginning and at the end of the year.
Cash flow from operation activities are presented using the indirect method and are made up as the net profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid financial and extraordinary expenses and paid income taxes.
Cash flow from investing activities comprises payments related to additions and disposals of fixed assets, securities related to investing activities.
Cash flow from financing activities comprises dividends paid to shareholders, capital increases and reductions and the raising of loans and repayments of interest-bearing debt, and payments regarding lease agreements including interests and instalments.
Cash and cash equivalents comprise cash and near money securities in respect of which the rest of changes in value are insignificant.

Notes

Note 2 Significant accounting judgments, estimates and assumptions

In the process of applying the Company´s accounting policies, management has made the following judgments and estimates, which have a significant effect on the ams recognized in the financial statements:

Impairment of goodwill

The Group determines whether goodwill is impaired at least once a year. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires that the Group makes an estimate of the expected future cash flows from the cash-generating unit and chooses a suitable discount rate in order to calculate the net present value of such cash flows. The carrying amount of goodwill at 31 December 2019 was USD 28,602 thousand (USD 28,602 thousand at 31 December 2018). More

Recognition of deferred taxes

Deferred tax assets in the parent company are recognized for tax losses carried forward to the extent that the losses expected to be utilized in the foreseeable future jointly with profitable group companies.

The carrying amount of the parent company's deferred tax assets were at 31 December 2019 USD 522 thousand (USD 434 thousand at 31 December 2018).

Capitalized Development Costs

Development costs are capitalized based on ongoing assessments when they meet the criteria as described in note 1.

Capitalized Development Costs are annually reviewed for impairment indicators. If there is evidence of impairment, an impairment test is carried out for the project concerned. The impairment test is prepared on the basis of factors such as the future use of the project, the present value of expected future income, interest and risk.

Note 3 Material uncertainty related to Going Concern

According to the regulations for preparation of financial statements, Management is required to determine whether the financial statements can be presented on a ‘going concern’ basis. The assessment is based on estimated future prospects, expectations of future cash flow, availability of credit facilities, etc.

The credit facility in Denmark, USD 1.4m (DKK 10m) is up for renewal in June 2020 and it is the assessment of management that the overdraft facilities will be renewed, as management has no indications of otherwise.

The Parent Company have in 2020 breached the leverage covenant on its loan USD 23,7m (nominal SEK 235m), due to the impact of the Covid-19 pandemic. A waiver from the lender has not yet been secured and the lender are able to request immediate repayment of the loan. This indicates a material uncertainty that may cast significant doubt on the Parent Company’s and the Group’s ability to continue as a going concern.

The Management are in continous dialogue with the lender and the Management believes that the lender will not demand immediate repayment.

However, as an agreement to secure the loan has not yet been obtained a material uncertainty exists that may cast significant doubt on the Parent Company’s and the Group’s ability to continue as a going concern, and therefore, the Parent Company and the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notes

Note 4. Expenses

4.1 Amortisation/depreciation	**Group 2019 USD´000**	**Group 2018 USD´000**	**Parent 2019 USD´000**	**Parent 2018 USD´000**
Analysis of amortisation/depreciation for the year:				
Land and buildings	127	126	0	0
Leasehold improvements	198	207	0	0
Plant and machinery	1	1	0	0
Other plant, operating equipment etc.	342	442	0	0
Right of use assets	409	0	0	0
Development costs	3.062	3.509	0	0
Customer relations	374	657	0	0
License rights and patents	180	182	0	0
	4.693	5.124	0	0

4.2 Staff costs

Analysis of total payroll costs, etc.:

Fee to the Board of Directors	103	112	103	112
Remuneration and salaries to the Executive Management	357	366	0	0
Defined contribution plans to the Executive Management	0	0	0	0
Remuneration and salaries to other key management personnel	728	843	0	0
Defined contribution plans to other key management personnel	31	44	0	0
Wages and salaries	7.668	8.658	0	0
Bonuses	114	369	0	0
Defined contribution plans	877	759	0	0
Other social security costs	118	159	0	0
	9.996	11.310	103	112

The average number of staff during the year was 164 employees. (2018: 170 employees).

In both 2019 and 2018, Remuneration and salaries to the executive Management consist of wages etc. to a single person.

Share based payment

In 2017 the Group established an warrant program for the CEO of the parent company, to the total of 11.223 warrants as of 31 December 2019.

Each warrant giving the right to purchase one (1) class A-share in Global Scanning A/S of nominal value of USD 0,18 at an exercise price of USD 67,22. The outstanding equals 1,13% of the share capital should all warrants be utilized.

It is a condition that the warrant holder is not under notice at the time of utilization. Warrants may only be settled upon renewal of shares in the company. There are no other conditions to the acquisition of rights. Special conditions apply concerning illness and death as well as in the event of changes in the company´s capital.

The warrants vest and must be exercised to purchase A-shares in a 20 days period prior to the expected completion of an Exit Event. An Exit Event shall mean i) change of majority shareholder, ii) IPO of the Company, or iii) a sale of all assets or all important assets of the Company to a third party within a period of 10 years from allocation time.

The average tenor on outstanding warrants as of 31 December 2019 constitute 6,8 years.

Fair value per warrant at time of allocation has been settled at USD 0 in 2016. The fair value upon allocation is estimated under the Black-Scholes model. The calculated market value amounts to USD 0 in the result for 2019.

	Group 2019 USD´000	**Group 2018 USD´000**	**Parent 2019 USD´000**	**Parent 2018 USD´000**
4.3 Research and development				
Research and development expenses in total	5.480	6.885	0	0
Hereof capitalised as addition on development costs	(2.113)	(4.105)	0	0
Amortisation and impairment of development costs	3.062	3.509	0	0
Net development expense presented in Production Costs	6.429	6.289	0	0

Notes

	Group		Parent	
	2019	2018	2019	2018
	USD´000	USD´000	USD´000	USD´000
Note 5. Other operating income / expenses				
Management fee from subsidiaries	0	0	632	636
Profit from sale of Tangible assets	13	11	0	0
Impairment of Intangible assets	(2.306)	0	0	0
Other	(10)	0	0	0
	(2.303)	11	632	636
Note 6. Financial income				
Dividends from investments in subsidiaries	0	0	2.000	2.500
Foreign currency exchange gain	915	2.545	839	2.189
Interest income	1	125	0	0
Interest income from group enterprises	0	0	659	627
Other	172	97	0	0
	1.088	2.767	3.498	5.316
Note 7. Financial expenses				
Impairment of investments in subsidiaries	0	0	304	0
Foreign currency exchange loss	117	0	0	0
Interest expenses	2.235	2.166	2.005	1.986
Interest on leasing liabilities	62	0	0	0
Amortised Loan cost	221	178	221	178
Other	43	106	0	0
	2.678	2.450	2.530	2.165
Note 8. Income taxes				
Tax in the Statement of income				
Estimated tax on the taxable income for the year	1.312	0	0	0
Income tax, carry back refund	(826)	(741)	0	(285)
Adjustments prior years	0	4	0	0
Foreign tax	6	860	0	0
FX adjustment	1	(40)	1	(40)
Tax refund in joint taxation	0	0	(138)	0
Change in deferred tax	(2.236)	(473)	(97)	327
	(1.743)	(390)	(234)	2
Reconciliation of tax rate				
Profit before tax at danish tax rate 22% (2018: 22%)	(1.739)	84	189	687
Tax effect of adjustments prior years	0	3	0	0
Adjustment carry back refund	0	0	0	0
Tax refund in joint taxation	0	0	(138)	0
Tax effect of permanent differences	(141)	(11)	(234)	(477)
Foreign currency exchange differences	137	(466)	(51)	(208)
	(1.743)	(390)	(234)	2
Effective tax rate	*22,0%*	*-102,2%*	*-27,2%*	*0,1%*

Tax paid during the tax year amounts to 565 thousand exclusive of interest surcharges

Provision for current tax on the profit for the year has been made at USD 232 thousand.

Notes

Note 9. Intangible assets

	Group				
	Goodwill	**Development costs**	**Customer relations**	**License rights and patents**	**Total**
USD´000					
Cost at 1/1 2018	28.602	27.189	3.650	2.642	62.083
Additions	0	4.105	0	123	4.228
Cost at 31/12 2018	28.602	31.294	3.650	2.765	66.311
Amortisation at 1/1 2018	0	19.598	1.859	653	22.110
Impairment	0	474	0	0	474
Amortisation	0	3.035	657	182	3.874
Amortisation at 31/12 2018	0	23.107	2.516	835	26.458
Carrying amount at 31/12 2018	28.602	8.187	1.134	1.930	39.853
Cost at 1/1 2019	28.602	31.294	3.650	2.765	66.311
Foreign currency	0	0	0	(22)	(22)
Additions	0	2.113	0	171	2.284
Cost at 31/12 2019	28.602	33.407	3.650	2.914	68.573
Amortisation at 1/1 2019	0	23.107	2.515	835	26.457
Foreign currency	0	12	0	(21)	(9)
Disposals	0	0	0	0	0
Impairment	0	2.133	174	0	2.307
Amortisation	0	3.062	374	180	3.616
Amortisation at 31/12 2019	0	28.314	3.063	994	32.371
Carrying amount at 31/12 2019	28.602	5.093	587	1.920	36.202

At December 31 2019 the balance of 5.093 KUSD regarding development costs contains 2 significant projects with a total value of 2.159 KUSD.

In 2017 the Company bought an intangible asset related to development cost. The purchase price for the asset consisted of a cash payment of 59 KUSD (50 KEUR) and an earn-out, based unit-sales related to the development asset until year 2022, with a maximum value of 1.200 KUSD (1.000 KEUR). The addition has been recognized in 2017 with a value corresponding to the cash payment of 59 KUSD.

Amortisation and writedowns of intangible assets are included in production costs.
In 2019 there has been a need to make a impairment of development costs of 2.133 KUSD (2018: 474 KUSD). Impairment cost are included in other operating expenses, note 5.

Goodwill relates to the 2D activity in Global Scanning Denmark A/S and Global Scanning UK Ltd., that management since year 2017 have assessed to be one cash-generating unit, in total USD 28.602 thousand (2018: USD 28.602 thousand).

The Group performed its annual impairment test for the cash generating unit in December 2019 (December 2018). The Group considers the relationship between its market capitalisation and its accounting value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation of the Group´s 2D activity was above the accounting value of the goodwill that relates to the 2D cash generation unit, and accordingly the impairment test has not resulted in any impairment for 2019 (2018: no impairment).

The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets for 2020, and cash flow projections for a three-year period. Cash flows beyond the projection-period are extrapolated using a 2,0% growth rate (2018: 2%). The board of directors have approved the assumptions used for the impairment test.

The projected cash flows have been updated to reflect the current demand for products and services. The pre-tax discount rate applied to cash flow projections is 10,3 % (2018: 10,3%). The risk free rate is based on a US government bond. The assumptions made when calculating the pre-tax discount rate for 2019 are unchanged from 2018.

Key assumptions used in value in use calculations
Revenue and constribution - Overall the future development is expected to be flat. Volumes are expected to increase and pricing generally expected to decrease. In addition, the 2D business is expected to be a steady future business, which will require less investment compared to previous periods.
Discount rates - Discount rates represent the current market assessment of the risks specific to the CGU. The discount rate calculation is based on the specific circumstances of the Group and its operationg segment and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.
Life - Life represent a infinitive period, which is the management´s best estimate for the expected length of the cash flow projection period. The assessment of growth rate and infinitive period has not been changed since last year as there has been no significant change in the underlying market and business.
Other key assumptions - Unchanged f/x correlation between USD/SEK/DKK has been built into the model combined with the assumption of stable market conditions on the 2D scanning market.
It is the management´s assessment that no reasonable possible change in a key assumption on which the management has based its determination of the unit´s recoverable amount would cause the unit´s carrying amount to exceed its recoverable amount.

Notes

Note 10. Property, plant and equipment

	Group				
	Land and Buildings	**Leasehold Improvements**	**Plant and Equipment**	**Other plant, operating equipment etc.**	**Total**
USD´000					
Cost at 1/1 2018	2.275	1.263	44	3.564	7.147
Disposal at cost	0	(24)	0	(577)	(601)
Additions	1	7	6	214	229
Cost at 31/12 2018	2.277	1.246	50	3.201	6.774
Depreciation and writedowns at 1/1 2018	605	654	44	2.657	3.960
Disposals	0	0	0	(560)	(560)
Depreciation	126	207	1	442	776
Depreciation and writedowns at 31/12 2018	731	861	45	2.540	4.177
Carrying amount at 31/12 2018	1.546	385	5	662	2.597
Cost at 1/1 2019	2.277	1.246	50	3.202	6.775
Foreign currency	0	0	0	(94)	(94)
Disposal at cost	0	(284)	0	(131)	(415)
Additions	0	11	0	228	239
Cost at 31/12 2019	2.277	973	50	3.205	6.505
Depreciation and writedowns at 1/1 2019	731	861	45	2.540	4.177
Foreign currency	0	(282)	0	(92)	(374)
Disposals	0	0	0	(103)	(103)
Depreciation	127	198	1	342	668
Depreciation and writedowns at 31/12 2019	858	777	46	2.687	4.368
Carrying amount at 31/12 2019	1.419	196	4	518	2.137

In 2019 and 2018 there has not been any indication of need to make any impairment of tangible assets.

Note 11. Leasing

Right-of-use assets	**Land and *Buildings***	**Other plant, operating equipment etc.**	**Total**
Cost at 1/1 2019	1.905	20	1.925
Disposal at cost	(185)	0	(185)
Additions	0	0	0
Cost at 31/12 2019	1.720	20	1.740
Depreciation and writedowns at 1/1 2019	0	0	0
Foreign currency	6	0	6
Disposals	0	0	0
Depreciation	403	6	409
Depreciation and writedowns at 31/12 2019	409	6	415
Carrying amount at 31/12 2019	1.311	14	1.325

Lease liabilities	**2019**	**2018**
Maturity of lease liabilities:	**USD´000**	**USD´000**
Falling due within one year	364	0
Falling due between one and three years	1.007	0
Falling due between four and five years	0	0
Total lease liabilities	1.371	0
Amounts recognized in the income statement		
Depreciation	409	0
Finance costs	62	0
Total Right-Of-Use costs recognized in the income statement	471	0

See Note 1 for a description of the extent of the company's leases, exposure to potential cash flows and the process of determining the discount rate.
The company does not have any short term- or low-value leases recognised in the income statement. For 2019, the company has recognized USD 431 thousand as minimum payments regarding lease agreements, of which interest costs related to lease liabilities amount to USD 62 thousand and repayments on lease liabilities are USD 369 thousand.

The capitalized right-of-use assets does not have any effect on investing activities in the cash flow statement.

Notes

Note 12. Investments in subsidiaries

The fiscal year´s investments in and value adjustments of investment in subsidiaries, which are financial assets, are specified as follows:

	Parent	
	2019	**2018**
USD´000	**USD´000**	**USD´000**
Cost at 1/1	64.166	64.166
Additions	304	0
Cost at 31/12	64.470	64.166
Impairment at 1/1	(5.800)	(5.800)
Impairment during the year	(304)	0
Impairment at 31/12	(6.104)	(5.800)
Carrying amount at 31/12	58.366	58.366

USD '000	**Domicile**	**Currency**	**Nominal capital**	**Interest (%)**	**Equity**	**Net profit/loss**
Global Scanning Denmark A/S	Denmark	USD	3.401	100%	(1.306)	(9.762)
Global Scanning Americas (MD) Inc.	USA	USD	0	100%	(2.489)	37
Global Scanning Japan A/S	Denmark	DKK	84	100%	309	27
Global Scanning UK Ltd.	Great Britain	USD	21	100%	4.541	1.371
Global Scanning Suzhou Co. Ltd.	China	USD	203	100%	9.694	880
Global Scanning Americas (VA) Inc.	USA	USD	1	100%	709	(204)
Brand 3D ApS	Denmark	USD	7	100%	7	(4.766)
Global Scanning Costa Rica Sdrl.	Costa Rica	USD	0	100%	(3)	134
Shapewatch ApS	Denmark	USD	6	100%	6	(3.879)

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	USD´000	**USD´000**	**USD´000**	**USD´000**
Note 13. Inventories				
Movements in the provision for impairment of inventory were as follows:				
Cost at 1/1	(417)	(385)	0	0
Impairment inventory	(558)	(32)	0	0
Reversed impairment inventory	0	0	0	0
Cost at 31/12	(975)	(417)	0	0

The impairment expense is included in production costs.

The book value of inventory provisioned for measured at net realisable cost at 31 December 2019 to USD 1.206 thousand (2018: USD 447 thousand).

Cost of goods sold in 2019 amounted to USD 19.551 thousand (2018: USD 24.964 thousand).

Note 14. Trade receivables

Trade receivables are non-interest bearing and generally on 30-60 days terms.

As at 31 December 2019, trade receivables at nominal value of USD 127 thousand (2018: 3 thousand) were impaired for.

Movements in the provision for impairment of receivables were as follows:

	Group 2019	Group 2018	Parent 2019	Parent 2018
Cost at 1/1	3	122	0	0
Charge for the year	124	0	0	0
Utilized	0	(119)	0	0
Unused amounts reversed	0	0	0	0
Cost at 31/12	127	3	0	0

All customers who wish to trade on credit terms are subject to credit verification procedures and insured through a credit insurance company.

Analysis of trade receivables that were past due but not impaired at 31 December 2019:

		Neither past due nor	Past due but not impaired	
	Total	**impaired**	**<60 days**	**>60 days**
2018	6.884	5.502	1.307	75
2019	4.327	3.114	973	240

Notes

Note 15. Deferred tax	*Group Income Statement*		*Group Balance sheet*	
	2019	**2018**	**2019**	**2018**
Analysis of deferred tax, Group:	**USD´000**	**USD´000**	**USD´000**	**USD´000**
Property, plant and equipement	(49)	51	(122)	(171)
Intangible assets	1.675	73	155	1.830
Inventories	144	0	(144)	0
Prepaid expenses	35	(7)	28	63
Other	(30)	40	(78)	(108)
tax loss carried forward	(279)	317	(1.309)	(1.588)
	1.497	473	(1.470)	27

	Parent Income Statement		*Parent Balance sheet*	
	2019	**2018**	**2019**	**2018**
Analysis of deferred tax, Parent:	**USD´000**	**USD´000**	**USD´000**	**USD´000**
Prepaid expenses	0	0	0	0
Other	(66)	39	(15)	(81)
tax loss carried forward	153	(365)	(507)	(354)
	88	(327)	(522)	(434)

	Group		**Parent**	
	2019	**2018**	**2019**	**2018**
	USD´000	**USD´000**	**USD´000**	**USD´000**
Reconciliation of deferred tax liability:				
Balance at 1/1, net	27	500	(434)	(761)
Recognised in the income statement	(1.497)	(473)	(88)	327
Recognised in the statement of comprehensive income	0	0	0	0
Balance at 31/12, net	(1.470)	27	(522)	(434)

Tax asset of USD 54 thousand regarding sale of property has not been included in the deferred tax calculation as it can only be used in future profit of sale of property which the company consider as unlikely in the foreseen future.

Note 16. Bank loans, other Loans, Mortgage debt and other bank debt	**Group**		**Parent**	
The debt is due for repayment in the following order:	**2019**	**2018**	**2019**	**2018**
	USD´000	**USD´000**	**USD´000**	**USD´000**
Within 1 year (loan and bank loans)	3.563	23.690	470	22.146
Between 1 and 5 years (loan)	23.686	0	23.686	0
After 5 years	0	0	0	0
	27.249	23.690	24.156	22.146

Notes

Note 17. Liabilities from financing activities

	Group		Parent	
	Long-term liabilities	Short-term liabilities	Long-term liabilities	Short-term liabilities
Cost at 1/1 2019	0	23.690	0	22.146
Cashflow	22.369	(18.661)	22.369	(20.210)
Non-cash amortisation loan-costs	221	0	221	0
Non-cash interest accrual	0	470	0	470
Currency adjustments	1.096	(1.936)	1.096	(1.936)
Cost at 31/12 2019	23.686	3.563	23.686	470

	Group		Parent	
	Long-term liabilities	Short-term liabilities	Long-term liabilities	Short-term liabilities
Cost at 1/1 2018	24.054	0	24.054	0
Reclassification	(24.054)	24.054	(24.054)	24.054
Cashflow	0	1.544	0	0
Currency adjustments	0	(1.908)	0	(1.908)
Cost at 31/12 2018	0	23.690	0	22.146

Note 18. Taxes recievable (+) / liability (-)

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	USD´000	**USD´000**	**USD´000**	**USD´000**
Estimated income taxes	(232)	(258)	0	0
Tax receivable in joint taxation	0	0	138	0
Tax carry back refund	839	0	0	0
	607	(258)	138	0

Note 19. Contingent liabilities and securities for loans

Pledged assets for loans at Nordea Bank

The owner´s mortgage deed in the properties nominally USD 9.016 thousand (2018: USD 9.200 thousand) is pledged to banks in Global Scanning Denmark A/S and in Global Scanning A/S.

	Group		Parent	
	USD´000	**USD´000**	**USD´000**	**USD´000**
Carrying amount of land and buildings	1.419	1.546	0	0

The subsidiary Global Scanning Denmark A/S has entered into a credit agreement with Nordea Bank Danmark A/S with a variable credit line of up to USD 1.503 thousand (DKK 10 million). Global Scanning Denmark A/S has given Nordea Bank Danmark A/S a security in inventories and trade receivables for USD 1.503 thousand (DKK 10 million). 'The value of inventories and trade receivables as per 31 December 2019 is USD 3.515 thousand (2018: USD 3.924 thousand).

Furthermore the associated company Global Scanning UK Limited has given Nordea Bank Danmark A/S a security in all assets for the above mentioned arrangement between the company and Nordea Bank Danmark A/S. The value of assets in Global Scanning UK Limited as per 31 December 2018 is USD 9.845 thousand (2018: USD 9.845 thousand).

Pledged assets for loans

As security for the parent company´s loans, nominally USD 24.156 thousand (2018: USD 22.146 thousand), the following assets are pledged:

	Parent	
	2019	**2018**
	USD´000	**USD´000**
Investments in subsidiaries (share-pledge)	58.366	58.366
Receivable from group enterprises	6.207	6.844
	64.573	65.210

Contingent liabilities

In 2012/13, the parent company joined the joint taxation arrangement with the Danish subsidiary Global Scanning Denmark A/S which is management company and other Danish group entities, thus becoming jointly and severally liable with these entities for payment on income taxes and withholding tax in the group of jointly taxed entities.

The parent company has without undertaking or assuming any legally binding obligation or liability issued a letter of support stating that it will make funds available to the subsidiary Global Scanning Denmark A/S enabling the company to meet its liabilities, as they fall due, and a letter of subordination that all intercompany balances with Global Scanning Denmark A/S (loans, operational funding etc.) shall be subordinate to all Global Scanning Denmark A/S´s other creditors until 1 January 2021 unless such subordination is or becomes restricted under Global Scanning A/S' contractual obligations towards its financiers.

Notes

Note 20. Foreign currency

Foreign currency risks

As a result of the operation in Denmark, the Group is exposed to a risk in cash flow from foreign currencies and in the balance sheet and can be affected by movements in the foreign exchange rates. The foreign currency in the balance sheet have been specified below:

USD´000

Currency	**Assets**		**Liabilities**		**Net**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
DKK Danish kroner	317	344	3.493	3.481	(3.176)	(3.137)
SEK Swedish kroner	0	0	24.176	22.310	(24.176)	(22.310)
RMB Renminbi	5.797	6.684	5.421	4.916	376	1.768
EUR Euros	402	545	226	19	176	525
GBP Pound	544	439	779	332	(235)	107
JPY Japanese Yen	750	993	581	654	169	338
Other currencies	0	106	0	0	0	106
	7.810	9.110	34.676	31.712	(26.866)	(22.603)

Impact on the results of operations and changes in shareholders' equity resulting from a change of the Group's primary foreign currencies are shown below. The changes in exchange rates are based on the year's actual foreign exchange rate movements:

Million USD	**Exchange rate adjustment**	**Pre-tax profit 2019**	**Equity 2019**	***Pre-tax profit* 2018**	***Equity* 2018**
DKK Danish kroner	+/- 10%	-0,3	-0,2	-0,3	-0,2
SEK Swedish kroner	+/- 10%	-2,4	-1,9	-1,9	-1,5
RMB Renminbi	+/- 10%	0,0	0,0	0,2	0,1

Note 21. Financial assets and liabilities

	Group		**Parent**	
	2019	**2018**	**2019**	**2018**
Loans and receivables measured at amortized cost	**USD´000**	**USD´000**	**USD´000**	**USD´000**
Trade receivables	4.200	6.880	0	0
Receivable from Group company	0	0	12.099	9.181
Cash	1.926	2.481	0	0
Total loans and receivables measured at amortized cost	6.145	9.362	12.099	9.181

There are no significant differences between the carrying amounts and the fair values of the asset.

Financial liabilities measured at amortized cost				
Loan	24.156	22.146	24.156	22.146
Bank debt	3.093	1.544	0	0
Lease liabilities	1.371	0	0	0
Other financial liabilities	623	0	0	0
Trade payables	3.711	6.308	0	0
Total financial liabilities measured at amortized cost	32.954	29.998	24.156	22.146

Carrying amount and fair value of the company´s financial instruments that are carried in the financial statements are not shown separately as book values in all material respect are the same.

Note 22. Share capital and reserves

Share capital with nominal value USD 171.378 is distributed in 426.469 shares in shares in Class A, 411.519 shares in Class B and 140.600 shares in Class C with a domination of USD 0,18.

All shares are fully paid.

	Class A shares	**Class B shares**	**Class C shares**	**Total**
Opening balance of 1 January 2018	426.469	411.519	140.600	978.588
Addition from capital increases	0	0	0	0
Closing balance as of 31 December 2018	426.469	411.519	140.600	978.588
Addition from capital increases	0	0	0	0
Closing balance as of 31 December 2019	426.469	411.519	140.600	978.588

Shares in class B earns annually right to a preferential dividend of 8% on the related equity investment price and previous years calculated preferential dividend.
As per December 31 2019 the preferential dividend right amounts to USD 11.856 thousand (2018: USD 9.683 thousand).

Shares in class C earns annually right to a preferential dividend of 10% on the related equity investment price and previous years calculated prefential dividend.
As per December 31 2019 the preferential dividend right amounts to USD 4.338 thousand (2018: USD 3.377 thousand).

Notes

Note 23. Financial risk - management objectives and policies

The Group's principal financial instruments comprise bank loans, bond debt, overdraft and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Foreign currency risk is described in note 20.

The Group´s financial aims are to ensure adequate funds to cover the Group´s operations and to comply with the demands from the owners and agreed-upon terms of the loans.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and insured through a credit insurance company. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Credit risk arising from the other financial assets of the Group, which primarily comprise cash and trade receivables, the Group´s exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risks of the Group are considered to be low.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with variable interest rates.

At December 31 2019 the Group has a bank debt of USD 3.093 thousand (2018: 1.544) which normally is use of bank overdrafts at a interest rate of 4% (2018: 4%).

At December 31 2019 the Group debt on loans is 24.156 KUSD (2018: 22.146 KUSD) at an interest rate of 10% (2018: 8,5% + STIBOR).

Liquidity risk

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. The Group´s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, capital increases etc. The Group´s policy is to maintain a balanced relation between its short-term and long-term debt.

The Group's long-term loan has fixed repayment terms divided into three instalments of SEK 10m (USD 1.0m) in April for each of the years 2021, 2022 and 2023, and the remaining is due for full redemption in October 2024. At 31 December 2019, the Group was compliant with all covenants and other conditions. In 2020, the impact of the Covid-19 pandemic on the Group's business will result in a breach of the loan agreement (leverage covenant), and no waiver for this breach has been received from the lender. The lender has the right to demand repayment of the loan, in which case the Group would become insolvent.

The Group's bank debt consists of a DKK 10m (USD 1.4m) overdraft facility in Denmark and RMB 17m (USD 2.4m) of short-term bank loans in China. The facility in Denmark is up for renewal in June 2020 and it is the assessment of management that the overdraft facilities will be renewed, as management has no indications of otherwise. The short-term bank loans in China comprise two loans (RMB 12.0m and RMB 5.0m). RMB 12.0m is due for renewal for one year in July 2020 and the management has received confirmation from the lender that this will be renewed. RMB 5.0m is due for renewal in August 2020 and the management understands that this will be renewed for at least a further six months.

Management has assessed that the cash available and unused credit facilities are sufficient to cover the Group's obligations and planned investments as they fall due for a period of at least 12 months from 31 December 2019.

In May 2020, subject to the main lender not demanding repayment of the loan, management has assessed the cash flow based on the outlook for 2020 including expected impact of Covid19, as follows:

Based on a pessimistic outlook for 2020, and assuming no changes in working capital, the cash and unused credit facilities available by the end of the year is forecast to be USD 1,100 thousand. Cash flow projections also show sufficient cash and un-used credit facilities during the year.

The table below summarises the maturity profile of the Group´s financial liabilities based on contractual undiscounted payments:

2018:	**Less than 1 year**	**1-2 years**	**Over 2 years**	**Total**
Loan	22.146	0	0	22.146
Bank debt	1.544	0	0	1.544
Trade and other payables	8.245	0	0	8.245
Total	31.935	0	0	31.935
2019:				
Loan	470	1.072	22.614	24.156
Bank debt	3.093	0	0	3.093
Lease liabilities	404	447	633	1.484
Trade and other payables	5.147	0	0	5.147
Total	9.114	1.519	23.247	33.880

The table below summarises the maturity profile of the Parent´s financial liabilities based on contractual undiscounted payments:

2018:	**Less than 1 year**	**1-2 years**	**Over 2 years**	**Total**
Bond Loan	22.146	0	0	22.146
Bank debt	0	0	0	0
Trade and other payables	126	0	0	126
Total	22.272	0	0	22.272
2019:				
Loan	470	1.072	22.614	24.156
Bank debt	0	0	0	0
Trade and other payables	164	0	0	164
Total	634	1.072	22.614	24.320

Capital risk management

The Group wants to secure structural and finansial flexibility as well as competitiveness. In order to secure this, the company continuously evaluate the appropriate capital structure for the Group. At the operationel level, the Group continuously efforts to optimize capital tied up in working capital.

Notes

Note 24. Related party transactions

Group

Related parties with material interest include the Board of Directors and Executive Board of the Company and key employees and their related family members. Futhermore related parties include companies in which the aforementioned persons have a material interest. Refer to note 4.2.

Parent

The company is controlled by Procuritas Capital Investors V LP, Guernsey, which owns 92.5% of the share capital.

Transactions with related parties:

	Group		Parent	
	2019	**2018**	**2019**	**2018**
	USD´000	**USD´000**	**USD´000**	**USD´000**
Costs				
Purchase from Group enterprises	0	0	452	441
Other operating income				
Management fee from Group enterprises	0	0	632	636
Financial income and expenses				
Dividend from Group enterprises	0	0	2.000	2.500
Interest from Group enterprises	0	0	659	627
Executive Management				
Remuneration and salaries to the Executive Management	357	366	0	0
Defined contribution plans to the Executive Management	0	0	0	0
Board of Directors				
Board fee	103	112	103	112
Intercompany balances 31/12				
Receivables from Group enterprises			12.099	9.181

Note 25 Subsequent events

The emergence of the Covid-19 pandemic will have a significant impact on business in 2020. The company has had in-depth discussions on the sales outlook with its major customers and global distribution partners and has concluded that 2020 revenue will significantly decrease compared to the original outlook. An OPEX reduction program has been implemented and the company has successfully sought financial assistance from various government schemes. The factory in China is fully operational after an initial down-time in February. Although profits will be seriously damaged, the financial outlook indicates that the company can maintain liquidity during 2020, whilst making on-time payments to its creditors.

No other post balance sheet events have occurred which could materially affect the assessment of the Group´s or the Parent Company's financial position.