CIPP Technology Solutions A/S
Avderødvej 27C
2980 Kokkedal
Central Business Registration No
37228869

Annual report 2018/19

The Annual General Meeting adopted the annual report on 24.06.2019

Chairman of the General Meeting

Name: Søren Friis Knudsen

Contents

Entity details

Entity
CIPP Technology Solutions A/S
Avderødvej 27C
2980 Kokkedal

Central Business Registration No: 37228869
Registered in: Kokkedal
Financial year: 01.05.2018 - 30.04.2019

Board of Directors
Søren Friis Knudsen, Chairman
Jacob Østergaard Bergenholtz
Petra Margareta Ellegaard Helfferich
Jesper Wadum Nielsen
Ivan Bjerg-Larsen

Executive Board
Jacob Østergaard Bergenholtz
Nicolai Krøjer Westh

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of CIPP Technology Solutions A/S for the financial year 1 May 2018 - 30 April 2019.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30 April 2019 and of the results of their operations and cash flows for the financial year 1 May 2018 - 30 April 2019.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Kokkedal, 24.06.2019

Executive Board

Jacob Østergaard Bergenholtz

Nicolai Krøjer Westh

Board of Directors

Søren Friis Knudsen
Chairman

Jacob Østergaard Bergenholtz

Petra Margareta Ellegaard Helfferich

Jesper Wadum Nielsen

Ivan Bjerg-Larsen

Independent auditor's report

To the shareholders of CIPP Technology Solutions A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of CIPP Technology Solutions A/S for the financial year 1 May 2018 – 30 April 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent.

The consolidated financial statements and the parent 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 financial statements give a true and fair view of the Group's and the Parent's financial position at 30 April 2019 and of the results of their operations and cash flows for the financial year 1 May 2018 – 30 April 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

CIPP Technology Solutions A/S was listed on Nasdaq Stockholm in 2019 from which date CIPP Technology Solutions A/S became a Public Interest Entity.

Independent auditor's report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 May 2018 – 30 April 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

At 30 April 2019, the Group has intangible assets of EUR 36.0m comprising primarily goodwill of EUR 33.4m (2018: EUR 33.4m).

The carryings value of goodwill rely on the discounted expected future cash flows (value in use) which are complex to determine and require significant judgment and estimation by Management. The estimates used for impairment evaluation include determination of future growth rates and profit margins as well as discount rate assumptions. There is a risk that the assets will be impaired if these future cash flows significantly deviate negatively from the Group's expectations.

We refer to note 12 in the consolidated financial statements.

How the matter was addressed in our audit

We have evaluated and tested the appropriateness of the Group's processes for evaluating impairment of goodwill.

We obtained the Group's impairment test and assessed Management's assumptions and thereby assessment of future sales and earnings possibilities. We assessed:

- The impairment model applied to ensure consistency with prior year
- The forecast of future cash flows by reviewing budget for 2019/20 and strategic plans and discussing key assumptions with Management
- Discount rates by testing the Group's weighted average cost of capital (WACC).

We obtained and evaluated Management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions.
We also evaluated the impairment testing disclosures.

Statement on the management commentary

Management is responsible for the management commentary.

Independent auditor's report

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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.

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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 au dit 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 24.06.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jacob Nørmark
State-Authorised Public Accountant
mne30176

Lars Andersen
Lars Andersen
State-Authorised Public Accountant
mne34506

Management commentary

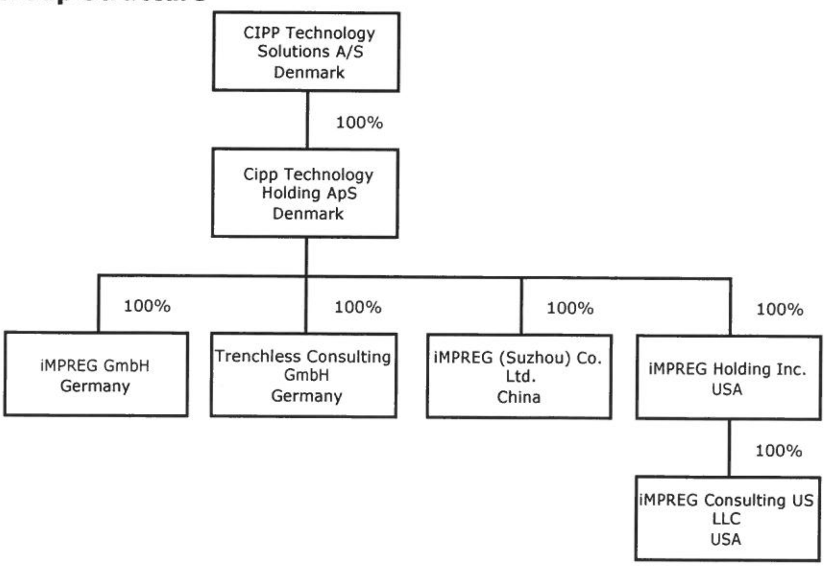
	2018/19 EUR´000	2017/18 EUR'000	2016/17 EUR'000	2015/16 EUR'000
Key figures				
Revenue	49.054	43.000	36.374	14.770
Gross profit	19.944	11.547	11.616	2.711
EBITDA	6.825	4.316	4.558	1.076
Operating profit/loss	3.695	3.266	3.805	281
Net financials	(3.079)	(1.909)	(1.073)	(308)
Profit/loss for the year	(189)	484	1.588	(178)
Total assets	62.145	55.658	52.299	49.640
Investments in property, plant and equipment	10.618	6.753	6.778	5.190
Equity	20.065	19.547	16.380	14.599
Cash flows from (used in) operating activities	3.955	(1.934)	(2.634)	50
Cash flows from (used in) investing activities	(4.907)	(2.042)	(2.542)	(41.051)
Cash flows from (used in) financing activities	(946)	10.218	(3.000)	41.705
Ratios				
Return on equity (%)	(1,0)	2,5	10,9	(1,2)
Equity ratio (%)	32,2	35,0	31,3	29,4

Financial highlights are defined and calculated in accordance with current "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

As of 1 May 2018 IFRS 9, 15 and 16 are implemented without restating comparative figures.

Ratios	**Calculation formulas**	**Ratios**
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Group Structure



Management commentary

Key activities

Cipp Technology Solutions A/S, through its ownership of Cipp Technology Holding ApS and subsidiaries, is one of the world's leading suppliers of liners for sewer, waste water, and storm water rehabilitation.

Cipp Technology Solutions A/S and its subsidiaries are in the following referred to as "The Company"
The Company supplies liners, accessories, and various technical services and equipment for pipe rehabilitation.

Development in the year

The consolidated income statement for FY18/19 show EBITDA of EUR 6.8 million and net profit after tax of EUR (0.2) million. Total assets as of 30 April 2019 was EUR 62 million.

During FY18/19 The Company successfully introduced the new product GL 16 to its customers.

The majority of supplies took place in Europe from the factory in Ammerbuch, Germany. The Asian market, and the Chinese market in particular, was supplied from the factory established in Taicang, China during FY17/18.

During FY18/19 The Company initiated investments in a facility in Richmond, VA, USA which is expected to be operational in FY19/20. The Americas market is served by the other manufacturing units of the group until the US factory is operational.

The Company grew 14% in revenue in FY18/19, and the growth came from the core European market as well as new markets in Asia and Americas.

Management considers the profit for the FY18/19 for the Company as satisfactory and has realized the EBITDA range mentioned in the financial statement 2017/18.

Management considers the profit for the FY18/19 for the parent company as satisfactory.

Outlook

The Company expects a positive development in FY19/20 based on increased demand for the products, driven by an increasing demand for rehabilitation of infrastructure worldwide. Our expectation for FY2019/20 is a revenue range between EUR 54m and EUR 58m and EBITDA range between EUR 7.4m and EUR 8.4m.

Events after the reporting period

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Risks

The Company is exposed to increases in raw material prices which may not fully be passed through in the sales agreements with customers.

Management commentary

The Company is further exposed to claims from customers, however these are monitored very closely through appropriate quality systems and standards, and a constant dialogue with customers during critical installations. Credit risk in connection with sales to customers is assessed individually by performing credit checks and where possible partial up-front payment is demanded.

The Company is exposed to currency fluctuations in connection with the purchase of raw materials and the sales of goods in foreign currencies. Raw materials are to the extent possible sourced in local currencies which is also the main selling currency.

The Company is in a niche market where access to key employees is key, and The Company strives to ensure key personal is available to take on the increased activity level, also in new regions.

Capital Structure
On 4 April 2018, The Company issued a three-year EUR 30 million bond that was listed on the Frankfurt Stock Exchange and subsequently listed on Nasdaq Stockholm on 29 March 2019.

Our primary risk is that we cannot obtain new financing after the maturity of the bond.

Business Model
The Company develops liners for rehabilitations of sewer, waste water, and storm water pipes. The Products are produced at The Company's factories.

The customers are served from the regional factories and supported by competent technical and logistic personal as to usage, installation and logistics prior to installation.

Raw materials for the products are sourced through specialized material suppliers for glass, resin, and other materials.

The Company strives for high customer satisfaction with The Company's products and the installation of these.

As of 30 April 2019, The Company employed a total of 211 people (excl temporary workers) in all locations including the Danish headquarter, the German facility, the Chinese facility, and the US facility.

This is an increase compared to prior year driven by a higher activity level in all regions.

Statutory report on corporate social responsibility
The Company has a focus on CSR in relation to its business activities. For description of the business model, please refer to the above section.

Environment
We believe that our products make an important contribution in relation to the environment. Our primary risk is if our production methods and factories fail to safely manage a negative impact on the environment.

Management commentary

This may have an effect on our reputation and harm the local environment.

Our policy is to comply with relevant regulations in each region. Environment, Health and Safety, and Quality are all very important to The Company and is followed up by management through robust reporting systems from each of the regions.

The Company is certified ISO 9001 and ISO 14001 in the German operation, and the plan is to establish ISO 9001 in the Chinese operation in FY19/20, and in the US operation in the following year.

We believe that we comply with local regulations in our German and US operations, while new regulations in China are under implementation and will be fully implemented in our Chinese operation in FY19/20.

Employee conditions

Our focus is to ensure that our employees have a safe workplace.

Accident rates and claim rates (quality) are reported monthly for each region and discussed at monthly review meetings with local management, where also corrective measures are discussed. The same applies to absenteeism and attrition in all regions.

Our primary risk is if we have work-related accidents or if our employees are not motivated when they come to work. This could have an impact on our ability to attract and retain employees.

We believe that our activities in FY18/19 have contributed to maintaining a good working environment.

Human rights

We have decided not to have a separate policy for managing human rights in our business, because this is an embedded part of our management culture and to some degree described in employee handbooks implemented locally.

It can be a risk that employees feel discriminated at work. This may impact our ability to attract and retain employees.

We are not aware of any breach of human rights in FY18/19.

Statutory report on anti-corruption and/or bribery

The Company has a zero tolerance in relation to corruption and bribery and has strong values and a shared vision of professional business acumen. Internal controls and distributed authority matrix aim at ensuring adherence.

Today, we have some guidelines implemented locally in employee handbooks, however it is our aim to implement a formal anti-corruption policy during FY19/20. As mentioned above, we have not yet decided whether to establish a whistle-blower mechanism – we expect to make the decision in 2020.

Management commentary

It can be a risk to our operations if an employee uses gifts or other means to have an illegal influence on a stakeholder's decision or if a stakeholder uses means to illegally influence an employee's decision. This may negatively impact our reputation and ability to conduct our business.

We are not aware of any breaches concerning corruption and bribery in FY18/19.

Statutory report on gender equality

The Company has set a target that at least 20% of the board is from the underrepresented gender. The supervisory board consists of five AGM-elected members. The Company currently has 20% underrepresented gender at the Supervisory Board level and therefore lives up to the target.

We are committed to working for gender diversity, despite our industry being very male-dominated. One of the ways is to ensure that the underrepresented gender is represented at job interviews for other management positions (top management in the head quarter and management teams in the regions).

The Company had 33% underrepresented gender amongst other management positions in FY18/19 and we will continue our efforts in this area.

Governance

The Company holds 4 ordinary board meetings every year, as well as a two-day strategy workshop. For ordinary board meetings, in addition to the board members, the Group CEO, Group CFO and Group COO participates.

In the strategy review meetings there are also participation from the regional managers in Europe, Americas and Asia.

The board is additionally informed about monthly performance through monthly reports. The Chairmanship also has monthly meetings with management on this subject.

Description of procedures and internal control in relation to the financial reporting process

The Board of Directors and the Executive Management are ultimately responsible for the Group's risk management and internal controls in relation to its financial reporting, and approve the Group's general policies in this regard. The Audit Committee assists the Board of Directors in overseeing the reporting process and the most important risks. The Executive Management is responsible for the effectiveness of the internal controls and risk management and for the implementation of such controls aimed at mitigating the risk associated with the financial reporting.

As part of the overall risk management, the Group has set up internal control systems, that are deemed appropriate and sufficient in relation to the Group's activities and operations. The internal control systems are evaluated on an ongoing basis.

The Company procedures and internal controls are planned and executed to ensure a reasonable level of comfort that the financial reporting is reliable and in compliance with internal policies and gives a true and fair view of The Company's financial performance, the financial position and material risks.

Management commentary

The procedures and controls are furthermore planned with a view to support the quality and efficiency of The Company's business processes and the safeguarding of The Company's assets. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether the financial impact of such error would be material.

Ownership and adherence to Danish Venture Capital Association

CIPP Technology Solutions A/S is owned as follows:

BWB Partners through Anpartsselskabet af 16. november 2015	73.65%
IBL Group ApS	19.64%
Katres GmbH	4.91%
Management	1.80%

As BWB Partners is the majority shareholder and given that BWB Partners is a member of the Danish Venture Capital Association ("DVCA"), CIPP Technology Solution A/S is presenting the annual report in accordance with the guidelines from DVCA.

It is our opinion that the recommendations of the guidelines from DVCA is adhered to, except for the follow ing:

- Board composition and board members other activities: We refer to www.cvr.dk where this information is available and constantly updated.

- The Company has not decided whether to implement a whistleblower process. The board of The Company will take a decision on this during 2020.

For information on DVCA guidelines we refer to www.dvca.dk

Consolidated income statement for 2018/19

	Notes	2018/19 EUR	2017/18 EUR
Revenue	1	49.053.667	42.999.850
Cost of sales		(29.930.119)	(27.217.410)
Other external expenses	2	(4.412.221)	(4.235.238)
Gross profit		**14.711.327**	**11.547.202**
Staff costs	3	(8.706.676)	(7.230.803)
Other income	4	820.277	0
Depreciation, amortisation and impairment losses	5	(3.129.663)	(1.050.351)
Operating profit/loss		**3.695.265**	**3.266.048**
Other financial income	6	17.505	45.599
Other financial expenses	7	(3.096.288)	(1.700.164)
Profit/loss before tax		**616.482**	**1.611.483**
Tax on profit/loss for the year	8	(805.783)	(928.600)
Profit/loss for the year	9	**(189.301)**	**682.883**
Attributable to:			
Shareholders of CIPP Technology Solutions A/S		(189.301)	682.883
		(189.301)	**682.883**

Statement of comprehensive income

	Notes	2018/19 EUR	2017/18 EUR
Profit for the year		**(189.301)**	**682.883**
Other comprehensive income			
Items that can be reclassified to the income statement when certain conditions are met:			
Exchange differences, foreign operations		38.600	(254.664)
Tax relating to exchange differences	8	0	56.027
Total comprehensive income		**(150.701)**	**484.245**
Attributable to:			
Shareholders of CIPP Technology Solutions A/S		(150.701)	484.245
		(150.701)	**484.245**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 EUR	2017/18 EUR
Operating profit/loss		3.695.265	3.266.048
Amortisation, depreciation and impairment losses		3.129.663	1.050.351
Working capital changes	16	1.026.806	(4.308.831)
Other changes		0	1.110.121
Cash flow from ordinary operating activities		**7.851.734**	**1.117.689**
Financial income received		957	45.599
Financial expenses paid		(3.062.882)	(1.700.164)
Income taxes refunded/(paid)		(834.316)	(714.566)
Cash flows from operating activities		**3.955.493**	**(1.251.442)**
Acquisition etc of intangible assets		(2.149.187)	(916.939)
Acquisition etc of property, plant and equipment		(2.758.276)	(1.125.363)
Cash flows from investing activities		**(4.907.463)**	**(2.042.302)**
Issuance of bonds		257.190	29.153.477
Instalments on loans etc		(1.524.900)	(21.619.523)
Cash increase of capital		322.125	2.684.527
Cash flows from financing activities		**(945.585)**	**10.218.481**
Increase/decrease in cash and cash equivalents		**(1.897.555)**	**6.924.737**
Cash and cash equivalents beginning of year		1.106.736	(5.818.001)
Cash and cash equivalents end of year		**(790.819)**	**1.106.736**
Cash and cash equivalents at year-end are composed of:			
Cash		968.499	1.382.928
Short-term debt to banks		(1.759.318)	(276.192)
Cash and cash equivalents end of year		**(790.819)**	**1.106.736**

Consolidated balance sheet at 30.04.2019

	Notes	2018/19 EUR	2017/18 EUR
Completed development projects		2.531.564	1.431.701
Acquired rights		105.560	41.287
Goodwill	12	33.392.838	33.392.838
Intangible assets	10	**36.029.962**	**34.865.826**
Right of use assets		2.369.318	0
Plant and machinery		7.198.981	5.374.168
Other fixtures and fittings, tools and equipment		815.835	1.093.111
Property, plant and equipment in progress		234.306	285.267
Property, plant and equipment	11	**10.618.440**	**6.752.546**
Non-current assets		**46.648.402**	**41.618.372**
Raw materials and consumables		2.635.061	2.475.478
Work in progress		1.163.249	1.260.454
Manufactured goods and goods for resale		1.154.757	732.386
Inventories		**4.953.067**	**4.468.318**
Trade receivables	15	6.831.412	6.508.969
Contract assets		445.109	0
Receivables from group enterprises		989.895	0
Deferred tax	14	32.647	551.837
Other receivables		1.087.008	961.422
Prepayments		188.926	165.718
Receivables		**9.574.997**	**8.187.946**
Cash		**968.499**	**1.382.928**
Current assets		**15.496.563**	**14.039.193**
Assets		**62.144.965**	**55.657.565**

Consolidated balance sheet at 30.04.2019

	Notes	2018/19 EUR	2017/18 EUR
Share capital		161.542	158.638
Retained earnings		19.903.757	19.388.034
Equity		**20.065.299**	**19.546.672**
Deferred tax liabilities	14	159.525	600.420
Bank loans		474.859	707.844
Financial lease		1.436.927	0
Bonds		29.410.667	29.153.477
Other payables		1.539.674	1.406.827
Non-current liabilities	13	**33.021.652**	**31.868.568**
Current portion of long-term liabilities	13	1.198.288	258.130
Bank loans		1.759.318	276.192
Prepayments from customers		571.076	0
Trade payables		2.844.154	2.087.998
Income tax payable		1.359.184	1.050.748
Other payables		1.314.104	558.261
Deferred income		11.890	10.996
Current liabilities		**9.058.014**	**4.242.325**
Liabilities		**42.079.666**	**36.110.893**
Equity and liabilities		**62.144.965**	**55.657.565**

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Consolidated statement of shareholders' equity

EUR'000	Share capital	Retained earnings	Total
2018/19			
Shareholders' equity at beginning of year	**159**	**19.388**	**19.547**
Change in accounting policies	0	347	347
Shareholders' equity at beginning of year after change in accounting policies	**159**	**19.735**	**19.894**
Profit for the year	0	(189)	(189)
Other comprehensive income	0	38	38
Total comprehensive income	**0**	**(151)**	**(151)**
Capital increases	3	319	322
Shareholders' equity at end of year	**162**	**19.903**	**20.065**

EUR'000	Share capital	Retained earnings	Total
2017/18			
Shareholders' equity at beginning of year	**134**	**16.245**	**16.379**
Profit for the year	0	683	683
Other comprehensive income	0	(199)	(199)
Total comprehensive income	**0**	**484**	**484**
Capital increases	25	2.659	2.684
Shareholders' equity at end of year	**159**	**19.388**	**19.547**

At 30 April 2019 the number of shares is 1,201.922 of the nominal value of EUR 161,542.

No dividend is suggested declared in 2018/19.

At 30 April 2018 the number of shares is 1,180.288 of the nominal value of EUR 158,638.

No dividend is suggested declared in 2017/18.

Notes to consolidated financial statements

1. Revenue and segments

Revenue by geographical area

The Group's activities are primarily distributed by area: EMEA, APAC and Americas.

The Group's revenue from external customers in these geographical areas is specified below where revenue is distributed by the customer's registered office.

The Group's products cannot be broken down into product groups, etc. and therefore no operating segments have been identified. The revenue consists primarily of sale of goods.

	2018/19 EUR	2017/18 EUR
EMEA	38.018.576	34.708.520
Americas	3.707.101	2.634.998
APAC	7.327.990	5.656.332
	49.053.667	**42.999.850**
Hereof sales of services	275.485	293.233
Non-current assets		
EMEA	41.822.525	38.652.408
Americas	2.709.109	731.098
APAC	2.116.767	2.234.866
	46.648.402	**41.618.372**

	2018/19 EUR	2017/18 EUR
2. Audit fee		
Statutory audit	30.000	33.557
Tax and indirect taxes advisory	40.000	87.247
Other services	38.899	88.077
	108.899	**200.881**

Notes to consolidated financial statements

	2018/19 EUR	2017/18 EUR
3. Staff costs		
Wages and salaries	7.810.448	6.324.990
Other social security costs	1.152.902	937.453
Other staff costs	101.078	156.301
Staff costs classified as assets	(357.752)	(187.941)
	8.706.676	**7.230.803**
Average number of employees	194	150

EUR	Board of Directors	Executive Board	Total
2018/19			
Salary	58.715	240.768	241.814
Cost at end of year	**58.715**	**240.768**	**241.814**
2017/18			
Salary	58.715	16.715	75.430
Cost at end of year	**58.715**	**16.715**	**75.430**

The Group has only entered into defined contribution plans. In defined contribution plans, the employer pays a continuous contribution to an independent pension company, pension fund etc. but has no risk as to the future development of interest rates, inflation, mortality, disability etc. in respect of the amount due to the employee in due time.

Share option scheme (warrants)

Share-based remuneration (warrants) have been granted to a member of The Company's key management. The utilization of the warrants are dependent on continued employment at The Company. The share option scheme include the following numbers of shares with different terms for utilization:

- 31,522 A-warrants
- 4,226 B-warrants
- 5,916 C-warrants

Each warrant will entitle the participant to subscribe for one share in CIPP Technology Solutions A/S at a nominal value of DKK 1 at an exercise price of DKK 110.93 per share. All of the warrants may be exercised in the period of 1 September 2022 to 15 September 2022 or earlier if certain criteria are met. The share option scheme is limited to a gain of DKK 10m.

Notes to consolidated financial statements

The scheme is considered to be an equity-settled share-based payment transaction and the fair value of the share-based remuneration at grant date is considered to be immaterial and not recognised in the financial statements.

4. Other income

Other income amounts EUR 820k. Hereof EUR 534k concern income from purchase price adjustment.

	2018/19 EUR	2017/18 EUR
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.052.619	166.138
Depreciation of property, plant and equipment	2.100.187	884.213
Profit/loss from sale of intangible assets and property, plant and equipment	(23.143)	0
	3.129.663	**1.050.351**

	2018/19 EUR	2017/18 EUR
6. Financial income		
Interest income	957	2.055
Exchange rate adjustments	16.548	43.544
	17.505	**45.599**

	2018/19 EUR	2017/18 EUR
7. Financial expenses		
Interest expenses	2.672.778	1.678.626
Exchange rate adjustments	33.406	21.471
Other financial expenses	390.104	67
	3.096.288	**1.700.164**

Notes to consolidated financial statements

	2018/19 EUR	2017/18 EUR
8. Income tax		
Current tax:		
Current tax on profit for the year	775.254	401.923
Current tax on Other comprehensive income for the year	8.492	56.027
Total current tax	783.746	457.950
Deferred tax:		
Adjustment of deferred tax asset/liability	5.536	414.623
Adjustment of deferred tax asset/liability in respect of prior years etc.	16.501	0
Total deferred tax	22.037	414.623
Total income tax	**805.783**	**872.573**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

	2018/19 EUR	2017/18 EUR
Earnings before tax	**616.482**	**1.611.483**
Calculated tax at Danish statutory rate of 22%	135.626	298.500
Effect of difference in tax rate in foreign subsidiaries	41.960	95.475
Adjustment in respect of prior years	16.501	0
Income/expenses not subject to tax	611.696	478.599
Tax charge	**805.783**	**872.574**

The changes in local tax rate are primarily related to Germany.

	2018/19 EUR	2017/18 EUR
9. Proposed distribution of profit/loss		
Retained earnings	(189.301)	682.882
	(189.301)	**682.882**

Notes to consolidated financial statements

	Completed development projects EUR	Acquired rights EUR	Goodwill EUR
10. Intangible assets			
2018/19			
Cost at beginning of year	**2.174.847**	**98.095**	**33.951.364**
Exchange rate adjustments	1.511	0	0
Additions	1.318.426	830.761	0
Reclassifications	0	66.667	0
Total cost at end of year	**3.494.784**	**995.523**	**33.951.364**
Amortisation at beginning of year	**(743.146)**	**(56.808)**	**(558.525)**
Exchange rate adjustments	(610)	0	0
Amortisation for the year	(219.464)	(833.155)	0
Reclassifications	0	0	0
Total amortisation at end of year	**(963.220)**	**(889.963)**	**(558.525)**
Carrying amount at end of year	**2.531.564**	**105.560**	**33.392.838**
2017/18			
Cost at beginning of year	**1.257.908**	**98.095**	**33.951.364**
Additions	916.939	0	0
Total cost at end of year	**2.174.847**	**98.095**	**33.951.364**
Amortisation at beginning of year	**(588.261)**	**(45.556)**	**(558.525)**
Exchange rate adjustments	0	1	0
Amortisation for the year	(154.885)	(11.253)	0
Total amortisation at end of year	**(743.146)**	**(56.808)**	**(558.525)**
Carrying amount at end of year	**1.431.701**	**41.287**	**33.392.839**

Apart from goodwill, all other intangible assets are considered to have finite useful lives over which the assets are amortised, cf. the description of accounting policies. The Group is largely patenting its inventions. In the past year, the Group has further developed its products, which is crucial for the Group to maintain its market position in this segment. At 30 April 2019, the carrying amount of these development projects was EUR 2,532k (30.04.2018: EUR 1,432k). This amount also includes the development of new IT systems whose development will continue in the coming financial year.

Notes to consolidated financial statements

	Right of use assets EUR	Plant and machinery EUR	Other fixtures and fittings, tools and equipment EUR	Property, plant and equipment in progress EUR
11. Property, plant and equipment				
2018/19				
Cost at beginning of year	**0**	**6.310.286**	**1.298.769**	**285.267**
Exchange rate adjustments	0	75.004	48.513	17.617
Additions	3.360.952	2.531.770	218.253	8.253
Disposals	0	(261.849)	(289.098)	(76.831)
Reclassifications	0	2.187.145	451.274	0
Total cost as at end of year	**3.360.952**	**10.842.356**	**1.727.711**	**234.306**
Depreciation at beginning of year	0	**(936.496)**	**(205.658)**	**0**
Exchange rate adjustments	0	(5.735)	(35.223)	0
Reclassifications	0	(1.885.103)	(451.274)	0
Depreciation for the year	(991.634)	(881.431)	(227.122)	0
Reversal regarding disposals	0	65.390	7.401	0
Depreciation at end of year	**(991.634)**	**(3.643.375)**	**(911.876)**	**0**
Carrying amount at end of year	**2.369.318**	**7.198.981**	**815.835**	**234.306**
2017/18				
Cost at beginning of year	**0**	**6.390.286**	**493.431**	**191.900**
Exchange rate adjustments	0	(293.363)	(12.916)	0
Additions	0	344.380	689.341	285.267
Disposals	0	0	(1.725)	(191.900)
Reclassifications	0	(130.639)	130.638	0
Total cost as at end of year	**0**	**6.310.664**	**1.298.769**	**285.267**
Depreciation at beginning of year	**0**	**(234.697)**	**(62.831)**	**0**
Exchange rate adjustments	0	6.832	12.317	0
Depreciation for the year	0	(708.631)	(155.144)	0
Total depreciation at end of year	**0**	**(936.496)**	**(205.658)**	**0**
Carrying amount at end of year	**0**	**5.374.168**	**1.093.111**	**285.267**
Hereof financial leasing	**0**	**0**	**0**	**0**

Notes to consolidated financial statements

12. Impairment test Goodwill

Besides goodwill there are no intangible assets with indefinite useful lives. At 30 April 2019, the goodwill accounted for EUR 33m (2017/18: EUR 33m) for Cipp Technology Holding ApS and its subsidiaries. CIPP Technology Solutions group performed impairment test of the carrying amount of goodwill at 30 April 2019 based on value in use. Impairment testing is performed in Q4 each year, based on the budgets or business plans approved by the Board of Directors.

The impairment test for cash-generating units compares the recoverable amount, equivalent to the present value of the expected future free cash flow, with the carrying amount of the individual cash-generating units. The expected future free cash flow is based on budgets and projections for subsequent years. Key parameters include net sales, gross profit margin, EBIT margin and future capital expenditure, and general growth expectations for the years after 2027.

Budgets and projections for the 2019-2027 period are based on business plans and external market surveys, assessing risks associated with key parameters and incorporating these in expected future free cash flows. The value for the period after 2027 takes in account the general growth expectations.

Growth rates are expected to exceed the average long-term growth rate in the Group's market for supplying provisions to the global market, so a growth rate of % is used in the terminal period.

When calculating the recoverable amount of goodwill, a discount rate of 12.1% after tax is assumed. The discount rate is based on a risk-free interest rate of 4.5%. The impairment tests performed at 30 April 2019 indicate significantly higher capital values of the assets compared to the carrying amounts, and the impairment tests are therefore not sensitive to changes in the significant conditions and factor.

Key assumptions from the impairment testing of goodwill are as follows:

	Budget and projections period	Terminal period
2018/19		
Net sales growth	8.9%	2.0%
Gross margin	32.6%	33.5%
EBITDA margin	15.2%	16.7%
EBITA margin	13.1%	15.1%
Intangible fixed assets/Sales	34.6%	15.1%
Tangible fixed assets/Sales	13.8%	9.5%
NWC/Sales	21.0%	20.8%
ROIC (beginning of year invested capital)	18.9%	28.4%

Notes to consolidated financial statements

12. Impairment test Goodwill continuing

	Budget and projections period	Terminal period
2017/18		
Net sales growth	8.1%	2.0%
Gross margin	32.1%	32.5%
EBITDA margin	15.1%	16.3%
EBITA margin	12.9%	14.6%
Intangible fixed assets/Sales	36.3%	16.2%
Tangible fixed assets/Sales	14.6%	10.2%
NWC/Sales	21.2%	20.9%
ROIC (beginning of year invested capital)	17.9%	26.6%

	Instalments within 12 months 2018/19 EUR	Instalments between 12-60 months 2018/19 EUR	Outstanding after 60 months EUR
13. Financial liabilities at amortised cost			
Bond	0	29.410.667	0
Other payables	0	1.539.674	0
Financial lease	940.158	1.436.927	0
Bank loans	258.130	474.859	0
	1.198.288	**32.862.127**	**0**

Fair value

At 30 April 2019, the latest trading price quoted for the bond on the Frankfurt Stock Exchange / NASDAQ Stockholm was 101.75 (30.04.2018: 100.00). The fair value of the bond is equivalent to EUR 30,525k (30.04.2018: EUR 30,000k), compared to the carrying amount of EUR 29,411k (30.04.2018: EUR 29,153k) after adjustment for capitalized fees of EUR 589k (30.04.2018: EUR 847k). The fair value of the remaining loans are equivalent to the carrying amounts. Hence, the total fair value of loans at 30 April 2019 was EUR 35,820k (30.04.2018: EUR 31,526k), excluding capitalised fees of EUR 589k (30.04.2018: EUR 847k).

Notes to consolidated financial statements

	Instalments within 12 months 2017/18 EUR	Instalments between 12-60 months 2017/18 EUR	Outstanding after 60 months EUR
13. Financial liabilities at amortised cost			
Bond	0	29.153.477	0
Other payables	0	1.406.827	0
Bank loans	258.130	707.844	0
	258.130	**31.268.148**	**0**

14. Deferred tax assets and deferred tax liabilities

2018/19 EUR	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, financial non-current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Deferred tax, short term liabilities	Total deferred tax
Deferred tax beginning of year	**(241.455)**	**0**	**0**	**192.872**	**0**	**0**	**0**	**0**	**(48.583)**
Charge to the income statement	182.262	0	0	(160.225)	0	0	0	0	22.037
Other adjustments	(100.332)	0	0	0	0	0	0	0	(100.332)
Deferred tax end of year	**(159.525)**	**0**	**0**	**32.647**	**0**	**0**	**0**	**0**	**(126.878)**

Deferred tax is presented in the balance sheet as follows:	
Deferred tax asset	32.647
Deferred tax liability	(159.525)
Deferred tax asset year end, net	**(126.878)**

The Group expects to utilize the deferred tax assets as the group entities generally have a positive taxable income.

2017/18 EUR	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, financial non-current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Deferred tax, short term liabilities	Total deferred tax
Deferred tax beginning of year	**(146.542)**	**39.280**	**0**	**291.956**	**0**	**0**	**0**	**0**	**184.694**
Charge to the income statement	(94.913)	(39.280)	0	(280.432)	0	0	0	0	(414.625)
Other adjustments	0	0	0	181.348	0	0	0	0	181.348
Deferred tax end of year	**(241.455)**	**0**	**0**	**192.872**	**0**	**0**	**0**	**0**	**(48.583)**

Deferred tax is presented in the balance sheet as follows:	
Deferred tax asset	551.837
Deferred tax liability	(600.420)
Deferred tax asset year end, net	**(48.583)**

The Group expects to utilize the deferred tax assets as the group entities generally have a positive taxable income.

	2018/19 EUR	2017/18 EUR
15. Trade receivables		
Trade receivables	6.996.192	6.671.928
Provisions for impairment of trade receivables	(164.780)	(162.959)
	6.831.412	**6.508.969**

Notes to consolidated financial statements

	2018/19 EUR	2017/18 EUR
15. Trade receivables continuing		
Expected credit losses at beginning of year	162.959	150.768
Exchange rate adjustments	0	0
Expected credit losses in the year	1.820	12.191
Realised in the year	0	0
Expected credit losses at end of year	**164.780**	**162.959**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Overdue trade receivables not written down are broken down as follows:

Overdue 1-30 days	1.568.330	1.345.485
Overdue 31-90 days	229.968	139.349
Overdue 90-180 days	597.60	419.768
Over 180 days	22.859	47.275
	2.418.717	**1.951.877**
Undue not impaired receivables are split as follows:		
EU countries	2.718.562	2.465.082
USA	286.130	48.676
Other geographic markets	1.384.954	2.031.296
	4.389.746	**4.545.054**

Included in the provision for impairment of trade receivables are individually impaired trade receivables amounting to EUR 10k (2017/18: EUR 10k).

The Group does not have significant credit risks related to a single customer or regarding sales to specific markets.

	2018/19 EUR	2017/18 EUR
16. Change in working capital		
Increase/decrease in inventories	(484.749)	(615.891)
Increase/decrease in receivables	(702.897)	(1.195.242)
Increase/decrease in trade payables etc	2.214.452	(2.424.105)
	1.026.806	**(4.235.238)**

Notes to consolidated financial statements

17. Reconciliation of liabilities arising from financing activities

EUR	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
Beginning of year	**30.560.304**	**0**	**0**	**30.560.304**
Cash flows	390.037	0	2.377.085	2.767.122
End of year	**30.950.341**	**0**	**2.377.085**	**33.327.426**

18. Mortgages and securities

Bank debt to Sydbank A/S has been secured by a floating charge on unsecured claims in Cipp Technology Holding ApS. The carrying amount of charged claims is DKK 8,000k (30.04.2018: DKK 8,000k) equivalent to EUR 1,074k (30.04.2018: EUR 1,074k).

Security

In April 2018, The Company issued a bond for an amount of EUR 30,000k. The Company has obtained a loan facility of DKK 5,452k (30.04.2018: DKK 7,185k) equivalent to EUR 732k (30.04.2018: EUR 964k) and a working capital facility consisting of an overdraft facility limited to DKK 30,000k (EUR 4,027k). The bondholders and the provider of the loan and working capital facilities have entered into an intercreditor agreement sharing the following security:

- A share pledge agreement in respect of the company;
- A share pledge agreement in respect of iMPREG GmbH;
- A share pledge agreement in respect of Cipp Technology Holding ApS;
- An assignment agreement in respect of receivable claims of iMPREG GmbH;
- A pledge agreement in respect of the Danish Floating Charge of Cipp Technology Holding ApS; and
- A pledge agreement in respect of an intra-group loan from the company to Cipp Technology Holding ApS in the nominal amount equivalent to approximately EUR 10,000k

Guerentees

As part of the bond issue, DnB Bank ASA has provided a guarantee of SEK 50k (EUR 5k) to Euroclear Sweden AB regarding the assignment to keep a CSD-register for financial instruments issued by The Company. The guarantee is an on-demand guarantee and is valid for five years or until the Company has fulfilled all its obligations, whichever comes first.

Notes to consolidated financial statements

19. Contingent liabilities

Joint taxation arrangement

The Company is party to a mandatory Danish joint taxation arrangement with Anpartsselskabet af 16. November 2015 serving as the administration company. The joint taxation arrangement complies with general Danish tax legislation and has included other Danish sister companies due to common ultimate ownership. From 16 July 2015, The Company is partially jointly and secondarily liable for obligations, if any, relating to withholding of tax on interest, royalties and dividend for the jointly taxed companies. However, secondary liability cannot exceed an amount equivalent to the share of capital of The Company which is owned directly or indirectly by the ultimate parent.

20. Related parties and group relations

Related parties of The Company are Anpartsselskabet af 16. November 2015 and its subsidiaries and IBL Group ApS. Subsidiaries are listed in the Group Structure on page 6.

BWB Partners I K/S is the ultimate controlling party and controls Anpartsselskabet af 16. November 2015, which is the ultimate Danish holding company of the Group.

Transactions with subsidiaries are eliminated in the consolidated financial statements in accordance with the accounting policies.

Remuneration to the Board of Directors is included in transactions with key persons in Management. Other transactions with IBL Group ApS and companies held by this group are included in transactions with Other related parties.

All transactions were made on terms equivalent to arm's length principles.

2018/19	Key persons EUR'000	Other related parties EUR'000
Management and consulting fee	325	0
Financial items, net	0	133
Financial receivables	0	0
Financial payables	0	1.540

2017/18	Key persons EUR'000	Other related parties EUR'000
Management and consulting fee	60	17
Financial items, net	0	122
Financial receivables	0	0
Financial payables	0	1.406

Notes to consolidated financial statements

21. Financial risks and financial instruments

Financial risk factors refer to fluctuations in the Group's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

Exchange rate risk

The Group's business activities are predominantly based in EUR, CNY, DKK and USD, and credit facilities are denominated in EUR and DKK (currencies listed according to the size of aggregated amounts). In order to reduce the exchange rate risk, the Group aims to match costs and revenues, as well as assets and liabilities, through representation in the countries in which the Group operates, and transacting in the functional currencies of the various business units. Therefore, most of the business has no or very limited transaction-related exchange rate exposure. Significant investments in foreign entities are financed in EUR. Consequently, material currency exposure for the Group is limited to translation risks related to foreign subsidiaries, and the loans taken out to finance these investments.

The Group is mainly exposed to the currencies EUR, CNY and USD.

The following table details the Group's sensitivity to a 10% increase in CNY and USD. The sensitivity analysis includes investments in relevant subsidiaries and external debt, where the debt is denominated in the relevant currency. A positive number indicates an increase in profit/(loss) or equity where the currency strengthens 10% against EUR at the balance sheet date. A 10% weakening of the currency would have a comparable but opposite impact on profit/(loss) and equity.

	CNY impact	
EUR	**2018/19**	**2017/18**
Impact on profit/(loss) from translation of debt and investments in subsidiaries	69.575	721
Impact on equity from translation of debt and investments in subsidiaries	224.384	150.927

	USD impact	
EUR	**2018/19**	**2017/18**
Impact on profit/(loss) from translation of debt and investments in subsidiaries	205.749	6.214
Impact on equity from translation of debt and investments in subsidiaries	248.504	25.042

Notes to consolidated financial statements

21. Financial risks and financial instruments continuing

Interest rate risk

The interest rates of credit facilities are a mix of fixes and variable interests. CIPP Technology Solutions A/S do not use derivative contracts to hedge the interest rate risks.

Interest rate sensitivity analysis:

If interest rates had been 100 basis points higher and all other variables constant, the Group's profit for the year ended 30 April 2019 would decrease by EUR 325k (2017/18: decrease by EUR 312k) due to the Group's exposure to interest rates on variable-rate borrowings. The sensitivity analysis was based on the Group's exposure to floating-rate liabilities and derivatives at the end of the reporting period. For floating-rate liabilities, the analysis is based on the assumption that the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

Liquidity risk

CIPP Technology Solutions A/S has entered into a long-term committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. This is done by ensuring that the cash flow on a monthly basis matches the planned cash needs. CIPP Technology Solutions A/S is in a sound financial position with significant positive cash flows from operating activities and adequate cash reserves.

Credit risk

Credit risk mainly relates to trade debtors, other receivables and cash at banks. The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. Receivables relate to sale of products. Credit risk associated with the construction industry is handled by the danish credit function, which monitors the creditworthiness of existing and new customers and assists in collection. CIPP Technology Solutions A/S conducts individual assessments of customer creditworthiness, and credit lines are managed in Denmark. Cash is held with banks with high credit ratings.

Fair values measurements

CIPP Technology Solutions group does not have any assets or liabilities measured at fair value.

Capital structure

The Company's management assesses whether the Group's capital structure is in line with the interests of The Company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth. As of 30 April 2019, the Group's interest-bearing debt net comprise EUR 35 million (2017/18: EUR 31 million), which is considered a reasonable level compared to the current need for financial flexibility. There are no changes in the Group's guidelines and procedures for managing capital structure in 2018/19.

22. Events after the reporting period

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

Parent income statement for 2018/19

	Notes	2018/19 EUR	2017/18 EUR
Other external expenses	1	108.566	(122.419)
Gross profit		**108.566**	**(122.419)**
Other operating income	2	534.042	0
Operating income		**642.608**	**(122.419)**
Income from investments in group enterprises		1.551.832	1.622.759
Other financial income	3	507.213	0
Other financial expenses		(2.879.357)	(1.082.551)
Profit/loss before tax		**(177.704)**	**417.789**
Tax on profit/loss for the year	4,10	(11.597)	265.093
Profit/loss for the year	5	**(189.301)**	**682.883**

Statement of comprehensive income

Profit for the year	**(189.301)**	**682.883**
Other comprehensive income	**0**	**0**
Items that can be reclassified to the income statement when certain conditions are met:		
Exchange differences, foreign entities	38.600	(198.638)
Fair value adjustment for the year relating to hedging instruments	0	0
Tax relating to hedging instruments	0	0
Total comprehensive income	**(150.701)**	**484.245**

Parent cash flow statement for 2018/19

	Notes	2018/19 EUR	2017/18 EUR
Operating profit/loss		642.608	(122.419)
Working capital changes	16	494.376	(7.677.989)
Cash flow from ordinary operating activities		**1.136.984**	**(7.800.408)**
Financial income received		501.912	0
Financial income paid		(2.879.357)	(1.082.551)
Income taxes refunded/(paid)		530.669	(132.808)
Cash flows from operating activities		**(709.792)**	**(9.015.767)**
Cash flows from investing activities		**0**	**0**
Issuance of bonds		257.190	29.153.477
Instalments on loans etc		132.847	(22.800.019)
Cash increase of capital		322.125	2.684.527
Cash flows from financing activities		**712.162**	**9.037.985**
Increase/decrease in cash and cash equivalents		**2.370**	**22.218**
Cash and cash equivalents beginning of year		98	(22.120)
Cash and cash equivalents end of year		**2.468**	**98**
Cash and cash equivalents at year-end are composed of:			
Cash		2.468	98
Short-term debt to banks		0	0
Cash and cash equivalents end of year		**2.468**	**98**

Parent balance sheet at 30.04.2019

	Notes	2018/19 EUR	2017/18 EUR
Investments in group enterprises		43.914.624	41.979.505
Fixed asset investments	6	**43.914.624**	**41.979.505**
Non-current assets		**43.914.624**	**41.979.505**
Receivables from group enterprises		6.531.418	7.696.451
Deferred tax	9	2.194	2.282
Other receivables		344.573	10.797
Income tax receivable		220.363	739.347
Receivables		**7.098.548**	**8.448.877**
Cash		**2.468**	**98**
Current assets		**7.101.016**	**8.448.975**
Assets		**51.015.640**	**50.428.480**

Parent balance sheet at 30.04.2019

	Notes	2018/19 EUR	2017/18 EUR
Contributed capital		161.542	158.638
Reserve for net revaluation according to the equity method		3.557.878	1.622.759
Retained earnings		16.345.879	17.765.275
Equity		**20.065.299**	**19.546.672**
Bonds		29.410.667	29.153.477
Other payables		1.539.674	1.406.827
Non-current liabilities	8	**30.950.341**	**30.560.304**
Other payables		0	321.504
Current liabilities		**0**	**321.504**
Liabilities		**30.950.341**	**30.881.808**
Equity and liabilities		**51.015.640**	**50.428.480**
Contingent liabilities	11		
Mortgages and securities	12		
Related parties with controlling interest	13		
Financial risks and financial instruments	14		
Events after the reporting period	15		

Parent statement of shareholders' equity

EUR'000	Share capital	Retained earnings	Foreign currency translation adjustment	Hedging reserves	Reserve for net revaluation under the equity method	Total
2018/19						
Shareholders' equity at beginning of year	**159**	**17.765**	**0**	**0**	**1.623**	**19.547**
Change in accounting policies	0	0	0	0	347	347
Shareholders' equity at beginning of year after change in accounting policies	**159**	**17.765**	**0**	**0**	**1.970**	**19.894**
Profit for the year	0	(1.741)	0	0	1.552	(189)
Other comprehensive income	0	2	0	0	36	38
Total comprehensive income	**159**	**16.026**	**0**	**0**	**3.558**	**19.743**
Capital increases	3	319	0	0	0	322
Shareholders' equity at end of year	**162**	**16.345**	**0**	**0**	**3.558**	**20.065**
2017/18						
Shareholders' equity at beginning of year	**134**	**16.244**	**0**	**0**	**0**	**16.378**
Profit for the year	0	(940)	0	0	1.623	683
Other comprehensive income	0	(199)	0	0	0	(199)
Total comprehensive income	**134**	**15.105**	**0**	**0**	**1.623**	**16.862**
Capital increases	25	2.660	0	0	0	2.685
Shareholders' equity at end of year	**159**	**17.765**	**0**	**0**	**1.623**	**19.547**

At 30 April 2019 the number of shares is 1,201.922 of the nominal value of EUR 161,542.

No dividend is suggested declared in 2018/19.

At 30 April 2018 the number of shares is 1,180.288 of the nominal value of EUR 158,638.

No dividend is suggested declared in 2017/18.

Notes to parent financial statements

	2018/19 EUR	2017/18 EUR
1. Audit fee		
Statutory audit	10.067	8.053
	10.067	**8.053**

2. Other income

Other income concerns purchase price adjustment.

	2018/19 EUR	2017/18 EUR
3. Other financial income		
Financial expenses arising from group enterprises	501.912	0
Exchange rate adjustments	5.301	0
	507.213	**0**

	2018/19 EUR	2017/18 EUR
4. Tax on profit/loss for the year		
Tax on current year taxable income	11.597	(265.093)
Change in deferred tax for the year	0	0
	11.597	**(265.093)**

	2018/19 EUR	2017/18 EUR
5. Proposed distribution of profit/loss		
Retained earnings	(189.301)	682.883
	(189.301)	**682.883**

Notes to parent financial statements

	Investments in group enterprises EUR
6. Fixed asset investments	
Cost beginning of year	40.356.746
Cost end of year	**40.356.746**
Revaluations beginning of the year	1.622.759
Change in accounting policies	347.185
Share of profit/loss for the year	1.551.832
Currency adjustment	36.102
Revaluations end of year	**3.557.878**
Carrying amount end of year	**43.914.624**

	Registered office in	City	Ownership share %
7. Subsidiaries			
2018/19			
Company name			
Cipp Technology Holding ApS	Denmark	Hellerup	100
- IMPREG GmbH	Germany	Ammerbuch	100
- Trenchless Consulting GmbH	Germany	Ammerbuch	100
- IMPREG (Suzhou) Co. Ltd.	China	Suzhou	100
- IMPREG Holding Tnc.	USA	Richmond	100
- IMPREG Consulting US LLC	USA	Richmond	100
2017/18			
Company name			
Cipp Technology Holding ApS	Denmark	Hellerup	100
- IMPREG GmbH	Germany	Ammerbuch	100
- Trenchless Consulting GmbH	Germany	Ammerbuch	100
- IMPREG (Suzhou) Co. Ltd.	China	Suzhou	100
- IMPREG Holding Tnc.	USA	Richmond	100
- IMPREG Consulting US LLC	USA	Richmond	100

Notes to parent financial statements

8. Liabilities other than provisions

	Instalments within 12 months 2018/19 EUR	Instalments between 12-60 months 2018/19 EUR	Outstanding after 60 months EUR
Bonds	0	29.410.667	0
Other payables	0	1.539.674	0
	0	**30.950.341**	**0**

	Instalments within 12 months 2017/18 EUR	Instalments between 12-60 months 2017/18 EUR	Outstanding after 60 months EUR
Bonds	0	29.153.477	0
Other payables	0	0	1.406.827
	0	**29.153.477**	**1.406.827**

9. Deferred tax assets and deferred tax liabilities

2018/19 EUR	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, financial non-current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Deferred tax, short term liabilities	Total deferred tax
Deferred tax beginning of year	**0**	**0**	**0**	**0**	**0**	**2.282**	**0**	**0**	**2.282**
Charge to the income statement	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	(88)	0	0	(88)
Deferred tax end of year	**0**	**0**	**0**	**0**	**0**	**2.194**	**0**	**0**	**2.194**

Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	2.194
Deferred tax liability	0
Deferred tax asset year end, net	**2.194**

2017/18 EUR	Deferred tax, intangible assets	Deferred tax tangible assets	Deferred tax, financial non-current assets	Deferred tax, current assets	Deferred tax, provisions	Deferred tax, taxable losses prior years	Deferred tax, long term liabilities	Deferred tax, short term liabilities	Total deferred tax
Deferred tax beginning of year	**0**	**0**	**0**	**0**	**0**	**2.285**	**0**	**0**	**2.285**
Charge to the income statement	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	(3)	0	0	(3)
Deferred tax end of year	**0**	**0**	**0**	**0**	**0**	**2.282**	**0**	**0**	**2.282**

Deferred tax is presented in the balance sheet as follows:

Deferred tax asset	2.282
Deferred tax liability	0
Deferred tax asset year end, net	**2.282**

Notes to parent financial statements

	2018/19 EUR	2017/18 EUR
10. Income tax		
Current tax		
Current tax on profit for the year	11.685	(265.093)
Adjustment in respect of prior years	0	0
Total current tax	**11.685**	**(265.093)**
Deferred tax		
Adjustment of deferred tax asset/liability	(88)	0
Adjustment of deferred tax asset/liability in respect of prior years	0	0
Total deferred tax	**(88)**	**0**
Total income tax	**11.597**	**(265.093)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profit of the consolidated entities as follows:

	2018/19 EUR	2017/18 EUR
Earnings before tax	**177.704**	**417.789**
Income from equity method used towards subsidiaries	(1.551.832)	(1.622.759)
Earnings before tax, Parent company	**(1.729.536)**	**(1.204.940)**
Calculated tax at Danish statutory rate of 22.0%	(380.498)	(265.093)
Adjustment in respect of prior years	0	0
Income/expenses not subject to tax	392.095	0
Tax charge	**11.597**	**(265.093)**

11. Contingent liabilities

Joint taxation arrangement

Cipp Technology Solutions A/S is party to a mandatory Danish joint taxation arrangement with Anpartsselskabet af 16. November 2015 serving as the administration company. The joint taxation arrangement complies with general Danish tax legislation and has included other Danish sister companies due to common ultimate ownership. From 16 July 2015, the company is partially jointly and secondarily liable for obligations, if any, relating to withholding of tax on interest, royalties and dividend for the jointly taxed companies. However, secondary liability cannot exceed an amount equivalent to the share of capital of the company which is owned directly or indirectly by the ultimate parent.

Notes to parent financial statements

12. Mortgages and securities

Mortgages and securities

Bank debt to Sydbank A/S has been secured by a floating charge on unsecured claims in Cipp Technology Holding ApS. The carrying amount of charged claims is DKK 8,000k (30.04.2018: DKK 8,000k) equivalent to EUR 1,074k (30.04.2018: EUR 1,074k).

Security

In April 2018, the company issued a bond for an amount of EUR 30,000k. The company has obtained a loan facility of DKK 5,452k (30.04.2018: DKK 7,185k) equivalent to EUR 732k (30.04.2018: EUR 964k) and a working capital facility consisting of an overdraft facility limited to DKK 30,000k (EUR 4,027k). The bond-holders and the provider of the loan and working capital facilities have entered into an intercreditor agreement sharing the following security:

- A share pledge agreement in respect of the company;
- A share pledge agreement in respect of iMPREG GmbH;
- A share pledge agreement in respect of Cipp Technology Holding ApS;
- An assignment agreement in respect of receivable claims of iMPREG GmbH;
- A pledge agreement in respect of the Danish Floating Charge of Cipp Technology Holding ApS; and
- A pledge agreement in respect of an intra-group loan from the company to Cipp Technology Holding ApS in the nominal amount equivalent to approximately EUR 10,000k

Guerentees

As part of the bond issue, DnB Bank ASA has provided a guarantee of SEK 50k (EUR 5k) to Euroclear Sweden AB regarding the assignment to keep a CSD-register for financial instruments issued by the company. The guarantee is an on-demand guarantee and is valid for five years or until the company has fulfilled all its obligations, whichever comes first.

Collateral securities provided for subsidiaries and group enterprises

The company has guaranteed Cipp Technology Holding ApS' debt to Sydbank. The subsidiary's bank loans amount to EUR 1,083k (EUR 1,083k).

13. Related parties with controlling interest

BWB Partners I K/S has through Anpartsselskabet af 16. November 2015 the controlling interest as BWB Partners I K/S through Anpartsselskabet af 16. November 2015 holds the majority of the shares in the company.

Notes to parent financial statements

14. Financial risks and financial instruments

Financial risk factors refer to fluctuations in the company's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.

Exchange rate risk

The Companies' business activities are predominantly based in EUR. Most of the business has no or very limited transaction-related exchange rate exposure. Significant investments in foreign entities are financed in EUR. Consequently, material currency exposure for the company is limited to translation risks related to foreign subsidiaries, and the loans taken out to finance these investments.

The company is mainly exposed to the currencies EUR, CNY and USD.

The following table details the company's sensitivity to a 10% increase in CNY and USD. The sensitivity analysis includes investments in relevant subsidiaries and external debt, where the debt is denominated in the relevant currency. A positive number indicates an increase in profit/(loss) or equity where the currency strengthens 10% against EUR at the balance sheet date. A 10% weakening of the currency would have a comparable but opposite impact on profit/(loss) and equity.

	CNY impact	
EUR	**2018/19**	**2017/18**
Impact on profit/(loss) from translation of debt and investments in subsidiaries	69.575	721
Impact on equity from translation of debt and investments in subsidiaries	224.384	150.927

	USD impact	
EUR	**2018/19**	**2017/18**
Impact on profit/(loss) from translation of debt and investments in subsidiaries	205.749	6.214
Impact on equity from translation of debt and investments in subsidiaries	248.504	25.042

Interest rate risk

The interest rates of credit facilities are a mix of fixes and variable interests. CIPP Technology Solutions A/S do not use derivative contracts to hedge the interest rate risks.

Notes to parent financial statements

14. Financial risks and financial instruments continuing

Interest rate sensitivity analysis:

If interest rates had been 100 basis points higher and all other variables constant, the company's profit for the year ended 30 April 2019 would decrease by EUR 325k (2017/18: decrease by EUR 312k) due to the Group's exposure to interest rates on variable-rate borrowings.

The sensitivity analysis was based on the Group's exposure to floating-rate liabilities and derivatives at the end of the reporting period. For floating-rate liabilities, the analysis is based on the assumption that the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

Liquidity risk

CIPP Technology Solutions A/S has entered into a long-term committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements. This is done by ensuring that the cash flow on a monthly basis matches the planned cash needs. CIPP Technology Solutions A/S is in a sound financial position with significant positive cash flows from operating activities and adequate cash reserves.

Credit risk

Credit risk mainly relates to receivables from group entreprises. The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk.

Fair value measurements

CIPP Technology Solutions A/S measures not financial instruments hedging future cash flow at fair value. The company does not have any assets or liabilities measured at fair value.

The management is of the opinion that the carrying amounts of all other financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

Capital structure

The company's management assesses whether the company's capital structure is in line with the interests of the company and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth. There are no changes in the company's guidelines and procedures for managing capital structure in 2018/19.

15. Events after the reporting period

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

	2018/19 DKK	2017/18 DKK
16. Change in working capital		
Increase/decrease in receivables	815.880	(7.140.240)
Increase/decrease in trade payables etc.	(321.504)	(537.749)
	494.376	**(7.677.989)**

Accounting policies

Principles applied in the preparation of the consolidated financial statements
The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") and additional requirements of the Danish Financial Statements Act.

Accounting policies are uncanged compared to last year except implementation of IFRS 9, IFRS 15 and IFRS 16.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Significant accounting estimates and judgements
Preparing the consolidated financial statements in accordance with IFRS requires that Management makes assessments, estimates and assumptions that affect the application of accounting policies and the recognized amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes to estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both current periods and future periods. Assessments made by Management in the application of IFRS that have a material impact on the consolidated financial statements and estimates made that may lead to significant adjustments in the consolidated financial statements of future financial years are primarily the following:

Impairment testing of goodwill
Goodwill is recognized at cost less any accumulated impairment. The Group regularly and at least annually performs impairment tests of goodwill in accordance with the accounting policies. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital are described in note 12, Impairment of goodwill.

Accounting policies

Impact from new IFRS standards

The CIPP Technology Solutions group has implemented all new or amended accounting standards and interpretations as adopted by the EU and applicable for the 2018/19 financial year, including IFRS 9 "Financial Instruments" that replaced IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" all with effective date 1 May 2018.

IFRS 9

CIPP Technology Solutions group has implemented IFRS 9 in the financial year 2018/19, using the modified retrospective approach where periods before 1 May 2018 are not restated and any difference between the previous carrying amount and the carrying amount at 1 May 2018 according to IFRS 9 are recognised in the opening retained earnings at 1 May 2018.

Through IFRS 9, the IASB has made a number of changes to the recognition of financial instruments. The amendments contain new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting.

The amendments of recognition and measurement has not impacted the consolidated financial statements. Since bad debt losses have been and are expected to be very limited, the effect is immaterial. The new rules for hedge accounting has no material effect on the recognition in the consolidated financial statements.

The annual effect for the future financial reports is assessed to be limited.

IFRS 15

CIPP Technology Solutions group has implemented IFRS 15 in the financial year 2018/19 retrospectively with recognition of the cumulative effect of initially applying this standard recognised in the retained earnings at 1 May 2018 without restatement of comparative figures.

The cumulative effect of initially applying IFRS 15 recognised in the retained earnings at 1 May 2018 amounts EUR 347k.

The implementation of IFRS 15 has affected the financial year 2018/19 as following:

- Revenue, EUR 0k
- Profit /loss before tax, EUR 0k
- Assets, EUR 445k
- Equity, EUR 347k

The annual effect for the future financial reports is assessed to be limited.

IFRS 16

CIPP Technology Solutions group has implemented IFRS 16 in the financial year 2018/19, using the modified retrospective approach where the lease obligation is calculated at the present value of the remaining lease payments discounted with the Group's marginal loan rate at the time of implementation. Further, the discount rate has been calculated together for portfolios of leases with similar characteristics.

Accounting policies

The new standard entails for lessees that all leases that meet the definition in the standard of a lease are to be recognized as an asset and liability in the balance sheet, with depreciation and interest expense recognized in the income statement. Agreements for primarily the lease of premises, which previous comprise operating leases, are now recognized in the balance sheet as an asset and liability except for the accrued amounts arising in connection with the financial statements.

The cumulative effect of initially applying IFRS 16 recognised in the retained earnings at 1 May 2018 amounts EUR 0 k.

The implementation of IFRS 16 has affected the financial year 2018/19 as following:

- EBITDA, EUR 1.064k
- Profit /loss before tax, EUR (8)k
- Assets, EUR 2.369k
- Equity, EUR (8)k

Further, the implementation of IFRS 16 has an adverse impact on the solvency ration of 1,3%-points and an impact on the cash flow statement, cash flow from ordinary operationg activities. IFRS 16 will continuously affect the financial reporting in the future as new leasing contracts are concluded.

New IFRS standards that have not yet been applied
A number of new or amended IFRS standards will come into effect in future financial years, and have not been applied in advance when preparing these consolidated financial statements.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised when control of goods sold has transferred to the customer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns. When the Group provides services, revenue is recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. Sales are recognized net after VAT and discounts.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Accounting policies

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, net capital gains on transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on transactions in foreign currencies etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The parent company is jointly taxed with all of its Danish subsidiaries with Anpartsselskabet af 16. november 2015 serving as the administration company. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment of goodwill is recognised directly in profit/(loss). An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit/(loss) on disposal.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and acquired intellectual property rights.

Accounting policies

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Leases that meet the definition in IFRS 16 are recognized as an asset in the balance sheet (Right of use assets), with depreciation recognized in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years
Right of use assets	0-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less expected credit losses.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Cash
Cash comprises cash in hand and bank deposits.

Leases
Leases that meet the definition in IFRS 16 are recognized as liabilities and is measured at the time of entering into the contract to the present value of future lease payments.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.