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

# Annual report 2017/18

The Annual General Meeting adopted the annual report on 23.08.2018

**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: 01.05.2017 - 30.04.2018

**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 2017 - 30 April 2018.

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 2018 and of the results of their operations and cash flows for the financial year 1 May 2017 - 30 April 2018.

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, 23.08.2018

**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 2017 - 30 April 2018, 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 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 2018, and of the results of their operations and cash flows for the financial year 1 May 2017 - 30 April 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.

**Statement on the management commentary**

Management is responsible for the management commentary.

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.

# Independent auditor's report

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. 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.

# Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Aarhus, 23.08.2018

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jacob Nørmark
State-Authorised Public Accountant
mne30176

Lars Andersen
State-Authorised Public Accountant
mne34506

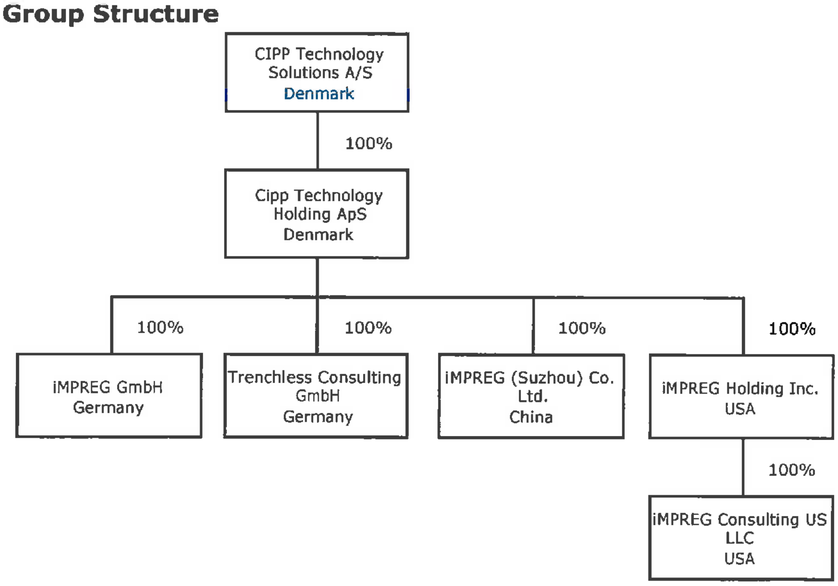
# Management commentary

| | 2017/18 EUR'000 | 2016/17 EUR'000 | 2015/16 EUR'000 |
|---|---|---|---|
| **Key figures** | | | |
| Revenue | 43.000 | 36.374 | 14.770 |
| Gross profit | 11.547 | 11.616 | 2.711 |
| EBITDA | 4.316 | 4.558 | 1.076 |
| Operating profit/loss | 3.266 | 3.805 | 281 |
| Net financials | (1.909) | (1.073) | (308) |
| Profit/loss for the year | 484 | 1.588 | (178) |
| Total assets | 55.658 | 52.299 | 49.640 |
| Investments in property, plant and equipment | 6.753 | 6.778 | 5.190 |
| Equity | 19.547 | 16.380 | 14.599 |
| Cash flows from (used in) operating activities | (1.934) | (2.634) | 50 |
| Cash flows from (used in) investing activities | (2.042) | (2.542) | (41.051) |
| Cash flows from (used in) financing activities | 10.218 | (3.000) | 41.705 |
| **Ratios** | | | |
| Return on equity (%) | 2,5 | 10,9 | (1,2) |
| Equity ratio (%) | 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.*

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

## Group Structure



# Management commentary

### Transition to IFRS

The accounting policies have been changed relative to last year due to the Group's transition from reporting according to the Danish Financial Statements Acts to reporting according to IFRS as of 1 May 2017. The comparative figures for 2016/17 have been restated in accordance with the IFRS standards, and the opening balance sheet at 1 May 2016 has also been restated so that it too complies with the transitional provisions set out in IFRS 1 concerning first-time adoption of International Financial Reporting Standards.

The transition to presenting the financial statements in accordance with IFRS impacts CIPP Technology Solutions A/S, for example, in the following areas:

- Goodwill is no longer amortised on a straight-line basis, but is subject to an annual impairment test in which the value of goodwill is assessed based on several financial ratios
- Exchange rate differences regarding foreign operations are classified as other comprehensive income
- The note disclosures have been significantly expanded.

All adopted and relevant standards have been applied on implementation.

The effect of the transition to IFRS is shown in note 1 to the financial statements along with explanations of the most significant changes to the figures. The most significant changes for the 2016/17 financial year relate to the reversal of goodwill amortisations. The operating profit (EBIT) rose from EUR 1.9m to EUR 3.6m, of which EUR 1.7m results from the reversal of goodwill amortisation. The consolidated profit rose from EUR 0.1m to EUR 1.8m.

The group's balance sheet total at 30 April 2017 rose from EUR 50.6m to EUR 52.3m, of which EUR 1.7m results from the reversal of goodwill amortisations.

Equity rose from EUR 14.7m to EUR 16.4m.

For a further specification of the changes in the income statement and balance sheet, reference is made to note 1 to the financial statements.

### Primary activities

The primary activities of the Group are within the sewer rehabilitation market, which is a growth market driven by the core market in Europe combined with gradually increased penetration in APAC and Americas.

The activities of the Group consist in commercial activities, investments and consultancy activities through active ownership of companies within the sewer rehabilitation industry.

# Management commentary

### Development in activities and finances

The Group continued to see growth in the core European market. In FY 17/18 the Group also expanded its operational footprint and established a manufacturing unit in China to support the growing APAC market. In FY17/18 the Group also initiated an operational presence in the US for the Americas market, initially primarily North America. The financial results are influenced by our increased activity level and investments in the new markets.

The income statement for the period 1 May 2017 – 30 April 2018 showed an EBITDA of EUR 4.3m against EUR 4.4m for the period 1 May 2016 – 30 April 2017.

Management considers profit for the year satisfactory.

The Group issued EUR 30m Senior Secured Bonds in April 2018 to ensure capital for the global expansions. The bonds are listed on the Frankfurt Stock Exchange (Ge.: Börse Frankfurt)

### Particular risks

The Group is exposed to risk from currency fluctuation, changes in raw material pricing, individual customer relationships, labour conflicts, and any form of external risks such as flooding, severe weather, etc.

### Outlook

The Group expects a positive development of the activities and financial performance for the coming financial year.

Our expectation for FY18/19 is an EBITDA range between EUR 5.6m and 6.1m, driven by larger volume and higher efficiency in new markets.

### Events after the balance sheet date

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

# Consolidated income statement for 2017/18

| | Notes | 2017/18 EUR | 2016/17 EUR |
|---|---|---|---|
| Revenue | 2 | 42.999.850 | 36.374.017 |
| Cost of sales | | (27.217.410) | (21.942.004) |
| Other external expenses | | (4.235.238) | (2.816.287) |
| **Gross profit** | | **11.547.202** | **11.615.726** |
| Staff costs | 3 | (7.230.803) | (7.057.343) |
| Depreciation, amortisation and impairment losses | 4 | (1.050.351) | (752.946) |
| **Operating profit/loss** | | **3.266.048** | **3.805.437** |
| Other financial income | 5 | 45.599 | 12.214 |
| Other financial expenses | 6 | (1.700.164) | (1.344.663) |
| **Profit/loss before tax** | | **1.611.483** | **2.472.988** |
| Tax on profit/loss for the year | 7 | (928.600) | (884.815) |
| **Profit/loss for the year** | 8 | **682.883** | **1.588.173** |
| Attributable to: | | | |
| Shareholders of CIPP Technology Solutions A/S | | 682.883 | 1.588.173 |
| | | **682.883** | **1.588.173** |

# Statement of comprehensive income

| | Notes | 2017/18 EUR | 2016/17 EUR |
|---|---|---|---|
| **Profit for the year** | | **682.883** | **1.588.173** |
| **Other comprehensive income** | | | |
| **Items that can be reclassified to the income statement when certain conditions are met:** | | | |
| Exchange differences | | (254.664) | 259.334 |
| Tax relating to exchange differences | 7 | 56.027 | (57.053) |
| **Total comprehensive income** | | **484.245** | **1.790.454** |
| Attributable to: | | | |
| Shareholders of CIPP Technology Solutions A/S | | (198.638) | 202.281 |
| | | **484.245** | **1.790.454** |

# Consolidated cash flow statement for 2017/18

| | Notes | 2017/18 EUR | 2016/17 EUR |
|---|---|---|---|
| Operating profit/loss | | 3.266.048 | 3.805.437 |
| Amortisation, depreciation and impairment losses | | 1.050.351 | 752.946 |
| Working capital changes | 15 | (4.308.831) | (1.740.984) |
| Other changes | | 1.110.121 | 259.334 |
| **Cash flow from ordinary operating activities** | | **1.117.689** | **3.076.733** |
| Financial income received | | 45.599 | 12.214 |
| Financial expenses paid | | (1.700.164) | (1.344.663) |
| Income taxes refunded/(paid) | | (714.566) | (2.790.438) |
| **Cash flows from operating activities** | | **(2.369.131)** | **(4.122.887)** |
| Acquisition etc of intangible assets | | (916.939) | (172.101) |
| Acquisition etc of property, plant and equipment | | (1.125.363) | (2.987.248) |
| Sale of property, plant and equipment | | 0 | 617.367 |
| **Cash flows from investing activities** | | **(2.042.302)** | **(2.541.982)** |
| Issuance of bonds | | 29.153.477 | 0 |
| Instalments on loans etc | | (21.619.523) | (3.000.592) |
| Cash increase of capital | | 2.684.527 | 0 |
| **Cash flows from financing activities** | | **10.218.481** | **(3.000.592)** |
| **Increase/decrease in cash and cash equivalents** | | **6.924.737** | **(6.588.728)** |
| Cash and cash equivalents beginning of year | | (5.818.001) | 770.727 |
| **Cash and cash equivalents end of year** | | **1.106.736** | **(5.818.001)** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 1.382.928 | 407.997 |
| Short-term debt to banks | | (276.192) | (6.225.998) |
| **Cash and cash equivalents end of year** | | **1.106.736** | **(5.818.001)** |

# Consolidated balance sheet at 30.04.2018

| | Notes | 2017/18 EUR | 2016/17 EUR | 1 May 2016 EUR |
|---|---|---|---|---|
| Completed development projects | | 1.431.701 | 669.647 | 644.073 |
| Acquired rights | | 41.287 | 52.539 | 63.162 |
| Goodwill | 11 | 33.392.838 | 33.392.838 | 33.367.269 |
| **Intangible assets** | 9 | **34.865.826** | **34.115.024** | **34.074.504** |
| Plant and machinery | | 5.374.168 | 6.155.589 | 4.174.706 |
| Other fixtures and fittings, tools and equipment | | 1.093.111 | 430.600 | 424.353 |
| Property, plant and equipment in progress | | 285.267 | 191.900 | 400.868 |
| **Property, plant and equipment** | 10 | **6.752.546** | **6.778.089** | **4.999.927** |
| **Non-current assets** | | **41.618.372** | **40.893.113** | **39.074.431** |
| Raw materials and consumables | | 2.475.478 | 1.329.563 | 1.267.094 |
| Work in progress | | 1.260.454 | 1.121.124 | 1.065.255 |
| Manufactured goods and goods for resale | | 732.386 | 1.401.740 | 559.162 |
| **Inventories** | | **4.468.318** | **3.852.427** | **2.891.511** |
| Trade receivables | 14 | 6.508.969 | 5.628.100 | 3.318.527 |
| Deferred tax | 13 | 551.837 | 184.694 | 230.275 |
| Other receivables | | 961.422 | 683.063 | 441.895 |
| Income tax receivable | | 0 | 519.520 | 0 |
| Prepayments | | 165.718 | 129.704 | 58.412 |
| **Receivables** | | **8.187.946** | **7.145.081** | **4.049.109** |
| **Cash** | | **1.382.928** | **408.014** | **3.598.112** |
| **Current assets** | | **14.039.193** | **11.405.523** | **10.538.732** |
| **Assets** | | **55.657.565** | **52.298.636** | **49.613.163** |

# Consolidated balance sheet at 30.04.2018

| | Notes | 2017/18 EUR | 2016/17 EUR | 1 May 2016 EUR |
|---|---|---|---|---|
| Contributed capital | | 158.638 | 134.439 | 134.336 |
| Retained earnings | | 19.388.034 | 16.245.091 | 14.456.429 |
| **Equity** | | **19.546.672** | **16.379.530** | **14.590.765** |
| | | | | |
| Deferred tax liabilities | 13 | 600.420 | 0 | 0 |
| Subordinate loan capital | | 0 | 7.339.497 | 6.835.669 |
| Bank loans | | 707.844 | 12.361.533 | 20.137.023 |
| Bonds | | 29.153.477 | 0 | 0 |
| Other payables | | 1.406.827 | 0 | 0 |
| **Non-current liabilities** | **12** | **31.868.568** | **19.701.030** | **26.972.692** |
| | | | | |
| Current portion of long-term liabilities | 12 | 258.130 | 4.291.310 | 0 |
| Bank loans | | 276.192 | 6.225.998 | 2.827.384 |
| Trade payables | | 2.087.998 | 2.678.786 | 756.416 |
| Income tax payable | | 1.050.748 | 545.815 | 1.929.219 |
| Other payables | | 558.261 | 2.476.167 | 2.413.087 |
| Deferred income | | 10.996 | 0 | 123.600 |
| **Current liabilities** | | **4.242.325** | **16.218.076** | **8.049.706** |
| | | | | |
| **Liabilities** | | **36.110.893** | **35.919.106** | **35.022.398** |
| | | | | |
| **Equity and liabilities** | | **55.657.565** | **52.298.636** | **49.613.163** |

| | |
|---|---|
| Unrecognised rental and lease commitments | 17 |
| Mortgages and securities | 18 |
| Contingent liabilities | 19 |
| Related parties and group relations | 20 |
| Financial risks and financial instruments | 21 |
| Events after the reporting period | 22 |

# Consolidated statement of shareholders' equity

| 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 |
| Capital increases | 25 | 2.659 | 2.684 |
| Other comprehensive income | 0 | (199) | (199) |
| **Total comprehensive income** | **25** | **3.143** | **3.168** |
| **Shareholders' equity at end of year** | **159** | **19.388** | **19.547** |
| **2016/17** | | | |
| **Shareholders' equity at beginning of year** | **134** | **12.758** | **12.892** |
| Adjustment according to IFRS | 0 | 1.698 | 1.698 |
| **Adjusted equity at beginning of year** | **134** | **14.456** | **14.590** |
| Profit for the year | 0 | 1.588 | 1.588 |
| Other comprehensive income | 0 | 202 | 202 |
| **Total comprehensive income** | **0** | **1.790** | **1.790** |
| Dividend distributed | 0 | 0 | 0 |
| Other adjustments | 0 | (1) | (1) |
| **Shareholders' equity at end of year** | **134** | **16.245** | **16.379** |

Number of shares is 1,180,288 of the nominal value of EUR 158,638.

# Notes to consolidated financial statements

## 1. Effect of IFRS and critical accounting judgements and key sources of estimation uncertainty

### 1.1 Effect of IFRS

The consolidated financial statements included in this annual report have been prepared in accordance with the international Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Act.

The financial statements for 2017/18 are the first financial statements of the Group to be prepared in accordance with IFRS. The amounts in the consolidated financial statements for 2017/18 and 2016/17 as well as the opening balance sheet at 1 May 2016 have been prepared as if IFRS had always been applied, except where the Group has applied the special provisions of IFRS 1 "First-time Adoption of IFRSs" as explained below. Financial highlights and key ratios for the year 2015/16 in the management commentary have not been restated.

The consolidated effects of the transition to IFRS on the income statement and balance sheet position are shown in the overview below with explanatory notes:

| | 1 May 2016 | | | | 30 April 2017 | | |
|---|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Equity** | **Profit/loss** | **Assets** | **Liabilities** | **Equity** |
| **Applied according to Danish GAAP** | **49.613** | **35.022** | **14.591** | **103** | **50.601** | **35.919** | **14.682** |
| Reversed amortisation of goodwill | 0 | 0 | 0 | 1.698 | 1.698 | 0 | 1.698 |
| Other changes | 0 | 0 | 0 | (213) | 0 | 0 | 0 |
| Tax effect on above changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total adjustments** | **0** | **0** | **0** | **1.485** | **1.698** | **0** | **1.698** |
| Non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Applied according to IFRS** | **49.613** | **35.022** | **14.591** | **1.588** | **52.299** | **35.919** | **16.380** |

### Goodwill

Goodwill is no longer amortised in the income statement. Instead, the Group performs impairment tests annually and when there are indications for impairments. Until this point in time, goodwill has been amortised on a straight-line basis over its economic life up to a maximum of 20 years. At the transition to IFRS, the Group has exercised the exemption provision of IFRS 1, which allows the use of the carrying value of goodwill at the date of transition as the new deemed cost price in the opening balance sheet at 1 May 2016.

### 1.2 Application of new and revised International Financial Reporting Standards (IFRSs)

**Amendments to IFRSs that are mandatorily effective for the current year**

New and revised standards and interpretations that are mandatorily effective as at 1 May 2017 have been implemented in connection with the first time implementation of IFRS, cf. note 1.1.

# Notes to consolidated financial statements

**1. Effect of IFRS and critical accounting judgements and key sources of estimation uncertainty, continuing**

**New and revised IFRSs in issue but not yet effective**

At the time of publication of the 2017/18 consolidated financial statements of CIPP Technology Solutions A/S, there are a number of new or changed standards and interpretations which have not yet come into effect and which therefore have not been incorporated into the consolidated financial statements.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

CIPP Technology Solutions group will implement 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 Group recognises revenue from the following major sources:

- Sale of goods (business to business)

CIPP Technology Solutions group has analysed the effects of IFRS 15, and the analysis indicates that there are no material effects of implementing IFRS 15.

**IFRS 9 Financial Instruments**

IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 supersedes the current IAS 39 Financial Instruments: Recognition and Measurement and the related interpretations when it becomes effective.

CIPP Technology Solutions group will implement 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 recog-nised in the opening retained earnings at 1 May 2018.
CIPP Technology Solutions group has analysed the effects of IFRS 9, and the analysis shows no material effects in the provisions for bad debts, which will be based on expected losses and not incurred losses. The extent of hedging is currently at a minimum. IFRS 9 is not showing any changes in the classification of financial assets.

**IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

# Notes to consolidated financial statements

**1. Effect of IFRS and critical accounting judgements and key sources of estimation uncertainty, continuing**

CIPP Technology Solutions group has not yet begun analysing the possible effect of IFRS 16. The new IFRS is applicable for the financial year 2019/20, but the analysis will include considerations regarding early adoption. As CIPP Technology Solutions group has significant operating lease commitments, IFRS 16 is expected to increase non-current assets (right-of-use assets) as well as lease liabilities, and will also impact the income statement, cash flow statement and equity to some degree.

The directors are to begin the assessment of the impact of IFRS 16 during 2018/19.

**Other new or revised IFRS**

Other new or revised IFRSs in issue but not yet effective are not expected to have any material impact on future consolidated financial statements.

**1.3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the direc-tors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of the cash flows. Where the present value of the ex-pected cash flows will not exceed the carrying amount of goodwill, a material impairment loss may arise. The key assumptions used in the impairments tests of goodwill are disclosed in note 11. The car-rying amount of goodwill is EUR 33.393 k (2016/17: EUR 33.393 k).

# Notes to consolidated financial statements

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|

## 2. Revenue and segments

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.

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| EMEA | 34.708.520 | 31.683.220 |
| Americas | 2.634.998 | 2.326.580 |
| APAC | 5.656.332 | 2.364.217 |
| | **42.999.850** | **36.374.017** |
| Hereof sales of services | 293.233 | 227.674 |

The Group's products cannot be further broken down into more product groups.

**Non-current assets**

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| EMEA | 38.652.408 | 38.434.022 |
| Americas | 731.098 | 368.908 |
| APAC | 2.234.866 | 2.090.189 |
| | **41.618.372** | **40.893.113** |

**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.

**Disclosure on key customers**

Of the Group's total revenue from direct sales, EUR 9,959 (2016/17: EUR 11,193k) originates from sale to the Group's two most important customers. Sales to these customers each account for more than 10% of the Group's total revenue.

## 3. Staff costs

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| Wages and salaries | 6.324.990 | 6.281.284 |
| Other social security costs | 937.453 | 760.371 |
| Other staff costs | 156.301 | 99.036 |
| Staff costs classified as assets | (187.941) | (83.348) |
| | **7.230.803** | **7.057.343** |
| Average number of employees | 150 | 109 |

# Notes to consolidated financial statements

### 3. Staff costs continuing

| EUR | Board of Directors and Executive Board | Other key manage-ment | Total |
|---|---|---|---|
| **2017/18** | | | |
| Salary | 561.959 | 708.436 | 1.270.395 |
| **Cost at end of year** | **561.959** | **708.436** | **1.270.395** |
| | | | |
| **2016/17** | | | |
| Salary | 0 | 362.450 | 362.450 |
| **Cost at end of year** | **0** | **362.450** | **362.450** |

There are no warrant programmes for the Board of Directors, the Executive Board. other key manage-ment personnel or other employees.

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.

# Notes to consolidated financial statements

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **4. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 166.138 | 156.825 |
| Depreciation of property, plant and equipment | 884.213 | 639.258 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 0 | (43.137) |
| | **1.050.351** | **752.946** |

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **5. Financial income** | | |
| Interest income | 2.055 | 119 |
| Exchange rate adjustments | 43.544 | 12.095 |
| | **45.599** | **12.214** |

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **6. Financial expenses** | | |
| Interest expenses | 1.678.626 | 1.331.778 |
| Exchange rate adjustments | 21.471 | 467 |
| Other financial expenses | 67 | 12.418 |
| | **1.700.164** | **1.344.663** |

# Notes to consolidated financial statements

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **7. Income tax** | | |
| *Current tax:* | | |
| Current tax on profit for the year | 401.923 | 953.340 |
| Current tax on Other comprehensive income for the year | 56.027 | (57.053) |
| Total current tax | 457.950 | 896.287 |
| *Deferred tax:* | | |
| Adjustment of deferred tax asset/liability | 414.625 | 45.581 |
| Adjustment of deferred tax asset/liability in respect of prior years etc. | 0 | 0 |
| Total deferred tax | 414.625 | 45.581 |
| **Total income tax** | **872.575** | **941.868** |

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:

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **Earnings before tax** | **1.611.483** | **2.472.988** |
| Calculated tax at Danish statutory rate of 22% | 298.500 | 544.057 |
| Effect of difference in tax rate in foreign subsidiaries | 95.475 | 20.740 |
| Adjustment in respect of prior years | 0 | 0 |
| Income/expenses not subject to tax | 478.599 | 377.071 |
| **Tax charge** | **872.574** | **941.868** |

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

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **8. Proposed distribution of profit/loss** | | |
| Retained earnings | 682.882 | 1.588.173 |
| | **682.882** | **1.588.173** |

# Notes to consolidated financial statements

| | Completed development projects EUR | Acquired rights EUR | Goodwill EUR |
|---|---|---|---|
| **9. Intangible assets** | | | |
| **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 | | 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** |
| **2016/17** | | | |
| **Cost at beginning of year** | **1.110.535** | **73.849** | **33.951.364** |
| Adjustment according to IFRS | 0 | 0 | 0 |
| **Adjusted cost at beginning of year** | **1.110.535** | **73.849** | **33.951.364** |
| Exchange rate adjustments | 0 | (489) | 0 |
| Additions | 147.373 | 24.735 | 0 |
| **Total cost at end of year** | **1.257.908** | **98.095** | **33.951.364** |
| **Amortisation at beginning of year** | **(465.969)** | **(10.639)** | **(558.525)** |
| Adjustment according to IFRS | 0 | 0 | 0 |
| **Adjusted amortisation at beginning of year** | **(465.969)** | **(10.639)** | **0** |
| Exchange rate adjustments | 0 | 14 | 0 |
| Amortisation for the year | (122.293) | (34.931) | 0 |
| **Total amortisation at end of year** | **(588.262)** | **(45.556)** | **(558.525)** |
| **Carrying amount at end of year** | **669.646** | **52.539** | **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 2018, the carrying amount of these development projects was EUR 1,432k (30.04.2017: EUR 670k). This amount also includes the development of new IT systems whose development will continue in the coming financial year.

# Notes to consolidated financial statements

| | Plant and machinery EUR | Other fixtures and fittings, tools and equipment EUR | Property, plant and equipment in progress EUR |
|---|---|---|---|
| **10. Property, plant and equipment** | | | |
| **2017/18** | | | |
| **Cost at beginning of year** | **6.390.286** | **493.431** | **191.900** |
| Exchange rate adjustments | (293.363) | (12.916) | 0 |
| Additions | 344.380 | 689.341 | 285.267 |
| Disposals | 0 | (1.725) | (191.900) |
| Reclassifications | (130.639) | 130.638 | 0 |
| **Total cost as at end of year** | **6.310.664** | **1.298.769** | **285.267** |
| **Depreciation at beginning of year** | **(234.697)** | **(62.831)** | **0** |
| Exchange rate adjustments | 6.832 | 12.317 | 0 |
| Depreciation for the year | (708.631) | (155.144) | 0 |
| **Depreciation at end of year** | **(936.496)** | **(205.658)** | **0** |
| **Carrying amount at end of year** | **5.374.168** | **1.093.111** | **285.267** |
| **Hereof financial leasing** | **0** | **0** | **0** |
| **2016/17** | | | |
| **Cost at beginning of year** | **4.334.529** | **455.465** | **401.175** |
| Adjustment according to IFRS | 0 | 0 | 0 |
| **Adjusted cost at beginning of year** | **4.334.529** | **455.465** | **401.175** |
| Exchange rate adjustments | 0 | 0 | 0 |
| Additions | 2.814.201 | 127.528 | 0 |
| Disposals | (758.444) | (89.562) | (209.275) |
| Reclassifications | 0 | 0 | 0 |
| **Total cost at end of year** | **6.390.286** | **493.431** | **191.900** |
| **Depreciation at beginning of year** | **(156.623)** | **(30.786)** | **0** |
| Adjustment according to IFRS | 0 | 0 | 0 |
| **Adjusted depreciation at beginning of year** | **(156.623)** | **(30.786)** | **0** |
| Exchange rate adjustments | 0 | 0 | 0 |
| Depreciation for the year | (526.264) | (112.995) | 0 |
| Reversal regarding disposals | 448.190 | 80.950 | 0 |
| **Total depreciation at end of year** | **(234.697)** | **(62.831)** | **0** |
| **Carrying amount at end of year** | **6.155.589** | **430.600** | **191.900** |
| **Hereof financial leasing** | **0** | **0** | **0** |

# Notes to consolidated financial statements

### 11. Impairment test Goodwill

Besides goodwill there are no intangible assets with indefinite useful lives. At 30 April 2018, the goodwill accounted for EUR 33m, (2016/17: 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 2018 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 2025.

Budgets and projections for the 2018-2025 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 2025 takes into 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 2% 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 2018 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:

| | **Increase in EBIT from 2018 until terminal period** | **Increase of Net Working Capital from 2018 until 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% |

# Notes to consolidated financial statements

## 11. Impairment test Goodwill continuing

| | Increase in EBIT from 2018 until terminal period | Increase of Net Working Capital from 2018 until terminal period |
|---|---|---|
| **2016/17** | | |
| 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 2017/18 EUR | Instalments between 12-60 months 2017/18 EUR | Outstanding after 60 months EUR |
|---|---|---|---|
| **12. Financial liabilities at amortised cost** | | | |
| Bond | 0 | 29.153.477 | 0 |
| Other payables | 0 | 1.406.827 | 0 |
| Bank loans | 258.130 | 707.844 | |
| | **258.130** | **31.268.148** | **0** |

**Fair value**

At 30 April 2018, the latest trading price quoted for the bond on the Frankfurt Stock Exchange (Börse Frankfurt) was 100.00. The fair value of the bond is equivalent to EUR 30,000k, compared to the carrying amount of EUR 29,153k (adjusted for capitalized fees of EUR 847k). The fair value of the remaining loans is equivalent to the carrying amounts. Hence, the total fair value of loans at 30 April 2018 was EUR 30,000k, excluding capitalized fees of EUR 847k.

| | Instalments within 12 months 2016/17 EUR | Instalments between 12-60 months 2016/17 EUR | Outstanding after 60 months EUR |
|---|---|---|---|
| Subordinate loan capital | 0 | 7.339.497 | 0 |
| Bank loans | 4.291.310 | 12.361.533 | 0 |
| | **4.291.310** | **19.701.030** | **0** |

# Notes to consolidated financial statements

## 13. Deferred tax assets and deferred tax liabilities

| 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.

| 2016/17 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** | **(140.493)** | **34.806** | **0** | **335.962** | **0** | **0** | **0** | **0** | **230.275** |
| Charge to the income statement | (6.049) | 4.474 | 0 | (44.006) | 0 | 0 | 0 | 0 | (45.581) |
| Other adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Deferred tax end of year** | **(146.542)** | **39.280** | **0** | **291.956** | **0** | **0** | **0** | **0** | **184.694** |

| **Deferred tax is presented in the balance sheet as follows:** | |
|---|---|
| Deferred tax asset | 184.694 |
| Deferred tax liability | 0 |
| **Deferred tax asset year end, net** | **184.694** |

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

| | **2017/18 EUR** | **2016/17 EUR** |
|---|---|---|
| **14. Trade receivables** | | |
| Trade receivables | 6.671.928 | 5.778.868 |
| Provisions for impairment of trade receivables | (162.959) | (150.768) |
| | **6.508.969** | **5.628.100** |

# Notes to consolidated financial statements

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **14. Trade receivables continuing** | | |
| Impairment losses at beginning of year | 150.768 | 128.253 |
| Exchange rate adjustments | 0 | 0 |
| Impairment losses in the year | 12.191 | 22.515 |
| Realised in the year | 0 | 0 |
| **Impairment losses at end of year** | **162.959** | **150.768** |

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 | 1.345.485 | 1.248.253 |
| Overdue 31-90 days | 139.349 | 410.924 |
| Overdue 90-180 days | 419.768 | 279.096 |
| Over 180 days | 47.275 | 11.065 |
| | **1.951.877** | **1.949.338** |
| Undue not impaired receivables are split as follows: | | |
| Denmark | 38.914 | 67.958 |
| Other EU countries | 2.426.168 | 2.206.852 |
| USA | 48.676 | 309.946 |
| Other geographic markets | 2.031.296 | 1.005.835 |
| | **4.545.054** | **3.590.591** |

Included in the provision for impairment of trade receivables are individually impaired trade receivables amounting to EUR 10k (2016/17: EUR 10k).

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

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **15. Change in working capital** | | |
| Increase/decrease in inventories | (615.891) | (958.481) |
| Increase/decrease in receivables | (1.195.242) | (2.618.509) |
| Increase/decrease in trade payables etc | (2.424.105) | 760.703 |
| | **(4.235.238)** | **(2.816.287)** |

# Notes to consolidated financial statements

## 16. Reconciliation of liabilities arising from financing activities

| EUR | Long-term borrowings | Short-term borrowings | Lease liabilities | Total liabilities from financing activities |
|---|---|---|---|---|
| **Beginning of year** | **18.766.839** | **4.033.180** | **0** | **22.800.019** |
| Cash flows | 11.793.465 | (4.033.180) | 0 | 7.760.285 |
| **End of year** | **30.560.304** | **0** | **0** | **30.560.304** |

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **17. Rental and lease commitments** | | |
| Hereof liabilities under rental or lease agreements until maturity in total | **2.849.512** | **1.699.093** |

**Financial lease commitments**

| 2017/18 | Payments due 1 year EUR | Payments due between 1-5 years EUR | Outstand-ing after 5 years EUR |
|---|---|---|---|
| Minimum lease payments | 0 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 |

| 2016/17 | Payments due 1 year EUR | Payments due between 1-5 years EUR | Outstand-ing after 5 years EUR |
|---|---|---|---|
| Minimum lease payments | 0 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 |

**Operational lease commitments**

Operating leases relate to leases of building and equipment with lease terms between 1 and 5 years. The Group does not have an option to purchase the leased building or equipment at the end of the lease terms.

| 2017/18 | Payments due 1 year EUR | Payments due between 1-5 years EUR | Outstand-ing after 5 years EUR |
|---|---|---|---|
| Minimum lease payments | 758.551 | 2.090.962 | 0 |
| Present value of minimum lease payments | 743.677 | 2.029.865 | 0 |

# Notes to consolidated financial statements

### 17. Rental and lease commitments continuing

| 2016/17 | Payments due 1 year EUR | Payments due between 1-5 years EUR | Outstanding after 5 years EUR |
|---|---|---|---|
| Minimum lease payments | 735.542 | 963.551 | 0 |
| Present value of minimum lease payments | 721.120 | 935.396 | 0 |

Minimum lease payments for the year amounting to EUR 1,090k (2016/17: EUR 1,000k)

### 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 EUR 910k. (2016/17 EUR 910k)

### 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 7,185k (EUR 964k) and a working capital facility consisting of an overdraft facility limited to DKK 40,000k (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.

### 19. Contingent liabilities

On 30 April 2018, one of the group's subsidiaries has an obligation towards the German tax authorities to pay withholding tax of EUR 738k concerning intercompany royalty payments. The amount is due for payment in August 2018. Group management expects the full amount to be reclaimed. Hence, the amount is eliminated in the consolidated balance sheet.

### 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.

# Notes to consolidated financial statements

### 20. Related parties and group relations

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

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.

| **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 |

| **2016/17** | **Key persons EUR'000** | **Other related parties EUR'000** |
|---|---|---|
| Management and consulting fee | 0 | 0 |
| Financial items, net | 0 | 98 |
| Financial receivables | 0 | 0 |
| Financial payables | 0 | 2.217 |

### 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

# Notes to consolidated financial statements

**21. Financial risks and financial instruments continuing**

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 and CNY.

The following table details the Group's sensitivity to a 10% increase in CNY. 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** | **2017/18** | **2016/17** |
| Impact on profit/(loss) from translation of debt and investments in subsidiaries | 721 | (35.459) |
| Impact on equity from translation of debt and investments in subsidiaries | 150.927 | 152.596 |

**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 2018 would decrease by EUR 312k (2016/17: decrease by EUR 302k) 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.

# Notes to consolidated financial statements

**21. Financial risks and financial instruments continuing**

**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 measures not financial instruments hedging future cash flow at fair value.

The Group 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 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 2018, the Group's interest-bearing debt net comprise EUR 30 million (2016/17: EUR 30 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 2017/18.

**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 2017/18

| | Notes | 2017/18 EUR | 2016/17 EUR |
|---|---|---|---|
| Other external expenses | | (122.419) | 400 |
| **Gross profit** | | **(122.419)** | **400** |
| Income from investments in group enterprises | | 1.622.759 | 2.743.341 |
| Other financial expenses | 2 | (1.082.551) | (1.209.722) |
| **Profit/loss before tax** | | **417.789** | **1.534.019** |
| Tax on profit/loss for the year | 3 | 265.093 | 266.069 |
| **Profit/loss for the year** | 4 | **682.883** | **1.800.088** |

# Statement of comprehensive income

| | 2017/18 | 2016/17 |
|---|---|---|
| **Profit for the year** | **682.883** | **1.800.088** |
| **Other comprehensive income** | **0** | **0** |
| **Items that can be reclassified to the income statement when certain conditions are met:** | | |
| Exchange differences, foreign entities | (198.638) | (9.634) |
| Fair value adjustment for the year relating to hedging instruments | 0 | 0 |
| Tax relating to hedging instruments | 0 | 0 |
| **Total comprehensive income** | **484.245** | **1.790.454** |

# Parent cash flow statement for 2017/18

| | Notes | 2017/18 EUR | 2016/17 EUR |
|---|---|---|---|
| Operating profit/loss | | (122.419) | 400 |
| Working capital changes | 15 | (7.810.797) | 4.415.754 |
| **Cash flow from ordinary operating activities** | | **(7.933.216)** | **4.416.154** |
| | | | |
| Financial income paid | | (1.082.551) | (1.209.722) |
| Income taxes refunded/(paid) | | 0 | 0 |
| **Cash flows from operating activities** | | **(1.082.551)** | **(1.209.722)** |
| | | | |
| **Cash flows from investing activities** | | **0** | **0** |
| | | | |
| Issuance of bonds | | 29.153.477 | 0 |
| Instalments on loans etc | | (22.800.019) | (4.193.342) |
| Cash increase of capital | | 2.684.527 | 0 |
| **Cash flows from financing activities** | | **9.037.985** | **(4.193.342)** |
| | | | |
| **Increase/decrease in cash and cash equivalents** | | **22.218** | **(986.910)** |
| | | | |
| Cash and cash equivalents beginning of year | | (22.120) | 964.790 |
| **Cash and cash equivalents end of year** | | **98** | **(22.120)** |
| | | | |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 98 | 0 |
| Short-term debt to banks | | 0 | (22.120) |
| **Cash and cash equivalents end of year** | | **98** | **(22.120)** |

# Parent balance sheet at 30.04.2018

| | Notes | 2017/18 EUR | 2016/17 EUR | 1 May 2016 EUR |
|---|---|---|---|---|
| Investments in group enterprises | | 41.979.505 | 40.356.746 | 42.341.287 |
| **Fixed asset investments** | 5 | **41.979.505** | **40.356.746** | **42.341.287** |
| **Non-current assets** | | **41.979.505** | **40.356.746** | **42.341.287** |
| Receivables from group enterprises | | 7.696.451 | 726.898 | 0 |
| Deferred tax | | 2.282 | 2.285 | 0 |
| Other receivables | | 10.797 | 40.374 | 118.215 |
| Income tax receivable | | 739.347 | 341.446 | 77.662 |
| **Receivables** | | **8.448.877** | **1.111.003** | **195.877** |
| **Cash** | | **98** | **0** | **964.790** |
| **Current assets** | | **8.448.975** | **1.111.003** | **1.160.667** |
| **Assets** | | **50.428.480** | **41.467.749** | **43.501.954** |

# Parent balance sheet at 30.04.2018

| | Notes | 2017/18 EUR | 2016/17 EUR | 1 May 2016 EUR |
|---|---|---|---|---|
| Contributed capital | | 158.638 | 134.439 | 134.439 |
| Reserve for net revaluation according to the equity method | | 1.622.759 | 0 | 88.970 |
| Retained earnings | | 17.765.275 | 16.245.091 | 14.364.539 |
| **Equity** | | **19.546.672** | **16.379.530** | **14.587.948** |
| | | | | |
| Subordinate loan capital | | 0 | 7.339.497 | 6.840.907 |
| Bank loans | | 0 | 11.427.342 | 20.152.454 |
| Bonds | | 29.153.477 | 0 | 0 |
| Other payables | | 1.406.827 | 0 | 0 |
| **Non-current liabilities** | | **30.560.304** | **18.766.839** | **26.993.361** |
| | | | | |
| Current portion of long-term liabilities other than provisions | | 0 | 4.033.180 | 0 |
| Bank loans | | 0 | 22.120 | 0 |
| Trade payables | | 0 | 3.361 | 1.849 |
| Other payables | | 321.504 | 2.262.719 | 1.918.796 |
| **Current liabilities** | | **321.504** | **6.321.380** | **1.920.645** |
| | | | | |
| **Liabilities** | | **30.881.808** | **25.088.219** | **28.914.006** |
| | | | | |
| **Equity and liabilities** | | **50.428.480** | **41.467.749** | **43.501.954** |
| | | | | |
| Contingent liabilities | 10 | | | |
| Mortgages and securities | 11 | | | |
| Related parties with controlling interest | 12 | | | |

# 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 |
|---|---|---|---|---|---|---|
| **2017/18** | | | | | | |
| **Shareholders' equity at beginning of year** | **134** | **16.245** | **0** | **0** | **0** | **16.379** |
| Capital increases | 25 | 2.660 | 0 | 0 | 0 | 2.685 |
| Profit for the year | 0 | (940) | 0 | 0 | 1.623 | 683 |
| Other comprehensive income | 0 | (199) | 0 | 0 | 0 | (199) |
| **Total comprehensive income** | **159** | **17.766** | **0** | **0** | **1.623** | **19.547** |
| **Shareholders' equity at end of year** | **159** | **17.766** | **0** | **0** | **1.623** | **19.547** |
| **2016/17** | | | | | | |
| **Shareholders' equity at beginning of year** | **134** | **14.365** | **0** | **0** | **89** | **14.588** |
| Adjustment according to IFRS | 0 | 0 | 0 | 0 | 0 | 0 |
| **Adjusted equity at beginning of year** | | | | | | |
| Profit for the year | 0 | 1.866 | 0 | 0 | (66) | 1.800 |
| Other comprehensive income | 0 | 14 | 0 | 0 | (23) | (9) |
| **Total comprehensive income** | | | | | | |
| Dividend distributed | 0 | 0 | 0 | 0 | 0 | 0 |
| **Shareholders' equity at end of year** | **134** | **16.245** | **0** | **0** | **0** | **16.379** |

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

### 1. Effect of IFRS

The separate financial statements of the parent included in this annual report have been prepared in accordance with the international financial reporting standards (IFRS) as adopted by EU and additional disclosure requirements in the Danish Financial Act.

The separate financial statements for 2017/18 are the first financial statements of the parent to be prepared in accordance with IFRS.

The net effects of the transition to IFRS on the income statement for 2016/17 and equity at 1 May 2016 and 30 April 2017 respectively are therefore identical to the net effects in the consolidated financial statements.

In the separate financial statements of the parent, the accumulated effects of the transition related to subsidiaries are reflected in Investments in subsidiaries in the below table. For an explanation of the significant effects of the transition, reference is made to note 1 of the consolidated financial statements.

The effects of the transition to IFRS on the income statement and balance sheet position are shown in the overview below with explanatory notes:

| | 1 May 2016 | | | | 30 April 2017 | | |
|---|---|---|---|---|---|---|---|
| | Assets | Liabilities | Equity | Profit/loss | Assets | Liabilities | Equity |
| **Applied according to Danish GAAP** | **43.502** | **28.914** | **14.588** | **102** | **39.770** | **28.088** | **14.682** |
| Investments in subsidiaries | 0 | 0 | 0 | 1.698 | 1.698 | 0 | 1.698 |
| **Total adjustments** | **0** | **0** | **0** | **1.698** | **1.698** | **0** | **1.698** |
| **Applied according IFRS** | **43.502** | **28.914** | **14.588** | **1.800** | **41.468** | **28.088** | **16.380** |

| | 2017/18<br>EUR | 2016/17<br>EUR |
|---|---|---|
| **2. Other financial expenses** | | |
| Financial expenses arising from group enterprises | 0 | 0 |
| Interest expenses | 1.061.080 | 1.209.722 |
| Exchange rate adjustments | 21.471 | 0 |
| | **1.082.551** | **1.209.722** |

| | 2017/18<br>EUR | 2016/17<br>EUR |
|---|---|---|
| **3. Tax on profit/loss for the year** | | |
| Tax on current year taxable income | (265.093) | (263.784) |
| Change in deferred tax for the year | 0 | (2.285) |
| | **(265.093)** | **(266.069)** |

# Notes to parent financial statements

| | 2017/18 EUR | 2016/17 EUR |
|---|---|---|
| **4. Proposed distribution of profit/loss** | | |
| Transferred to reserve for net revaluation according to the equity method | 0 | (66.380) |
| Retained earnings | 682.883 | 1.866.468 |
| | **682.883** | **1.800.088** |

| | Investments in group enterprises EUR |
|---|---|
| **5. Fixed asset investments** | |
| Cost beginning of year | 40.356.746 |
| **Cost end of year** | **40.356.746** |
| | |
| Revaluations beginning of year | 0 |
| Share of profit/loss for the year | 1.622.759 |
| Dividend | 0 |
| **Revaluations end of year** | **1.622.759** |
| | |
| **Carrying amount end of year** | **41.979.505** |

| | Registered office in | City | Ownership share % |
|---|---|---|---|
| **6. Subsidiaries** | | | |
| **2017/18** | | | |
| **Company name** | | | |
| Cipp Technology Holding ApS | Denmark | Hellerup | 100 |
| | | | |
| **2016/17** | | | |
| **Company name** | | | |
| Cipp Technology Holding ApS | Denmark | Hellerup | 100 |

# Notes to parent financial statements

| | Instalments within 12 months 2017/18 EUR | Instalments between 12-60 months 2017/18 EUR | Outstanding after 60 months EUR |
|---|---|---|---|
| **7. Liabilities other than provisions** | | | |
| Bonds | 0 | 29.153.477 | 0 |
| Other payables | 0 | 0 | 1.406.827 |
| | **0** | **29.153.477** | **1.406.827** |

| | Instalments within 12 months 2016/17 EUR | Instalments between 12-60 months 2016/17 EUR | Outstanding after 60 months EUR |
|---|---|---|---|
| Subordinate loan capital | 0 | 7.339.497 | 0 |
| Bank loans | 4.033.180 | 11.427.342 | 0 |
| | **4.033.180** | **18.766.839** | **0** |

## 8. Deferred tax assets and deferred tax liabilities

| 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

Deferred tax liability

**Deferred tax asset year end, net**

| 2016/17 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** | **0** | **0** | **0** | **0** |
| Charge to the income statement | 0 | 0 | 0 | 0 | 0 | 2.285 | 0 | 0 | 2.285 |
| Other adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Deferred tax end of year** | **0** | **0** | **0** | **0** | **0** | **2.285** | **0** | **0** | **2.285** |

| **Deferred tax is presented in the balance sheet as follows:** | |
|---|---|
| Deferred tax asset | 2.285 |
| Deferred tax liability | 0 |
| **Deferred tax asset year end, net** | **2.285** |

# Notes to parent financial statements

| | 2017/18<br>EUR | 2016/17<br>EUR |
|---|---|---|
| **9. Income tax** | | |
| **Current tax** | | |
| Current tax on profit for the year | (265.093) | (263.783) |
| Adjustment in respect of prior years | 0 | 0 |
| **Total current tax** | **(265.093)** | **(263.783)** |
| | | |
| **Deferred tax** | | |
| Adjustment of deferred tax asset/liability | 0 | (2.285) |
| Adjustment of deferred tax asset/liability in respect of prior years | 0 | 0 |
| **Total deferred tax** | **0** | **(2.285)** |
| | | |
| **Total income tax** | **(265.093)** | **(266.068)** |

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:

| | 2017/18<br>EUR | 2016/17<br>EUR |
|---|---|---|
| **Earnings before tax** | **417.789** | **1.534.019** |
| Income from equity method used towards subsidiaries | (1.622.759) | (1.209.722) |
| **Earnings before tax, Parent company** | **(1.204.970)** | **324.297** |
| | | |
| Calculated tax at Danish statutory rate of 22.0% | (265.093) | 71.345 |
| Adjustment in respect of prior years | 0 | 0 |
| Income/expenses not subject to tax | 0 | (337.414) |
| **Tax charge** | **(265.093)** | **(266.069)** |

**10. 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.

# Notes to parent financial statements

**Other contingent liabilities**

One of the Group's subsidiaries has been charged by the German tax authorities with EUR 738,098 in royalty tax which falls due at the end of 2018. Group Management expects that the full amount can be claimed back, and therefore this amount has been eliminated in the consolidated financial statements.

**11. 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 EUR 910k (2016/17 910k).

**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.

**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 7,185k (EUR 964k) and a working capital facility consisting of an overdraft facility limited to DKK 40,000k (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.

**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.

**12. Related parties with controlling interest**

Anpartsselskabet af 16. November 2015, Fredensborg has a controlling interest as Anpartsselskabet af 16 November 2015 holds the majority of the shares in the Company.

# Notes to parent financial statements

### 13. 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 and CNY.

The following table details the Company's sensitivity to a 10% increase in CNY. 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** | **2017/18** | **2016/17** |
| Impact on profit/(loss) from translation of debt and investments in subsidiaries | 721 | (35.459) |
| Impact on equity from translation of debt and investments in subsidiaries | 150.927 | 152.596 |

**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 Company's profit for the year ended 30 April 2018 would decrease by EUR 312k (2016/17: decrease by EUR 302k) 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.

# Notes to parent financial statements

### 13. Financial risks and financial instruments continuing

**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 2017/18.

### 14. 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.

| | 2017/18<br>DKK | 2016/17<br>DKK |
|---|---|---|
| **15. Change in working capital** | | |
| Increase/decrease in receivables | (6.939.976) | (649.057) |
| Increase/decrease in trade payables etc. | (1.944.576) | 345.435 |
| | **(7.810.797)** | **4.415.754** |

# Accounting policies

**Reporting class**
The annual report of the parent company is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS (IFRS-bekendtgørelsen) issued in accordance with the Danish Financial Statements Act.

The accounting policies for the Parent Company and for the CIPP Technology Solutions group are identical (see note 21 for the CIPP Technology Solutions group) except for the situations mentioned below.

The financial statements are presented in EUR against DKK in previous years. Thus, the comparative figures have been translated into EUR.

**Changes in accounting policies as a result of the adoption of IFRS**
The 2017/18 annual report is the first annual report to be prepared in accordance with IFRS.

Upon transition to IFRS, IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. According to this standard, the opening balance sheet at 1 May 2016 and the comparative figures for 2016/17 have been prepared in accordance with the standards and interpretations applicable at 30 April 2018. The opening balance sheet at 1 May 2016 has been prepared as if these standards and interpretations had always been applied, except for situations where the special transitional and commencement provisions in IFRS 1 described below apply.

The transition to preparing financial statements in accordance with IFRS has made it necessary to change the accounting policies of the Parent Company in the same areas regarding recognition and measurement and the presentation and classification of accounting items as for the CIPP Technology Solutions group.

The monetary effect of the changes in accounting policies as a result of the transition to reporting according to IFRS is specified in note 1.

**Situations, where the accounting policies of the Parent Company deviate from the Group's investments in subsidiaries**
Investments in subsidiaries are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less unamortised positive, or negative, goodwill and plus or less unrealised intra-group profits or losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and less amortisation of goodwill is recognised in the income statement.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

The purchase method is applied in the acquisition of investments in subsidiaries.

# Accounting policies

**Corporation tax**
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).

**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.

**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 in the income statement when delivery is made and risk has passed to the buyer. 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.

**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.

**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.

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.

# Accounting policies

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.

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 |

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.

**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.

# Accounting policies

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 writedowns for bad and doubtful debts.

**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.

**Cash**
Cash comprises cash in hand and bank deposits.

# Accounting policies

**Operating leases**
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

**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.