

Nissens®

DELIVERING THE DIFFERENCE

AX V Nissens II ApS

Ormhøjgårdvej 9, 8700 Horsens

CVR no. 38 64 74 58

Annual report

1 May 2020 – 30 April 2021

The Annual Report was presented and approved at the Annual General Meeting of the company on 28 September 2021

Niels Jacobsen
Chairman

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Statement by Management on the Annual Report

Today, the Board of Directors and the Executive Board have discussed and approved the Annual Report of AX V Nissens II Aps for the financial year 2020/2021 covering the period 1 May 2020 to 30 April 2021.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position on 30 April 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 May 2020 – 30 April 2021

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial conditions, the results for the year, cash flow and financial position as well as a description of the significant risks and uncertainty factors that the Parent Company and the Group face.

We recommend that the annual report be approved at the Annual General Meeting.

Horsens, 28 September 2021

Executive Board:

Jesper Frydensberg Rasmussen
CEO

Board of Directors:

Niels Jacobsen
Chairman

Lars Cordt
Vice Chairman

Alan Nissen
Vice Chairman

Povl Christian Lütken Frigast

Søren Klarskov Vilby

Independent auditor's report

To the shareholders of AX V Nissens II ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of AX V Nissens II ApS for the financial year 1 May 2020 – 30 April 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 May 2020 – 30 April 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Odense, 28 September 2021

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Søren Smedegaard Hvid
State Authorised
Public Accountant
mne31450

Julie Boll Knudsen
State Authorised
Public Accountant
mne44104

Management's review

Company details

Name	AX V Nissens II ApS
Address, postal code, city	Ormhøjgårdvej 9, 8700 Horsens, Denmark
CVR.no	38 64 74 58
Registered office	Horsens
Financial year	1 May -30 April
1. Financial year	17 May 2017 – 30 April 2018
Board of Directors	Niels Jacobsen / Chairman Lars Cordt / Vice Chairman Alan Nissen / Vice Chairman Povl Christian Lütken Frigast Søren Klarskov Vilby
Executive board	Jesper Frydensberg Rasmussen
Parent company	AX V Nissens III ApS, cvr.no. 38 64 73 50
Auditors	EY Godkendt Revisionspartnerselskab
Bankers	Nordea Danmark, filial af Nordea Bank AB (publ) Sverige Nykredit A/S
Annual shareholders meeting	The Annual Shareholders meeting on 28 September 2021, at Ormhøjgårdvej 9, 8700 Horsens

Management's review

Financial highlights for the Group

In DKK millions, except for per share data

	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020	1 May 2018 – 30 April 2019*	15 May 2017 – 30 April 2018** (10 months)
Key figures				
Revenue	2,438.6	1,943.6	1,982.8	1,319.9
EBITDA before special items	310.1	198.5	234.4	122.6
Operating profit before special items	166.9	73.6	127.1	35.4
Operating profit after special items	190.8	73.6	124.9	4.8
Net finance costs	-125.4	-118.0	-114.7	-92.7
Result before tax	65.4	-44.4	9.1	-87.9
Result for the year	34.8	-53.7	-15.1	-91.6
Balance sheet				
Non-current assets	1,989.9	1,990.0	1,956.4	2,036.0
Current assets	1,509.1	1,218.9	1,207.1	868.5
Total assets	3,499.0	3,208.9	3,163.5	2,904.4
Equity	901.7	872.6	925.9	881.3
Non-current liabilities	1,833.2	1,820.4	1,701.2	1,661.1
Current liabilities	714.1	516.0	536.4	362.0
Cash flows				
Cash flows from operating activities	155.6	155.7	178.0	40.6
Cash flow from investing activities	-91.4	-68.0	-28.3	-2,124.3
Cash flow from investments in fixed assets	-43.2	-48.2	-24.9	24.0
Cash flows from financing activities	-99.1	-72.7	-4.8	2,172.4
Total cash flows	-35.0	15.0	144.9	88.7

Financial ratios

Annual sales growth	25.5%	-2.0%	18.3%***	-
EBITDA before special items margin	12.7%	10.2%	11.8%	9.3%
Operating margin before special items	6.8%	3.8%	6.4%	2.7%
Operating margin after special items	7.8%	3.8%	6.2%	0.4%
Current ratio	211.3%	236.6%	225.0%	239.9%
Equity ratio	25.8%	27.2%	29.3%	30.3%
Return on equity	3.9%	-6.1%	-1.7%	-10.4%
Earnings per share (in DKK)	3.4	-0.5	-0.1	-1.8
Dividend distributed per share (in DKK)	0.0	0.0	0.0	0.0
Employees				
Average number of full-time employees	1,417	1,367	1,365	1,333

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios".

*On 1 May 2019 IFRS 16 'Leases' was adopted. The comparative figures have not been restated, as IFRS 16 was implemented applying the modified retrospective method.

**On May 2018 IFRS 9 and IFRS 15 were adopted. The comparative figures have not been restated.

***As revenue for prior period is only for 10 months the annual sales growth is calculated on the basis of the revenue for the full year in K. Nissen International A/S which is comparable to the revenue for the full year in AX V Nissens II ApS.

Definition of Financial ratios

Annual sales growth	$\frac{\text{Revenue current period} - \text{Revenue prior period}}{\text{Revenue prior period}}$
EBITDA before special items* margin:	$\frac{\text{EBITDA before special items margin}}{\text{Revenue}} * 100$
Operating margin before special items*:	$\frac{\text{Operating margin before special items}}{\text{Revenue}} * 100$
Operating margin after special items*:	$\frac{\text{Operating margin after special items}}{\text{Revenue}} * 100$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}} * 100$
Equity ratio:	$\frac{\text{Equity}}{\text{Total assets}} * 100$
Return on equity:	$\frac{\text{Net profit/loss for the year}}{\text{Average equity in the year}} * 100$ (Opening equity is based on equity after total contribution)
Earnings per share (in DKK):	$\frac{\text{Net profit/loss for the year}}{\text{Average number of shares}}$
Dividend distributed per share (in DKK):	$\frac{\text{Dividend}}{\text{Number of share at distribution}}$

*See note 8

Management's review

Business review

The Nissens Group develops, manufactures and markets cooling systems and engine efficiency products for the international automotive aftermarket and customized cooling systems for the renewable energy and special vehicles segments. The Nissens Group is considered a market-leading brand in the automotive aftermarket for thermal and engine efficiency solutions. In addition, the Nissens Group is a leading global company in cooling systems for on- and offshore wind turbines and a leading manufacturer of cooling solutions for special vehicles and industrial applications. The Nissens Group is known for a strong brand, a wide product range, consistently high service levels, good product quality, strong engineering capabilities as well as high-quality customization and innovation.

The Nissens Group consists of two business units: The Nissens Automotive division, selling to wholesalers and distributors in the automotive aftermarket, and the Nissens Cooling Solutions division, covering development and sales to two sub-segments; the wind energy industry and the industrial sub-segment, targeting respectively global wind turbine OEMs and global heavy-duty equipment OEMs.

The Nissens Group is headquartered in Horsens, Denmark, with most of the production being undertaken at two production facilities in Slovakia, three production facilities in Denmark, two production facilities in China and a production facility in the Czech Republic. The Nissens Group consists of 33 subsidiaries across three continents with activities within sales, production and distribution. As of 30 April 2021, the Nissens Group employs 1,554 FTEs, of which 794 are located in Slovakia and the Czech Republic, 414 are located in Denmark, 189 are located in China and 168 are employed in other countries.

History and recent developments

The Nissens Group is celebrating its 100 years anniversary in 2021. The remarkable event is celebrated across Nissens' companies and subsidiaries worldwide with various activities, including the publication of an anniversary book with highlights from Nissens' amazing journey from 1921 to 2021.

Nissens was established in 1921 by Mr. Julius Nissen and opened its first international offices in Finland and Sweden in 1977. In 2005, the Nissens Group established its first international factory in Slovakia, and another factory was established in 2010 in Tianjin, China. Since 2013, the Nissens Group has gradually expanded its manufacturing facilities across Slovakia, China, USA and the Czech Republic.

In June 2017, AX V Nissens Aps acquired the entire share capital of K. Nissen International A/S from Advanced Cooling A/S.

Automotive Business Unit

The Automotive business unit is specialized in the production and supply of products within engine cooling, climate solutions and engine efficiency. As an automotive aftermarket leading company of most essential thermal system components, the Automotive business unit has a broad product portfolio coverage covering above 95% of the European car park including, *inter alia*, radiators, condensers, compressors and intercoolers, turbos and EGR valves. The product range covers products from the common to the more special parts of the European, Asian and American vehicle aftermarkets.

In December 2020 and February 2021, the division holding company NA International A/S acquired four European companies of the AVA group from Enterex to further strengthen the market presence of the Automotive business unit.

Management's review

Business review (continued)

Cooling Solutions Business Unit

The Cooling Solutions business unit is specialized in the development and production of customized cooling solutions for a number of application areas. The Cooling Solutions business unit fully manufactures products for its own end customers in two sub-segments; Wind and Industrial applications.

The wind business delivers cooling systems and modules to the wind industry, whereas the industrial business is focused on cooling solutions for special vehicles and industrial applications such as construction equipment, mining machinery, agricultural machines and special equipment.

Products

The Nissens Group offers a wide range of products within its two business units. Within the Automotive business unit, the Group offers products within three existing categories: climate cooling, engine cooling and efficiency & emissions. Condensers, compressors, blowers, receivers, dryers, evaporators, heaters and fans are products offered within the climate category; radiators, oil coolers and fan clutches are products offered within the engine cooling product category. The efficiency & emissions category covers products such as turbos, EGR valves and intercoolers.

The main product categories offered within the Cooling Solutions business unit are for wind turbine applications, including mechanical and electrical drive train cooling, converter & inverter cooling, transformer cooling and climate control as well as system and module assembly for the wind turbine industry for easy integration and final assembly by the wind turbine manufacturers. Furthermore, engine cooling, oil cooling and charge air cooling are solutions supplied to industrial manufacturers.

Research & development

Research & Development (R&D) is essential in order to ensure future development and growth, and therefore the Nissens Group continues to spend considerable resources in R&D activities. The R&D activities and the test facilities drive a range of product applications for future launches and will support the ongoing product development activities.

Knowledge resources

The Nissens Group wishes for all employees to be able to live up to the constantly changing demands relating to the working processes. Therefore, Nissens Group attaches great importance to the training and education of the employees in order for each of them to be able to deliver high performance as well as flawless products and services. The training takes place as both internal and external courses, and with this approach, a profound know-how of the processes related to the processing of aluminium and the development of applications for thermal solutions is gained.

Account of the gender composition of Management

Nissens Group has a policy for diversity and equality. The Supervisory Board is thus monitoring the gender and cultural mix across management levels.

It is Nissens Group's policy that regardless of gender, race, and religion, all employees must be treated equally in order to ensure that everyone has equal opportunities for employment.

The Board of Directors currently consists of six members, of which six are male, and zero are female. It is the target that at least one woman is represented in the Board of Directors by 2024. In 2020/2021,

Management's review

Business review (continued)

the Board has been reduced by one member due to resignation and no new candidates were elected for the Board. Hence, the target for 2020/2021 has not been achieved.

The Nissens Group wants to increase the representation of women in the group management team supporting the CEO and therefore strives to have at least one of each gender among the final candidates in search processes. The share of women in the group management team supporting the CEO is 17%.

Financial review

AX V Nissens II ApS

The subsidiary AX V Nissens ApS was established on 17 May 2017 with the purpose of acquiring the shares in K. Nissen International A/S. This transaction was conducted on 30 June 2017 from which date K. Nissen International A/S became a 100% owned subsidiary of the company.

The Automotive division holding company NA International A/S has acquired 100% of the shares in four companies in the AVA Group. The AVA companies' business activities involve sales and distribution of automotive cooling and climate products and will further strengthen the market position of the Automotive division. The AVA brand has a strong acknowledgement in the European market and together the combined companies will benefit from synergies in supply chain and other back-office functions.

The purchase price reflects that the acquired companies have not been profitable in their previous structure and ownership. To obtain the synergies from the business combination there will be substantial transformation costs in both FY 2020/2021 and FY 2021/2022, which are reflected as negative goodwill on the acquisition. The negative goodwill has been recognized as special items, cf. note 8.

The consolidated financial statements for the company for the financial year 1 May 2020 – 30 April 2021 show EBITDA before special items of 310.1 MDKK (2019/2020: 198.5 MDKK), operating profit after special items of 190.8 MDKK (2019/2020: 73.6 MDKK) and net profit before tax of 65.4 MDKK (2019/2020: -44.4 MDKK).

The consolidated balance sheet for the company includes intangible assets of 1,518 MDKK (2019/2020: 1,554 MDKK) of which 1,463, MDKK (2019/2020: 1,530 MDKK) relates to intangible assets from the acquisition of K. Nissen International A/S. Amortisation of intangible assets related to the acquisition of K. Nissen International has had a negative impact on the income statement of 77 MDKK (2019/2020: 77 MDKK). Goodwill of 937 MDKK has been allocated with 61% to the Automotive business unit and 39% to the Cooling Solutions business unit. Both divisions of the company have been impairment tested. Cf. note 13 the impairment test did not identify any need for impairment write-down.

With an equity of 901.7 MDKK (2019/2020: 872.6 MDKK), the Group has an equity ratio of 25.8% (2019/2020: 27.2%). The cash flow statement shows a negative cash flow of 35 MDKK (2019/2020: 15 MDKK) for the year. The cash flow is impacted by the acquisition of companies in the AVA Group and the completion of the major part of an extensive investment program carried out in 2019/2020 and 2020/2021. Changes in working capital mainly relate to the execution of a large order book for the wind turbine industry and financing activities.

Cash flow from operations amounts to 156 MDKK (2019/2020: 156 MDKK) as a result of an increase in result before financial items offset by an increase in working capital.

The cash balance at the end of the year is 214 MDKK (2019/2020 249 MDKK) and with an unused credit facility of 125 MDKK, the company has until now not considered it a requirement to establish further available liquidity.

Management's review

Financial review (continued)

The development in the result over the last year is explained by growth in both Nissens Automotive and Nissens Cooling Solutions. In the Automotive division, the growth is partly generated through the acquisition of the AVA companies and partly derived from organic growth. In the Cooling Solutions division, market growth and the execution of a large order pipeline for the wind turbine industry in the last six months of the fiscal year are the main contributors to the result.

Furthermore, continued execution of a significant and ongoing transformation project in Cooling Solutions as well as reductions in the overhead cost base in both the Cooling Solutions and Automotive divisions positively influence the development in the results.

Management considers the results of both divisions as satisfactory.

Nissens Automotive

In the beginning of the financial year 2020/2021, the Automotive division was negatively impacted by Covid-19. Despite this, the Automotive division closed the year with continued long-term sales growth delivering an all-time high revenue. The drivers behind this are the acquisition of the AVA Group and a strong financial year end based on order build-up by customers preparing for the summer season as well as a mitigation of the negative impacts from Covid-19. Furthermore, last year was negatively impacted in the fourth quarter by Covid-19.

Product costs are impacted by current inbound freight increases due to the global freight market development as well as increased raw material prices.

To mitigate this, market price level adjustments have been announced and partially implemented. The need for further adjustments will be evaluated continuously.

Nissens Cooling Solutions

The growth in the result over the last year is explained by growth in the wind division, where the execution of a large order book for the wind turbine industry in the past six months of the year has been a growth driver. Furthermore, the continued execution of a significant and ongoing transformation project as well as reductions in the overhead cost base explain the development in the result over the last year.

Market conditions are characterized by several new product platform introductions from the global wind turbine manufacturers and a continued pressure on prices and cost levels within the wind energy industry. The industrial business segments have been impacted by a general macro-economic slowdown of activity starting with the outbreak of Covid-19.

One-time events in the financial year are global supply chain disturbances mainly relating to Covid-19 impacts.

Cost-out projects on product platforms have been a key initiative in the financial year and will continue to play a leading role in securing the competitiveness of the Cooling Solutions business as well as the wind energy segment in the coming years.

Material costs have seen significant fluctuations in the last quarter of the year, and the future impact and duration are at the current stage not fully clear. To the extent possible, increases in material prices will be reflected in future commercial agreements.

Management's review

Outlook

In FY2021/2022, the Group expects a revenue between 1,300 MDKK and 1,400 MDKK driven by continued growth in the Automotive division including the full year impact of AVA group companies.

EBITDA before special items is expected to end between 150 MDKK and 180 MDKK, mainly driven by sales growth in the Automotive division offset by material and freight increases as well as planned overhead investments including integration costs of the AVA companies.

The current unpredictable global financial environment and Covid-19 contains high elements of uncertainty which may impact the financial year 2021/22 negatively.

K. Nissen International A/S

K. Nissen International A/S, the acquired company, prepares its financial statements according to Danish GAAP. The financial statements for 2020/2021 show a consolidated group revenue of 2,439 MDKK (1,943 MDKK in 2019/2020), EBITDA of 314 MDKK (182 MDKK in 2019/2020), profit before tax of 264 MDKK (143 MDKK in 2019/2020) and a profit for the year of 207 MDKK (109 MDKK in 2019/2020). Cash flow from operating activities amounts to 110 MDKK (126 MDKK).

Bond

AX V Nissens ApS EUR 130,000,000 Senior Secured Floating Rate Bonds due 29 June 2022 are listed on Nasdaq Copenhagen (Nissens, ISIN DK0030400890).

Events after the reporting period

On 19 July 2021, the subsidiary K. Nissen International A/S has entered into an agreement concerning the sale of the Nissens Cooling Solutions division to a newly established company owned by A. P. Møller Holding A/S. Completion of the sale is subject to customary conditions, including obtaining required merger control clearances. Completion of the sale is expected to occur during Q4 of 2021.

It is the expectation that, following and subject to satisfaction or waiver of the sale conditions, the subsidiary AX V Nissens ApS will exercise its call option to redeem all of the outstanding Bonds, in accordance with the Terms and Conditions.

Corporate Social Responsibility

Corporate Social Responsibility Report

Nissens Corporate Social Responsibility Report can be found on the company's website:

<https://nissens.com/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fCSR%2f2020-21+Annual+Report+CSR+section+AX+V+III.pdf>

Business model & Nissens' approach to sustainability

Being a global production company, the Nissens Group believes that it is responsible for contributing to limiting the Group's environmental and climate footprint, just as it is the Group's obligation to secure good conditions for the health and safety of its employees.

In 2018/2019, Nissens has enhanced its commitment to corporate social responsibility and sustainability by joining the UN Global Compact as a member. The COP Report from Nissens can be found on the company's website.

Special risks

Market risks

Customer and market-related risks are assessed as limited, considering the large spread of both customers and markets.

Covid-19 is still considered a potential market risk for sales activities and supply chain disturbances.

The Group is reliant on effective international trade relations between nations.

Currency risks

The majority of the Group's activities implies currency risks in connection with the purchase and sale of goods and services in foreign currencies. These currency risks are monitored and covered within the limitations of the financial policy approved by the Board of Directors.

Credit risks

Nissens' activities imply a credit risk in connection with sales to customers in a number of countries throughout the world. We take measures to cover these outstanding debts in the best possible way, for instance by taking out credit insurances.

Material prices and freight-related risks

Both material prices and freight rates from Asia to Europe have been subject to steep price increases over the last six months, as the global economy starts to recover from the Covid-19 pandemic.

Material prices increase, freight costs and other cost elements may impact margins on the short to medium term until the effects can be mitigated.

Covid-19 risks

In the Automotive division the impact of Covid-19 was mainly seen during the first quarter of 2020/2021 due to a reduction in driven mileage in the key markets and thereby a reduction in the need for spare parts. Along with the gradual opening of markets, a corresponding increase in the need for spare parts has emerged again. If the Covid-19 impact re-escalates and driven mileage declines, these issues might re-emerge.

In the Cooling Solutions division, a number of supply chain-related disturbances relating to Covid-19 has materialized and the ongoing transformation program has been delayed due to Covid-19.

These risk elements may arise again if Covid-19 re-escalates.

Main Elements of the Group's Internal Control and Risk Management Systems in Connection with Financial Reporting

Financial Reporting Process

The Board of Directors and the Executive Board have the overall responsibility for the Group's control and risk management, including financial reporting and compliance with relevant legislation and regulations.

Control Environment

The Board of Directors and the Executive Board determine and approve the overall policies, procedures and controls in key areas of the accounting process, including business procedures and internal controls.

The Board of Directors and the Executive Board receive monthly reports with detailed financial follow-up.

The Board meets at least five times annually.

Board of Directors

Niels Jacobsen

Elected in September 2017.

Chief Executive Officer, William Demant Invest A/S, Deputy Chairman, Demant A/S, Deputy Chairman, KIRKBI A/S, Chairman, Thomas B. Thriges Fond, Chairman, Jeudan A/S, Chairman, Founders A/S, Member of the board, Boston Holding A/S, Member of the board, Eksport Kredit Finansiering A/S, Member of the board, EKF Danmarks Eksportkredit, Chairman, Vision RT Ltd. Deputy chairman, ABOUT YOU GmbH Chairman, Össur hf. Chairman, K. Nissen International A/S, Chairman, AX V Nissens ApS and Chairman, AX V Nissens I ApS.

Lars Cordt

Elected in September 2017.

Partner, Axcel Management A/S, Member of board, AX V GUBI Holding II ApS and various subsidiaries, Chairman, AX V GUBI Holding III ApS, Chief Executive Officer, MNGT3 LC ApS, Chief Executive Officer and Member of board, AX IV HoldCo P/S, Member of board, Mountain Top Holding III ApS and various subsidiaries, Member of board, Isadora AB, Member of board, Isadora Holding AB, Member of board, GUBI A/S, Deputy Chairman, SteelSeries Holding II ApS and various subsidiaries, Deputy Chairman, AX V INV5 Holding II ApS and various subsidiaries, Chairman, AX V INV5 Holding III ApS, Deputy Chairman, K. Nissen International A/S, Deputy Chairman, AX V Nissens ApS, Deputy Chairman, AX V Nissens I ApS and Chairman, AX V Nissens III ApS.

Alan Nissen

Elected in September 2017.

Chief Executive Officer and member of the board, Advanced Cooling A/S, Chief Executive Officer and member of the board, Advanced Cooling Investment A/S, Chief Executive Officer, ANTB Holding ApS, Chief Executive Officer, AFVJ Holding ApS, Chief Executive Officer, Tønballegaard ApS, Executive board, Tamdrup Bisgård Landbrug ApS, Member of board, Silva Baltica 2 ApS, Deputy Chairman, K. Nissen International A/S, Chairman, Nissens Cooling Solutions A/S, Chairman, NCS International A/S, Deputy Chairman, AX V Nissens ApS and AX V Nissens I ApS.

Povl Christian Lütken Frigast

Elected in September 2017.

Chairman, Axcel Management A/S, Chairman, AX IV HoldCo P/S, Deputy Chairman, PANDORA A/S, Chairman, Danmarks Skibskredit Holding A/S, Member of the board, Danmark Skibskredit A/S, Chairman, Eksport Kredit Finansiering A/S, Chairman, EKF Danmarks Eksportkredit, Member of the board, Frigast A/S, Chairman, Aktive Ejere (AE), Deputy Chairman, PostNord Chairman, Bestyrelsesforeningen (Board Leadership Society in Denmark) Member of board, AX V Nissens ApS and Member of board AX V Nissens I ApS.

Søren Klarskov Vilby

Elected in September 2017.

Chief Executive Officer, Micro Matic A/S Chairman, Epoke Investment II A/S and various subsidiaries, Chairman, G&O Investment A/S and various subsidiaries, Chairman, Mountain Top Group ApS, Chief Executive Officer, Vilby Capital ApS, Member of board, University of Southern Denmark. Member of board, AX V Nissens ApS and AX V Nissens I ApS.

Executive Management

Jesper Frydensberg Rasmussen

Member of the board in: Frontmatec Holding III ApS and associated companies, AX VI Moment Holding ApS III and associated companies, Ax Dell OY and associated companies, AX INV1 Holding III OY and associated companies, Loopia Holding III AB and associated companies and SuperOffice Holding III AS and associated companies.

Member of management in: JNP AX-III INV ApS, MNGT2 ApS, AX V GUBI Holding III ApS, Mountain Top Holding III ApS and associated companies, LLEJ Invest ApS, AX V ESB Holding III ApS, AX V Phase One Holding II ApS and associated companies, AX VI VET Holding III ApS and associated companies and AX V Nissens III ApS and associated companies.

Jesper Frydensberg Rasmussen is legal- and beneficial owner of JEBA INVEST ApS

Consolidated financial statements

Income statement

For the year 1 May - 30 April

Note	DKK'000	2020/2021	2019/2020
3	Revenue	2,438,646	1,943,576
	Cost of raw materials and consumables	-1,420,505	-1,072,017
	Development costs and own manufactured assets	12,063	11,271
4	Other operating income	10,925	10,658
	Other external costs	-284,011	-264,471
5	Staff costs	-447,010	-430,484
	EBITDA before special items	310,108	198,533
7	Depreciation and amortisation	-143,283	-124,936
	Operating profit before special items	166,825	73,597
8	Special items	23,959	0
	Operating profit after special items	190,784	73,597
10	Finance income	11,649	7,240
10	Finance costs	-137,050	-125,228
	Result before tax	65,383	-44,391
11	Tax	-30,572	-9,305
	Result for the year	34,811	-53,696
	Attributed to:		
	Equity holders of AX V Nissens II ApS	34,811	-53,696
		34,811	-53,696

Consolidated financial statements

Statement of other comprehensive income

For the year 1 May - 30 April

Note	DKK'000	2020/2021	2019/2020
	Result for the year	34,811	-53,696
	Other comprehensive income		
	<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
	Exchange differences on translation of foreign operations	-3,217	-3,137
	Value adjustment of hedging instruments:		
	Value adjustment for the year	-123	-747
	Value adjustment transferred to financial costs	2,704	2,733
	Adjustment to prior year	-4,948	0
		-5,584	-1,151
11	Income tax effect	-568	-437
	Other comprehensive income/(loss) for the year, net of tax	-6,152	-1,588
	Total comprehensive (loss)	28,659	-55,284
	Attributed to:		
	Equity holders of AX V Nissens II ApS	28,659	-55,284
		28,659	-55,284

Consolidated financial statements

Balance sheet

Note	DKK'000	30 April 2021	30 April 2020
ASSETS			
Non-current assets			
12	Intangible assets	1,518,308	1,554,118
14, 15	Property, plant and equipment	454,130	427,725
17	Investments in associates	1,432	8
11	Deferred tax assets	11,901	6,417
	Deposits	4,126	1,748
	Total non-current assets	1,989,897	1,990,016
Current assets			
18	Inventory	660,927	561,521
19	Trade and other receivables	634,261	408,753
	Receivables from group entities	258	0
	Cash and cash equivalents	213,669	248,630
	Total current assets	1,509,115	1,218,904
	TOTAL ASSETS	3,499,012	3,208,920
EQUITY AND LIABILITIES			
Equity			
21	Share capital	1,023	1,023
	Foreign currency translation reserve	-2,136	1,081
	Hedging reserve	-1,059	-3,072
	Retained earnings	903,915	873,522
	Total equity	901,743	872,554
Non-current liabilities			
23	Borrowings	1,643,576	1,580,204
15	Lease liabilities	60,408	55,885
11	Deferred tax liabilities	142,220	160,260
22	Provisions	12,304	8,214
24	Other payables	23,403	15,797
20	Contract liabilities	1,248	0
	Total non-current liabilities	1,883,159	1,820,360
Current liabilities			
20	Contract liabilities	7,103	3,156
15	Lease liabilities	35,136	20,707
24	Trade and other payables	649,025	481,334
	Payable to shareholder companies	0	268
11	Income tax payable	18,991	6,874
22	Provisions	3,855	3,667
	Total current liabilities	714,110	516,006
	Total liabilities	2,597,269	2,336,366
	TOTAL EQUITY AND LIABILITIES	3,499,012	3,208,920

Consolidated financial statements

Cash flow statement

For the year 1 May - 30 April

Note	DKK'000	30 April 2021	30 April 2020
	Operating activities		
	Result before tax for the year	65,383	-44,391
10	Finance income	-11,649	-7,240
10	Finance expenses	137,050	125,228
6	Share-based payment expense	718	1,867
25	Changes in working capital	-111,392	644
26	Non-cash operating items	113,524	124,747
		193,634	200,855
10	Finance income, received	1,267	1,193
11	Income tax paid/received	-39,347	-46,340
	Net cash flows from operating activities	155,552	155,708
	Investing activities		
12	Purchase of intangible assets	-11,969	-7,527
12	Development expenditures capitalized	-11,326	-12,304
14	Purchase of property, plant and equipment	-43,201	-48,222
14	Proceeds from sale of property, plant and equipment	1,398	229
	Change in deposits	-323	-176
27	Investments in subsidiaries	-34,113	0
17	Investments in associates	-891	0
27	Acquisition of a subsidiary, net of cash acquired	9,044	0
	Net cash flows used in investing activities	-91,381	-68,000
	Financing activities		
	Acquisition of treasury shares	-188	0
23	Repayment of borrowings	-9,735	-234
10	Net interest paid, borrowings	-59,674	-54,059
15	Payment of principal portion of lease liabilities	-29,020	-18,418
	Proceeds from loan with Group companies	-515	38
	Net cash flows from financing activities	-99,132	-72,673
	Cash flow for the year	-34,961	15,035
	Cash and cash equivalents at 1 May	248,630	233,595
	Cash and cash equivalents at 30 April	213,669	248,630

The Group has unused credit facilities amounting to 125 MDKK.

Consolidated financial statements

Statement of changes in equity

For the year 1 May - 30 April 2021

DKK'000	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total equity
Equity 1 May 2020	1,023	1,081	-3,072	873,522	872,554
Total comprehensive income 30 April 2021					
Result for the year	0	0	0	34,811	34,811
Other comprehensive income					
Unrealized loss on interest rate swap	0	0	2,581	0	2,581
Exchange differences on the translation of foreign operations	0	-3,217	0	0	-3,217
Tax on other comprehensive income	0	0	-568	0	-568
Adjustment to prior year	0	0	0	-4,948	-4,948
Total other comprehensive income	0	-3,217	2,013	-4,948	-6,152
Total comprehensive income for the year	0	-3,217	2,013	29,863	28,659
Transactions with owners					
Equity-settled share-based payments	0	0	0	718	718
Acquisition of treasury shares	0	0	0	-188	-188
Total transactions with owners	0	0	0	530	530
Equity 30 April 2021	1,023	-2,136	-1,059	903,915	901,743

Consolidated financial statements

Statement of changes in equity

For the year 1 May - 30 April 2020

DKK'000	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total equity
Equity 1 May 2019	1,023	4,218	-4,621	925,351	925,971
Total comprehensive income 30 April 2020					
Result for the year	0	0	0	-53,696	-53,696
Other comprehensive income					
Unrealized loss on interest rate swap	0	0	1,986	0	1,986
Exchange differences on translation of foreign operations	0	-3,137	0	0	-3,137
Tax on other comprehensive income	0	0	-437	0	-437
Total other comprehensive income	0	-3,137	1,549	0	-1,588
Total comprehensive income for the year	0	-3,137	1,549	-53,696	-55,284
Transactions with owners					
Equity-settled share-based payments	0	0	0	1,867	1,867
Total transactions with owners	0	0	0	1,867	1,867
Equity 30. April 2020	1,023	1,081	-3,072	873,522	872,554

Consolidated financial statements

Overview of notes for the consolidated financial statements

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Consolidated financial statements

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1 Accounting policies

AX V Nissens II ApS is a private limited company registered in Denmark. The subsidiary AX V Nissens ApS holds a bond listed on Nasdaq OMX Copenhagen. The financial statements section of the Annual Report for the year 1 May 2020 - 30 April 2021 comprises both the consolidated financial statements of AX V Nissens II ApS and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements of AX V Nissens II ApS for the year 1 May 2020 - 30 April 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statement Act applying to reporting class D entities.

On 28 September 2021, the Board of Directors and the Executive Board discussed and approved the Annual Report of AX V Nissens II ApS for the year 1 May 2020 - 30 April 2021.

Basis of preparation

The consolidated financial statements and the separate financial statements have been presented in Danish kroner, rounded to the nearest DKK thousand.

The accounting policies have been applied consistently in the financial year and for the comparative figures.

Impact of new accounting standards

With effect from 1 May 2020, the Group has implemented the following new or amended standards and interpretations:

- Amendment to IFRS 16 Leases Covid-19 Related Rent Concessions
- Amendments to IFRS 3 - Business Combinations
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

None of the new standards have had a significant effect on recognition and measurement in the Annual Report.

Consolidated financial statements

The consolidated financial statements comprise of AX V Nissens II ApS (the parent) and the subsidiaries controlled by the parent. The Group controls an entity if the Group directly or indirectly owns more than 50% of the voting rights, or when the Group in one way or another has the ability to have a controlling influence. Companies wherein the Group directly or indirectly holds between 20% and 50% of the voting rights and has significant but not controlling influence are treated as associates. Please refer to the overview of the Nissens Group in Notes 16 and 17.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains on intra-group transactions are eliminated. Unrealized gains on transactions with associates are eliminated in proportion to the Group's interest in the entity.

Consolidated financial statements

Notes

1 Accounting policies (continued)

Business combinations and goodwill

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated profit or loss until the date of disposal and settlement date.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets, including goodwill at the date of disposal and costs of disposal.

The purchase method is applied to acquisitions of new businesses over which AX V Nissens II ApS obtains control. The acquired businesses' identifiable assets and liabilities are measured at fair value at the acquisition date. In connection with the acquisition, provision is made for the costs associated with the decided and published restructurings in the acquired business. Deferred tax related to the fair value adjustments that have been identified are recognised.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred (a bargain purchase), then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is recognised in the profit or loss on the day of acquisition.

Gains and losses at disposal of subsidiaries

Gains and losses at disposal or settlement of a subsidiary are calculated as the difference between the selling price or the disposal value and the carrying amount of the net assets, respectively, at the disposal or settlement date, including goodwill and the expected costs of sale or disposal.

Foreign currency translation

On initial recognition, foreign currency transactions are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the date of the statement of financial position. The difference between the exchange rates at the end of the year and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

Foreign subsidiaries are seen as independent units. The profit or loss is translated at an average exchange rate for the month, and the statement of financial position are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of such entities at closing rates and on translation of profit or loss at average exchange rates to the closing rates are recognised in other comprehensive income.

Foreign exchange adjustments of balances with the independent foreign subsidiaries considered a part of the total net investment in foreign operations are recognised under a separate translation reserve in equity.

Consolidated financial statements

Notes

1 Accounting policies (continued)

Revenue

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

The fair value corresponds to the agreed price discounted at present value where payment terms exceed 12 months.

The variable part of the total consideration is not recognised in revenue until it is highly probable that it will not be reversed in subsequent periods.

Sale of finished goods is recognised when control over the individual identifiable performance obligation in the sales agreement is transferred to the customer. In general, this is considered to occur at the time of physical delivery. The only exception to this is bill and hold arrangements, cf. below.

The buyer has, in some cases, a right to return. The Group recognises revenue for this at the time of the physical delivery to the buyer to the extent that it can be reliably measured how much of the delivery, after the balance sheet date, cannot be returned.

Payment terms in the Group's sales agreements

The payment terms in the Group's sales agreements with customers are dependent partly on the underlying customer relationship and partly on the segment.

The Group's terms of payments are between 30-120 days.

The Group receives prepayments for some sales agreements. The prepayments do not necessarily reflect the work performed and do not affect the time of the recognition of revenue.

The Group's revenue comprises sale of standard and customised cooling systems.

The Group's sales agreements are divided into individually identifiable performance obligations, which are recognised and measured separately at fair value. If a sales agreement comprises several performance obligations, the total selling price of the sales agreement is allocated proportionately to the individual performance obligations of the agreement.

Revenue is recognised when control over the individual identifiable performance obligation is transferred to the customer.

Bill and hold arrangements

In some cases, the customers request that the delivery is postponed. In addition to the usual recognition criteria, all of the following criteria are required to be met for the Group to recognise revenue upon the time of planned delivery:

- a) The reason for the bill and hold arrangement must be substantive (for example, the arrangement might be requested by the customer because of a lack of physical space to store the goods);
- b) The product must be identified separately as belonging to the customer (that is, it cannot be used by the Group to satisfy other orders);
- c) The product must currently be ready for physical transfer to the customer; and
- d) The Group cannot have the ability to use the product or to direct it to another customer.

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Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises income that is not product-related. This includes income from sales of raw materials and consumables, government grants, sale of assets and other income of a secondary nature in relation to the main activities of the Group.

Government grant

Government grant income is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant will be recognised in profit and loss under other operating income or special items, as the eligible costs are incurred.

Other external expenses

Other external expenses include expenses in regards to the Company's principal activities arising during the year. This includes expenses for sales, advertisement, administration, office buildings, debit losses, etc.

Staff costs

Staff costs include wages and salaries, including holiday pay and pensions, as well as other expenses for social security, etc. for the Group's employees. In the staff costs, compensation received from public authorities has been subtracted.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised in employee benefits expense together with a corresponding increase in equity (other capital reserves) over the year in which the service, and, where applicable, the performance conditions, are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a year represents the movement in cumulative expense recognised at the beginning and end of that year.

Special items

Special items include significant income and expenses of a special nature in terms of the Group's revenue-generating operating activities that cannot be attributed directly to the Group's ordinary operating activities. Such income and expenses include negative goodwill, transaction costs and transformation cost in a business combination.

Finance income and expenses

Finance income and expenses are recognised in the income statement for the amounts that correspond to the transactions of the current financial year. Finance income and expenses comprise interest income and expenses, exchange gains and losses on transactions denominated in foreign currencies etc., as well as surcharges, gain/loss on foreign exchange instruments and allowances under the on-account tax scheme, etc.

Consolidated financial statements

Notes

1 Accounting policies (continued)

Income tax

Current income tax

AX V Nissens II ApS is jointly taxed with all its Danish parent companies and subsidiaries. The subsidiaries are included in the joint taxation from the date which they are included in the consolidation and until the date which they are excluded from the consolidation.

The Company's ultimate Parent Company, AX V Nissens III ApS, is the administrative company for the joint taxation and settles the payments of the joint taxation with the taxation authorities.

The actual corporation tax is distributed by settling joint taxation contributions between the jointly taxed companies relatively to their income. The companies with a tax deficit receive a joint tax contribution from the companies which have been able to apply the deficit for reducing their own taxable surplus.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Tax for the year, which comprises the year's current tax charge, the year's joint taxation contribution and deferred tax adjustments – including the adjustment of the tax rate – is recognised in the income statement for the share which is attributable to the profit for the year, and in other comprehensive income, with the share attributable to entries recognised in other comprehensive income.

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to assets and liabilities without affecting either the profit or loss for the year or the taxable income.

Adjustments are made to deferred tax resulting from elimination of unrealized intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Income tax receivable" or "Income tax payable".

Balance sheet

Goodwill

Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash flow generating units as defined by Management. The determination of cash generating units complies with the managerial structure and the internal control and reporting in the Group.

Consolidated financial statements

Notes

1 Accounting policies (continued)

Other intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Rights and development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are demonstrated, and where the Group intends to complete and use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised under research and development costs in the income statement as incurred. Rights and development projects are measured at cost less accumulated amortisation and impairment.

Cost comprises external expenses as well as internal directly related wages and salaries attributable to the development project. Other development costs are recognised in the income statement as they arise.

Rights and development expenses, which are recognised in the balance sheet, are initially measured at cost and subsequently at cost less accumulated amortisation and impairment losses.

Following the completion of development work, development costs are amortized on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is:

Development projects	3-5 years
Brand	15 years
Acquired intangible assets	10 years

Gains and losses from sale of rights and development projects are calculated as the difference between the sales prices less sales expenses and the carrying amount at the date of sale. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Consolidated financial statements

Notes

1 Accounting policies (continued)

Property, plant and equipment

Leasehold improvements and other fixtures and fittings are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The cost for a total asset is split in separate components, which are depreciated separately, if the useful life of each of the components differ.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Buildings	20-25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-7 years
Right-of-use assets	Over the term of the lease contract

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When the depreciation period or the residual value is changed, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Gains and losses at sale of property, plant and equipment is calculated as the difference between the sales price less the sales expenses and the carrying amount at the date of sale. Gains or losses are recognised in the income statement as the item other operating income and other operating expenses, respectively.

Land is not depreciated.

Leases

The right-of-use asset and corresponding lease liability will be recognised at the commencement date, i.e. the date the underlying asset is ready for use and when the Group obtains the right to obtain the economic benefits from the use of it. Right-of-use assets are measured at cost corresponding to the lease liability recognised.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial costs incurred.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed payments from commencement date
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- The exercise price of a purchase option if it is reasonably certain to exercise the options
- Amount expected to be payable under residual value guarantees

Consolidated financial statements

Notes

1 Accounting policies (continued)

The lease liabilities are subsequently measured at amortised cost using the effective interest method. The lease liabilities are adjusted when there is a change in future lease payments, typically due to a change in index or rate on property leases, or if there is a reassessment of whether an extension or termination option will be exercised.

When the lease liabilities are adjusted in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are from the commencement date depreciated over the shorter period of the lease term and useful life of the underlying asset. When it is reasonably certain that the Group will obtain ownership of the leased asset after the lease period, the asset is depreciated over the useful life.

Depreciation is provided on a straight-line basis over the expected lease period.

The Group has chosen not to recognize low value lease assets and short-term leasing contracts in the balance sheet. Lease payments on short-term leases and low-value assets are recognised as expenses on a straight-line basis according to the lease contract.

The right-of-use assets are presented in property, plant and equipment and the lease liabilities in borrowings.

Investments in associates

The Group's investments in associates are accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results from operations of the associate. Any change in OCI of those investees is presented as part of the OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Impairment of non-current assets

If there is an indication of impairment, the carrying amount of intangible assets and property, plant and equipment as well as investments in associates is tested for evidence of impairment.

When there is evidence that assets may be impaired, an impairment test is performed for each of the assets/group of assets. An impairment is recognised at the recoverable amount, if this is lower than the carrying amount.

The recoverable amount is the higher of the value in use or fair value less costs of disposal.

During the period of development, development costs are tested annually for impairment.

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Notes

1 Accounting policies (continued)

Inventory

Inventory is measured at cost according to the FIFO method. If the net realisable value is lower than the cost, then they are impaired to the lower value.

Cost of goods for resale as well as raw materials and consumables include the purchase price plus the delivery cost, as well as indirect production expenses in terms of leaflets, packaging for goods for resale. Expenses in terms of external storage fees are added as well.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effectuate the sale, and taking into account marketability, obsolescence and developments in the expected selling price.

Trade receivables

Receivables

Receivables are measured at amortised cost. Write-down for bad and doubtful debts is made in accordance with the simplified expected credit loss model according to which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet based on the expected loss in the useful life of the receivable.

Trade receivables are monitored continuously according to the Group's risk management until realisation. Write-downs are calculated based on the expected loss ratio, which is estimated based on historical data adjusted for estimates over the effect of expected changes in relevant parameters such as financial development, political risks, etc., in the relevant market.

Prepayments, assets

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial periods.

Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or a service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

In Automotive, the standard term is a 12-month warranty period. In Cooling Solutions, warranty conditions are in general negotiated on a customer level.

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Notes

1 Accounting policies (continued)

Trade and other payables

The Group's financial liabilities include trade and other payables. Trade payables are non-interest bearing and are settled on normal market terms. Other payables are non-interest bearing.

Contractual liabilities

Contractual liabilities include prepayments from customers and other liabilities where the Group has a future commitment to deliver goods or service items. Contractual liabilities are reduced when the related goods or service items are invoiced, either fully or partially.

Liabilities

Financial liabilities are recognised at the date of borrowing at fair value less directly attributable transaction costs paid. On subsequent recognition, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Non-financial liabilities are measured at net realisable value.

Derivatives

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of forward currency contracts are taken directly to profit or loss (finance income and expenses) as hedge accounting has not been applied for the period. Any gains or losses arising from changes in the fair value of interest rate swaps are recognised directly in other comprehensive income as hedge accounting has been applied.

Fair value

Fair value measurements are based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1 Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information)

Consolidated financial statements

Notes

1 Accounting policies (continued)

Alternative performance measures

The Group presents the measure of EBITDA before special items in the income statement which has not been defined in IFRS. The Group assesses that the measure gives valuable insight for investors and management of the Group to evaluate the result. As other companies may not calculate EBITDA before special items, it may not be comparable to other companies.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, interest received, changes in working capital and income taxes paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, paid interest on interest-bearing debts, and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

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Notes

2 Significant accounting judgements, estimates and assumptions

Purchase price allocation

As of December 1st, 2020 the Automotive division company NA International A/S acquired 100% of the outstanding shares in AVA CEE S.P. z o.o., AVA Benelux B.V. and AVA Cooling UK Ltd. In addition, NA International A/S acquired 100 % of the outstanding shares in AVA Cooling France as of 23 February 2021.

AVA CEE S.P. z o.o., AVA Benelux B.V., AVA Cooling UK Ltd. and AVA Cooling France's assets, liabilities and contingent liabilities have been recognised under the purchase method in the consolidated financial statements of AXV Nissens II ApS. The key assets of the companies are property, plant and equipment, inventories, trade receivables and the value of the brand. Especially with regard to the brand, there are no efficient markets based on which fair value can be determined. Management has therefore made an estimate in connection with the calculation of the fair value of the acquired assets and liabilities at the date of acquisition and has allocated the purchase price on that basis, see note 5827. The fair value calculation is subject to uncertainty. The unallocated part of the purchase price has been recognised as negative goodwill and has been recognised in the income statement as a special item cf. note 8.

Impairment tests for goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data.

Especially the impairment test of the Nissens Cooling Solutions divisions depends on the success of the current development projects with the global wind turbine OEM's and from a macro perspective that the current global outlook on installations rates is obtained..

This is further described in note 13. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Receivables

Estimates are used in determining the level of receivables that cannot be collected according to Management. When evaluating the adequacy of the allowance for doubtful receivables, Management analyses trade receivables and examines changes in customer creditworthiness, reports from credit insurance companies, customer payment patterns and current economic trends.

Inventory

Inventories are measured at the lower of cost and net realisable value. Uncertainty estimates for the inventory relate to write-down to net realisable value.

The valuation of inventory is according to the Group principal including assessment of provision for slow moving and/or obsolete inventory.

For a specification of inventory, see note 18.

Consolidated financial statements

Notes

2 Significant accounting judgements, estimates and assumptions (continued)

Estimating the incremental borrowing rate of leases

The Group cannot readily determine the interest rate implicit in the leases, therefore, the Group uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest which the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period for buildings as part of the lease term for leases of right-of-use assets with shorter non-cancellable period unless there are specific plans to terminate the lease. The renewal periods for leases of right-of-use assets with longer non-cancellable periods are not included as part of the lease term as these are not assessed as reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. Refer to note 15 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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3 Segment information

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments which are as follows:

- ▶ Nissens Automotive
- ▶ Nissens Cooling Solutions

No operating segments have been aggregated to form the above reportable operating segments.

The Management of AX V Nissens II ApS monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Financial year ended 30 April 2021	Automotive	Cooling Solutions	Total segments	Unallocated	Consoli- dated
	MDKK	MDKK	MDKK	MDKK	MDKK
Revenue					
External customers	1,133.8	1,304.8	2,438.6	0.0	2,438.6
Operating profit after special items	119.7	71.2	190.9	-0.1	190.8
Total assets	1,670.5	1,602.7	3,273.2	225.8	3,445.8
Total liabilities	-432.6	-523.8	-956.4	-1,640.9	-2,544.1
	1,237.9	1,078.9	2,316.8	-1,415.1	901.7

There has not been allocated any equity, borrowings, cash, deferred tax and tax payables to the two operating segments.

Financial year ended 30 April 2020	Automotive	Cooling Solutions	Total segments	Unallocated	Consoli- dated
	MDKK	MDKK	MDKK	MDKK	MDKK
Revenue					
External customers	983.2	960.4	1,943.6	0.0	1,943.6
Operating profit after special items	79.3	-5.2	74.1	-0.5	73.6
Total assets	1,581.9	1,373.9	2,955.8	253.1	3,208.9
Total liabilities	-423.7	-327.9	-751.6	-1,584.8	-2,336.4
	1,158.2	1,046.0	2,204.2	-1,331.7	872.5

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3 Segment information (continued)

Geographical information

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Revenue from external customers		
Denmark	262,209	197,049
Germany	355,493	400,315
China	434,277	155,438
Other	1,386,667	1,190,774
Total	2,438,646	1,943,576

The revenue information above is based on the location of the customers. Denmark, Germany and China are the only countries whose sale represents more than 10% of total revenue.

Two customers have sales representing more than 10% of the total revenue. Revenue from these customers is in the range 10%-20% of the total revenue.

DKK'000	30 April 2021	30 April 2020
Non-current operating assets		
Denmark	1,742,446	1,792,057
Slovakia	152,631	149,360
China	26,649	20,831
Other	50,712	19,595
Total	1,972,438	1,981,843

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

4 Other operating income

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Government grants	1,637	2,218
Net gain on disposals of property, plant and equipment	439	229
Other operating income	8,849	8,211
Total	10,925	10,658

Government grants have been received as Covid-19 compensation. There are no unfulfilled conditions or contingencies attached to these grants.

Other operating income includes sales of raw materials.

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5 Staff costs

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Wages and salaries	408,915	392,804
Pensions	20,123	19,545
Employee benefits/other remunerations	17,254	16,269
Share-based payments	718	1,867
Total employee benefit expense	447,010	430,484
Average number of full-time employee	1,417	1,367

Remuneration to the board of directors

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Wages and salaries	760	800
Share-based payments	74	209
Total employee benefit expense	834	1,009

Remuneration to board of directors is paid out from AX V Nissens ApS.

6 Share-based payments

In the financial year 2020/2021 no warrants have been granted.

In the financial year 2019/2020 no warrants have been granted.

The Board of Directors and other executive employees were granted warrants to purchase shares in AX V Nissens II ApS at a given exercise price. The warrants will vest on 30 June 2022 or at an earlier date if the activities of the Group are disposed of in an exit situation. The warrant programs are contingent on continued employment in the Group.

The fair value of the granted warrants is estimated using the Black-Scholes Model. The value is calculated applying the following assumptions:

Estimated volatility (based on a selected peer-group)	30%
Risk free interest rate	-0.43%
Market value per share	DKK 10

Every warrant grants the right to buy one share in AX V Nissens II ApS at a nominal value of DKK 0.01 at a price of DKK 10 + 8% p.a.

The fair value per warrant at grant dates was estimated to be DKK 1.10 – 1.19.

Estimating fair value for share-based payment transactions requires a determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires a determination of the most appropriate inputs to the valuation model, including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

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6 Share-based payments (continued)

The fair values of awards granted were determined using the Black-Scholes Model that takes into account factors specific to the share incentive plans, such as the vesting period.

The inputs used for the valuation model include, among others, the exercise price of the award, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate.

Specification of outstanding share options

	Board of directors of the parent company	Other executive employees	Total number
Outstanding at 30 April 2019	1,320,000	8,848,950	10,168,950
Outstanding at 1 May 2019	1,320,000	8,848,950	10,168,950
Additions during the year	0	0	0
Outstanding at 30 April 2020	1,320,000	8,848,950	10,168,950
Outstanding at 1 May 2020	1,320,000	8,848,950	10,168,950
Additions during the year	0	0	0
Disposals during the year	0	-49,500	-49,500
Outstanding at 30 April 2021	1,320,000	8,799,450	10,119,450

No warrants are exercised as at 30 April 2021.

In the financial year the expense in regard to share-based payments recognised in the income statement amounts to 718 DKK'000 (2019/2020: 1,867 DKK'000.)

7 Amortisation and depreciation

DKK'000	1 May 2020 - 30 April 2021	1 May 2019 - 30 April 2020
Amortisation, intangible assets	73,939	69,180
Depreciation, property, plant and equipment	69,344	55,756
	143,283	124,936

8 Special items

DKK'000	1 May 2020 - 30 April 2021	1 May 2019 - 30 April 2020
Transaction costs directly related to acquisition of AVA entities	4,233	0
Transformation cost directly related to acquisition of AVA entities	8,295	0
Negative goodwill cf. note 8	-36,487	0
	-23,959	0

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9 Fees paid to auditors appointed at the annual general meeting

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 - 31 April 2020
Statutory audit	1,200	1,079
Other assurance services	54	4
Tax and VAT advisory services	336	401
Other services	98	333
	1,688	1,817

10 Net finance costs

Finance income DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Interests – bank deposits etc.	1,276	1,193
Foreign exchange gains	10,356	4,767
Change in fair value of foreign exchange contracts	0	1,280
Gain from the sale of shares	17	0
Total finance income	11,649	7,240
Interest on financial assets measured at amortized cost	1,276	1,193

Finance costs DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Interests – borrowings	113,094	107,329
Interests – other	3,644	2,643
Interest expense, Group entities	7	0
Interest on lease liabilities	2,231	1,232
Foreign exchange losses	9,342	6,706
Amortisation borrowings	7,237	7,237
Other finance costs	470	81
Change in fair value of foreign exchange contracts	1,025	0
Total finance costs	137,050	125,228
Interest on financial liabilities measured at amortized cost	118,976	111,204

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11 Income tax

Income statement

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Tax for the current year can be specified as follows:		
Tax of the result of the year	30,572	9,305
Tax on other comprehensive income	568	437
	31,140	9,742

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Tax for the current year can be specified as follows:		
Current income tax charge	52,772	25,792
Change in provision for deferred tax	-20,847	-14,530
Adjustments to prior year	-1,353	-1,957
	30,572	9,305

Tax on profit for the year can be explained as follows:

	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Accounting profit before income tax		
Calculated 22 % tax on profit for the year	14,385	-9,766
Difference in the tax rate in foreign subsidiaries relative to 22%	5,201	3,317
<i>Tax effect of:</i>		
Non-deductible acquisition costs	1,454	148
Negative goodwill	-8,027	
Interest limitation according to § 11 B of the Danish Corporation Tax Act	18,772	16,962
Enhanced tax deduction on development projects according to § 8 B of the Danish Tax Assessment Act	-582	-81
Other non-deductible expenses	722	682
Tax adjustments to prior year	-1,353	-1,957
	30,572	9,305
Effective tax (%)	46.8%	-21.0%

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11 Income tax (continued)

Tax on other comprehensive income

DKK'000	1 May 2020 – 30 April 2021		
	Before tax	Tax	After tax
Fair value adjustment of interest rate swap	2,581	-568	2,013
Exchange differences on the translation of foreign operations	-3,217	0	-3,217
Adjustment to prior year	-4,948	0	-4,948
	-5,584	-568	-6,152

DKK'000	1 May 2019 – 30 April 2020		
	Before tax	Tax	After tax
Fair value adjustment of interest rate swap	1,986	-437	1,549
Exchange differences on the translation of foreign operations	-3,137	0	-3,137
	-1,151	-437	-1,588

Deferred tax

DKK'000	30 April 2021	30 April 2020
Deferred tax 1 May	153,843	167,930
Acquisition of subsidiary	-3,303	0
Deferred tax for the year recognised in profit for the year	-20,790	-14,530
Deferred tax currency translation	1	6
Deferred tax related to financial instruments	568	437
Deferred tax 30 April	130,319	153,843

Reflected in the statement of financial position as follows:

Deferred tax assets	11,901	6,417
Deferred tax liabilities	142,220	160,260

Deferred tax 30 April, net	130,319	153,843
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DKK'000	30 April 2021	30 April 2020
Deferred tax relates to:		
Intangible assets	127,841	135,786
Property, plant and equipment	25,332	28,496
Trade and other receivables	1,252	1,620
Inventory	-9,399	-5,380
Borrowings	-5,908	-4,362
Provisions and other liabilities	-5,525	-2,317
Tax loss	-3,274	0
	130,319	153,843

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11 Income tax (continued)

In addition to the tax loss recognised in the balance sheet, the Group has total unrecognised tax losses of 9,760 DKK'000 which, due to the uncertainty of the future utilization, has not been recognised in the balance sheet. The tax losses can be carried forward as follow:

DKK'000	30 April 2021	30 April 2020
Financial year 2021/2022	0	0
Unlimited	9,760	537
Unrecognised tax loss to be carried forward 30 April	9,760	537

The Group has two subsidiaries in China for which future dividend payments will be subject to withholding tax in the range of 5 – 10%. The potential withholding tax amounts to 5,567 – 11,135 DKK'000.

The withholding tax has not been recognised in the balance sheet as there are no current plans for dividend payments from the subsidiaries in China.

Income tax payable	30 April 2021	30 April 2020
DKK'000		
Income tax payable 1 May	6,874	28,701
Acquisition of subsidiary	45	0
Current tax for the year	52,772	25,792
Corporation tax paid during the year	-39,347	-45,662
Adjustments to prior year	-1,353	-1,957
Income tax payable 30 April	18,991	6,874

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12 Intangible assets

DKK'000	Goodwill	Brand	Acquired intangible assets	Rights	Development projects	Development in progress	Total
Cost 1 May 2020	936,501	331,721	453,045	15,228	3,964	11,115	1,751,573
Acquisition of subsidiary	0	14,882	48	0	0	0	14,930
Currency translation	0	0	-3	-69	0	-18	-90
Additions	0	0	0	8,613	1,594	13,087	23,294
Disposals	0	0	0	-199	0	0	-199
Transfer	0	0	0	-782	5,767	-4,985	0
Cost 30 April 2021	936,501	346,603	453,090	22,791	11,325	19,199	1,789,508
Amortisation and impairment 1 May 2020	0	62,659	128,364	6,377	56	0	197,455
Currency translation	0	0	-4	-138	0	0	-143
Amortisation	0	22,197	45,309	3,309	3,123	0	73,939
Disposals	0	0	0	-51	0	0	-51
Amortisation and impairment 30 April 2021	0	84,856	173,669	9,497	3,179	0	271,200
Carrying amount 30 April 2021	936,501	261,747	279,421	13,294	8,146	19,199	1,518,308

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12 Intangible assets

DKK'000	Goodwill	Brand	Acquired intangible assets	Rights	Development projects	Development in progress	Total
Cost 1 May 2019	936,501	331,721	453,045	7,803	0	2,669	1,731,738
Currency translation	0	0	0	2	0	0	2
Addition	0	0	0	7,423	1,295	11,115	19,833
Transfer	0	0	0	0	2,669	-2,669	0
Cost 30 April 2020	936,501	331,721	453,045	15,228	3,964	11,115	1,751,573
Amortisation and impairment 1 May 2019	0	40,544	83,059	4,678	0	0	128,280
Currency translation	0	0	0	-5	0	0	-5
Amortisation	0	22,115	45,305	1,704	56	0	69,180
Amortisation and impairment 30 April 2020	0	62,659	128,364	6,377	56	0	197,455
Carrying amount 30 April 2020	936,501	269,062	324,681	8,851	3,908	11,115	1,554,118

Acquired intangible assets consist primarily of customers and technology with carrying amounts of 163.3 MDKK (30 April 2020: 189.8 MDKK) and 116.1 MDKK (30 April 2020: 134.9 MDKK) respectively and with remaining lives of 7 years.

Total costs related to R&D activities amount to 40.2 MDKK for the year 1 May 2020 – 30 April 2021 (2019/2020: 33.6 MDKK) of which 11.8 MDKK has been capitalized as development in progress (2019/2020: 11 MDKK), 9.7 MDKK has been capitalized as development projects and 0.8 MDKK has been capitalized as rights.

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13 Impairment test

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill from the acquisition of K. Nissen International A/S is monitored by Management at segment level and therefore allocated to the two segments - Automotive and Cooling Solutions.

All individual assets or cash-generating units are tested for impairment in circumstances in which indicators of impairment are identified and therefore, the carrying amount may not be recoverable.

The carrying amount of goodwill relates to the two segments as follows:

DKK'000	2020/2021	2019/2020
Automotive	572,309	572,309
Cooling Solutions	364,192	364,192
Total	936,501	936,501

Goodwill is tested for impairment once a year and in the case of impairment indicators. Impairment test in 2020/2021 is made as of 31 March 2021.

The recoverable amount is based on the value in use, which is calculated by means of expected net cash-flows on the basis of forecasts for 2021/2022 – 2025/2026 agreed by the Executive Board.

The forecasts are based on the expected market developments, including growth in market and expected price levels. The revenue forecasts for both divisions are adjusted for the expected short-term Covid-19 impact and a reduced long-term outlook has been incalculated. The duration and depth of Covid-19 may impact the revenue and earnings outlook further.

No impairment has been recognised as the impairment test indicates a headroom in the range of +653 MDKK for Automotive and +129 MDKK for Cooling Solutions. The subsequent sale of the Cooling Solutions division does not indicate any impairments.

Amongst other things, the Automotive sales volume is driven by development in the car park in markets where Nissens is present. Cooling Solutions sales volume is driven by factors such as the performance of the global wind industry and the general macro-economic trends.

The key assumptions underlying the calculation of recoverable amounts and the tolerable sensitivities hereon are:

	Automotive		Cooling Solutions	
	Used	Sensitivity	Used	Sensitivity
<u>2020/2021</u>				
Growth rates	6.5%	10.4%	4.7%	2.6%
Growth rate in terminal period	2.0%	7.0%	2.0%	1.4%
Discount rate (WACC)	8.9%	3.6%	10.0%	0.8%
<u>2019/2020</u>				
Growth rates	5.8%	10.3%	10.1%	1.3%
Growth rate in terminal period	2.0%	3.7%	2.0%	0.6%
Discount rate (WACC)	8.9%	2.2%	10.0%	0.3%

Going forward, the discount rates applied are expected to be in the range of 8% - 10%.

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14 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings	Construction in progress	Right-of-use assets	Total
Cost 1 May 2020	280,343	122,518	15,466	17,706	93,877	529,911
Acquisition of subsidiary	0	7,861	240	0	30,132	38,233
Currency translation	-320	-799	-31	-32	-870	-2,052
Additions	326	2,526	5,603	34,746	19,909	63,110
Transferred	0	9,494	0	-9,494	0	0
Disposals	-462	-1,275	-444	0	-4,448	-6,629
Cost 30 April 2021	279,887	140,325	20,834	42,926	138,600	622,573
Depreciation and impairment 1 May 2020	42,725	35,867	5,890	0	17,703	102,186
Currency translation	-134	-383	-120	0	-273	-910
Depreciation	13,571	21,768	3,478	0	30,527	69,344
Disposal	0	0	-311	0	-1,866	-2,177
Depreciation and impairment 30 April 2021	56,162	57,252	8,937	0	46,091	168,443
Carrying amount 30 April 2021	223,725	83,073	11,897	42,926	92,509	454,130

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14 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings	Construction in progress	Right-of-use assets	Total
Cost 1 May 2019	282,671	101,027	11,354	9,463	0	404,516
Initial application of IFRS 16	0	0	0	0	34,777	34,777
Adjusted cost 1 May 2019	282,671	101,027	11,354	9,463	34,777	439,292
Currency translation	-94	-363	-108	0	-280	-845
Additions	0	1,226	5,967	41,029	56,798	105,020
Transferred	-2,234	31,231	0	-32,786	3,789	0
Disposals	0	-10,603	-1,746	0	-1,207	-13,556
Cost 30 April 2020	280,343	122,518	15,466	17,706	93,877	529,911
Depreciation and impairment 1 May 2019	27,843	27,651	4,241	0	0	59,735
Currency translation	-38	-351	-54	0	-74	-517
Depreciation	14,920	19,170	2,849	0	18,817	55,756
Disposal	0	-10,603	-1.145	0	-1,040	-12,788
Depreciation and impairment 30 April 2020	42,725	35,867	5,890	0	17,703	102,186
Carrying amount 30 April 2020	237,618	86,651	9,576	17,706	76,174	427,725

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15 Leases

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets

DKK'000	30 April 2021	30 April 2020
Buildings	74,359	58,746
Plant and machinery	11,223	11,369
Other fixtures and fittings	6,927	6,059
	92,509	76,174

Further specification of right-of-use assets is disclosed in note 14.

Lease liabilities

DKK'000	30 April 2021	30 April 2020
Current	35,136	20,707
Non-current	60,408	55,885
	95,544	76,592

Further information about maturity is disclosed in note 29.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets

DKK'000	30 April 2021	30 April 2020
Buildings	22,197	12,292
Plant and machinery	3,674	2,488
Other fixtures and fittings	4,656	4,037
Total depreciation charge of right-of-use assets	30,527	18,817
Interest expense (included in finance expenses)	2,231	1,232
Expense related to short-term leases (included in external expense)	1,184	1,061
Expense related to low-value leases (included in external expense)	250	192
The total cash outflow for leases in the year	29,020	19,415

Estimates and assumptions related to leases are described in note 2.

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15 Leases (continued)

The Group's leasing activities

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 6 years, but may have extension options as described below.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lease's incremental borrowing rate is used. The incremental borrowing rates used are 2% for buildings and 3.5% for plant and machinery other fixtures and fittings.

A not insignificant proportion of the Company's building leases contains options to extend the lease period between 1-3 years. To the extent Management found it reasonably certain that these leases will be exercised, the period of the option is recognised as part of the lease. Extension options are recognised based on a specific contract-to-contract assessment. As of 30 April 2021, extension options are recognised with a value of 16.8 MDKK (2019/2020: 16.4 MDKK) as they are exercised with reasonable certainty. No extension options extended exceed 5 years. As of 30 April 2021, extension options that with reasonable certainty are not exercised amount to 20.9 MDKK (2019/2020: 22.9 MDKK). Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised, see note 2.

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16 Investments in subsidiaries

Name	Legal form	Registered office	Ownership 30 April 2021
Subsidiaries			
AX V Nissens I ApS	ApS	Horsens, Denmark	100%
AX V Nissens ApS	ApS	Horsens, Denmark	100%
K. Nissen International A/S	A/S	Horsens, Denmark	100%
Subsidiaries of K. Nissen International A/S			
Nissens (Shanghai) Auto Parts Trading Ltd.	Ltd.	China	100%
NCS International A/S	A/S	Denmark	100%
NA International A/S	A/S	Denmark	100%
Subsidiaries of NCS International A/S			
Nissens Cooling Solutions A/S	A/S	Horsens, Denmark	100%
Nissens Cooling Solutions Inc.	Inc.	USA	100%
Nissens Cooling Solutions Czech S.R.O.	S.r.o.	Czech Republic	100%
Nissens Cooling Solutions SK S.R.O.	S.r.o.	Slovakia	100%
Nissens Cooling Solutions North SK S.R.O.	S.r.o.	Slovakia	100%
Nissens Cooling Systems (Tianjin) Co Ltd	Ltd.	China	100%
Subsidiaries of NA International A/S			
Nissens Automotive A/S	A/S	Horsens, Denmark	100%
Nissens UK Ltd	Ltd	England	100%
Nissen France EURL	EURL	France	100%
Radiadores Nissen S.A.	S.A	Spain	100%
Nissens Sverige A.B.	A.B	Sweden	100%
Nissens Schweiz A.G.	A.G	Switzerland	100%
Nissens Portugal LDA	Lda.	Portugal	100%
Chlodnice Nissens Polska Sp. z o.o.	Sp. z o.o	Poland	100%
Nissens Belgium S.A.	S.A	Belgium	100%
Nissens Hungaria Jarmuhuto Kft.	Kft.	Hungary	100%
Nissens Italia S.R.L.	S.r.l	Italy	100%
Nissens Finland OY	OY	Finland	100%
Nissens North America Inc.	Inc.	USA	100%
Nissens Ukraine Ltd	Ltd.	Ukraine	100%
Nissens Deutschland GmbH	GmbH	Germany	100%
Nissens Automotive SK S.R.O.	S.r.o.	Slovakia	100%
AVA Benelux BV	BV	Netherland	100%
AVA CEE Sp. z o.o.	Sp. z o.o	Poland	100%
AVA Cooling UK Ltd	Ltd	England	100%
AVA Cooling France	SAS	France	100%
Selskabet af 29. April 2021 A/S	A/S	Danmark	100%
Nissens Automotive Service A/S	A/S	Danmark	100%

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17 Investments in associates

	30 April 2021	30 April 2020
Nissens Japan	0	8
MDS Stainless ApS	1,432	0
	1,432	8

The Group has a 20% interest in MDS Stainless, which is a supplier to the Cooling Solutions division. MDS Stainless ApS is registered in Denmark and is a private entity that is not listed on any public exchange. The Group's interest in MDS Stainless ApS is accounted for using the equity method in the consolidated financial statements.

18 Inventory DKK'000

	30 April 2021	30 April 2020
Raw materials and consumables	143,360	102,393
Work in progress	143,840	137,185
Finished goods	373,727	321,943
	660,927	561,521

Inventory is reported net of allowances for obsolescence, analyses of which is as follows:

DKK'000	30 April 2021	30 April 2020
1 May	17,083	7,364
Addition in year	11,307	9,719
Utilised	-8,249	0
30 April	20,141	17,083

The net realisable value of inventories is calculated as selling price less costs of completion and costs necessary to make the sale. The Group and Management have a strong focus on inventory turnover and are continuously working with procedures to reduce risk of obsolescence. The Group has implemented fixed procedures to calculate obsolescence on stock.

19 Trade and other receivables DKK'000

	30 April 2021	30 April 2020
Receivables from sales	574,239	365,498
Market value of FX contracts	403	1,428
Other receivables	50,182	32,602
Prepayments	9,437	9,225
	634,261	408,753

DKK'000	30 April 2021	30 April 2020
Automotive	225,795	138,460
Cooling Solutions	348,444	227,038
	574,239	365,498

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19 Trade and other receivables (continued)

Ageing of trade receivables is specified as following

DKK'000	30 April 2021	30 April 2020
Not due	538,244	328,523
Trade receivable overdue by 0 – 30 days	33,313	33,140
Trade receivable overdue by 31 - 90 days	1,512	1,918
Trade receivable overdue more than 90 days	1,170	1,917
	574,239	365,498

Provision for bad debts is specified as following

DKK'000	30 April 2021	30 April 2020
1 May	9,176	7,374
Currency translation	-98	-5
Addition in year	711	3,511
Reversed during the year	-698	-1,018
Utilised	0	-686
	9,091	9,176

The Group's terms of payments are between 30 – 120 days, depending on customer and segment.

20 Contract assets and liabilities

DKK'000	30 April 2021	30 April 2020
Contractual assets:		
Receivables from revenue according to note 19	574,239	365,498
	574,239	365,498

DKK'000	30 April 2021	30 April 2020
Contractual liabilities:		
Return obligations	3,150	2,690
Prepayments	3,499	446
Other	1,702	0
	8,351	3,156

Current	7,103	3,156
Non-current	1,248	0

Prepayments from customers as per 30 April 2021 amount to 3.5 MDKK (30 April 2020: 0.5 MDKK). Delivered goods related to prepayments are expected during Q2 of 2021. Revenue recognised of prepayment from customer in the income statements is in line with revenue recognition under accounting policies.

The return obligations relate to customers in the Automotive division. The return obligations depend on the customer's contracts, but are in general within 12 months.

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21 Equity

Capital management

On a regular basis, the Executive Board assesses whether the Group has an adequate capital structure, just as the board of Directors regularly evaluates whether the Group's capital structure is in line with the best interests of the Group and its stakeholders.

The current capital structure was implemented to support the acquisition of K. Nissen International A/S in June 2017, and the Management's assessment is that the current capital structure is sufficient to support the Group's strategy plans. According to the current policy, the Group does not distribute dividend.

	Issued shares		Nominal value 30 April 2021	Nominal value 30 April 2020
	Number 30 April 2021	Number 30 April 2020		
1 May	102,291,500	102,291,500	1,022,915	1,022,915
Additions	0	0	0	0
30 April – fully paid	102,291,500	102,291,500	1,022,915	1,022,915

The share capital consists of 102,291,500 shares with a nominal value of 0.01 DKK each. 97,219,500 are A-shares and have voting rights. 5,000,000 are B-shares with no voting rights and are ascribed special rights.

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22 Provisions

DKK'000	Warranties and claims	Other
At 1 May 2020	6,667	5,214
Acquisition of subsidiary	609	0
Arising during the year	10,212	0
Utilised	-3,000	0
Reversed during the year	-329	-3,214
At 30 April 2021	14,159	2,000
Current	3,855	0
Non-current	10,304	2,000
DKK'000	Warranties	Other
At 1 May 2019	3,442	5,214
Arising during the year	3,757	0
Utilised	-532	0
At 30 April 2020	6,667	5,214
Current	3,667	0
Non-current	3,000	5,214

Provision

Provisions comprise anticipated expenses relating to warranty commitments, pending disputes etc.

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23 Borrowings

Long-term debt liabilities is due as follows:

DKK'000	30 April 2021	30 April 2020
0-1 years	35,370	20,972
1-3 years	1,033,533	1,003,692
3-5 years	573,319	516,113
>5 years	96,899	116,019
	1,739,121	1,656,796

Debt included in the balance sheet includes borrowing expenses, amortized over the maturity of the loan by 9.5 MDKK (2019/2020: 18.4 MDKK). Total borrowing expenses capitalized during the financial year amount to 0.0 DKK (2019/2020: 0 MDKK). The corporate bond loan will mature in June 2022.

30 April 2021

DKK'000	Average interest	Currency	Interest Period	Balance
Mortgage	1.6%	DKK	3 month	163,016
PIK loan	12.0%	DKK	3 month	521,444
Bond loan	5.0%	EUR	3 month	959,117
Leasing debt	2.6%	Various	Depend on each contract	95,544

30 April 2020

DKK'000	Average interest	Currency	Interest Period	Balance
Mortgage	1.7%	DKK	3 month	162,877
PIK loan	12.0%	DKK	3 month	461,781
Bond loan	5.0%	EUR	3 month	955,546
Leasing debt	2.0%	Various	Depend on each contract	76,592

24 Trade and other payables

DKK'000	30 April 2021	30 April 2020
Trade payables	515,932	326,009
VAT payables	19,104	33,482
Holiday pay payable and other employee related costs	106,423	81,542
Market value of interest rate swap	1,358	3,938
Other payable expenses	29,611	52,160
	672,428	497,131
Current	649,025	481,334
Non-current	23,403	15,797

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25 Change in working capital

DKK'000	30 April 2021	30 April 2020
Change in inventory	-50,756	-27,266
Change in receivables	-176,247	30,511
Change in trade payables, etc.	112,668	42,019
Change in contract liabilities	2,943	-44,620
	-111,392	644

26 Non-cash operating items

DKK'000	30 April 2021	30 April 2020
Depreciation and amortisation	143,283	124,936
Negative goodwill	-36,487	0
Net foreign exchange differences	-4,546	-3,414
Movements in provisions	3,669	3,225
Movements in other payables	7,605	0
	113,524	124,747

27 Business combinations

Financial year 2020/2021

Acquisition of the AVA Group

As of 1 December, 2020, the Automotive division company NA International A/S acquired 100% of the share capital in the following 3 companies AVA CEE S.P. z o.o., AVA Benelux B.V. and AVA Cooling UK Ltd. In addition, NA International A/S acquired 100% of the share capital in the company AVA Cooling France as of 23 February 2021.

The AVA companies' business activities are within sales and distribution of automotive cooling and climate products and will further strengthen the market position of the Automotive division. The AVA brand has a strong acknowledgement in the European market, and together, the combined companies will benefit from synergies in supply chain and other back-office functions.

The total acquisition price is agreed to 34.1 mDKK of which 26.7 mDKK has been paid in cash in December 2020 and 7.4 mDKK in February 2021. The total acquisition price was adjusted with 3.5 mDKK in May 2021.

The Group has incurred transaction costs of approximately 4.2 mDKK in connection with the acquisition for legal, financial and commercial advisors. The costs have been recognized as special items, cf. note 8.

AVA CEE S.P. z o.o., AVA Benelux B.V. and AVA Cooling UK Ltd have been included in the consolidated financial statements from the date of acquisition, 1 December, 2020 and AVA Cooling France has been included in the consolidated financial statements from the date of acquisition, 23 February 2021.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as of the acquisition date have been presented jointly for the four companies as valuation of the AVA companies has been made at group level and not at the single legal unit as the Group is one cash generating unit.

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27 Business combinations (continued)

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

DKK'000	Fair value recognised on acquisition
Assets	
Intangible assets	14,930
Property, plant and equipment	38,233
Deferred tax assets	3,303
Deposits	2,054
Inventory	48,650
Trade and other receivables	49,261
Cash and cash equivalents	9,044
	<hr/>
	165,475
Liabilities	
Borrowings	-9,686
Provisions	-609
Trade and other payables	-57,575
Contract liability	-326
Lease liability	-30,132
Income tax payable	-45
	<hr/>
	-98,373
	<hr/>
Total identifiable net assets at fair value	67,102
Negative goodwill	-36,487
	<hr/>
Purchase consideration	30,615

The purchase price reflects that the acquired companies have not been profitable in their previous structure and ownership. To obtain the synergies from the business combination there will be substantial transformation costs in both FY 2020/2021 and FY 2021/22, which are reflected as a negative goodwill on the acquisition. The negative goodwill has been recognized as special items, cf. note 8.

Acquired receivables include trade receivables of a fair value of 39.2 mDKK. The contractually receivable gross amount is 42.7 mDKK and hence 3.5 mDKK has been assessed as irrecoverable at the date of acquisition.

From the date of acquisition, AVA entities contributed 100.4 mDKK to revenue and -5.1 mDKK to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been 267.1 mDKK and profit before tax from continuing operations for the Group would have been -21.3 mDKK.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The total cost price has been settled in cash.

Financial year 2019/2020

Nissens Group has not acquired any subsidiaries or activities during 2019/2020.

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28 Pledges, collateral, contingencies and commitments

Danish Group entities are jointly taxed with AX V III Nissens ApS, which acts as a management company, and are jointly and severally liable with several other jointly taxed group entities for the payment of income taxes as well as withholding taxes on interest, royalties and dividends. The liabilities have been estimated at 18.7 MDKK at 30 April 2021 (30 April 2020: 5.5 MDKK).

The Group is party to a minor number of pending disputes. The outcome of these cases is not expected to have any material impact on the financial position of the Group, neither individually nor in the aggregate.

Commitments

The Group has entered into lease agreements related to cars, plant and computers, with lease terms between 0 and 6 years. Detailed information related to other contractual commitments in note 31 and leases in note 15.

Collateral

Land and buildings with a carrying amount of 165.0 MDKK have been pledged as security for mortgage debt of 164.7 MDKK.

Shares in K. Nissen International A/S, carrying amount 806 MDKK and shares in the following subsidiaries of K. Nissen International A/S, Nissens Cooling Solutions SK S.r.o, carrying amount 134 MDKK, Nissens Cooling Solutions North SK S.r.o, carrying amount 2 MDKK, Nissens North America Inc. carrying amount 23 MDKK Nissens Cooling Solutions A/S, carrying amount 204 MDKK, Nissens Automotive A/S, carrying amount 273 MDKK, Nissens Deutschland GmbH, carrying amount 7 MDKK and the subsidiary of Nissens A/S, Nissens UK Ltd, carrying amount 5 MDKK have been pledged as security for bond debts of 130 MEUR.

Goodwill and other purchase price allocations have not been allocated to legal unit. Therefore, the listed carrying amounts for the shares pledged are based on the booked equity and do not include allocation of goodwill etc., if any.

29 Financial risk and financial instruments

Risk management policy

The Group's principal financial liabilities, other than trade payables, are mortgage and bond loans. The main purpose of these financial liabilities is to finance the Group's operations and acquisitions of assets. The Group's principal financial assets include accounts receivable. The Group also enters into derivative transactions. Financial instruments applied by the Group include forward contracts on exchange rate exposures and interest hedging.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees on policies for managing each of these risks, which are described below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risks such as equity price risk and commodity price risk. The Group applies the following derivative financial instruments to mitigate market risks, interest rate swaps and forward contracts.

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29 Financial risk and financial instruments (continued)

Currency risk

The majority of Nissens' activities implies currency risks in connection with the purchase and sale of goods and services in foreign currencies. The largest exposure for purchases relates to CNY, EUR and USD whereas largest invoicing currencies are EUR, PLN, USD and GBP. Currency risks are handled within the limitations of the policy approved by the Board of Directors. The policy recommends the use of layered hedging, but it does not set a minimum share of the expected future cash-flow which should be secured by financial instruments.

All changes in financial instruments related to foreign currency risk are recognised as financial income or financial expenses in the income statement.

At the balance sheet date, the Group has the following exposures towards net-monetary positions on current receivables and total liabilities.

	Change in rate	2020/2021 P/L effect (MDKK)	2019/2020 P/L effect (MDKK)
EUR - bond loan	+0.1%	-1.0	-1.0
EUR – current receivables and current liabilities	+0.1%	0.3	0.2
PLN	+5.00%	4.8	1.2
GBP	+5.00%	0.9	0.3
USD	+5.00%	2.9	1.5
CNY	+5.00%	6.1	-1.6
CZK	+5.00%	1.8	-

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's mortgage and bond loan. The interest applied to the loans is variable on 3-months terms.

An increase in the interest rate by 1 percentage in comparison to the interest rate at the balance sheet date would, all other things being equal, affect the Group's profit or loss by -1.9 MDKK (2019/20: -1.9 MDKK) and equity after tax by DKK -1.4 MDKK (2019/2020: -1.4 MDKK).

Financial instruments

To minimize the interest exposure on the bond loan, the Group has entered into a cap on the interest rate on the bond loan. The interest cap of 5.0% is a 4-year agreement with maturity date 29 September 2021 and covers the full interest position on the 130 MEUR bond loan.

The fair value adjustment has been recognised in "other comprehensive income".

Pricing risk

The Group is affected by the volatility of primarily aluminium prices. The outlook for aluminium prices is continuously monitored and decisions on securing expected consumption are made in accordance with policies hereon. The annual direct consumption of aluminium is approx. 6,000 ton. A change in the LME reference price of 1% will affect the Group's profit or loss by 0.7 MDKK (2019/2020: 0.5 MDKK).

The Group is also affected by the volatility of other raw material prices directly and indirectly.

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29 Financial risk and financial instruments (continued)

The Group is also exposed to the development in the global freight rates. Short to medium term the development in material prices and freight rates may impact earnings until mitigations can be implemented.

Liquidity risk

The purpose of the Group's cash management procedures is to ensure that the Group at all times has sufficient and flexible financial resources at its disposal and is able to honour its obligations when due. The Group's liquidity reserves consist of credit balances and fixed overdraft facilities.

Loan facilities

Besides net cash of DKK 214 MDKK (2019/2020: 249 MDKK), the Group had undrawn credit facilities of 125 MDKK (2019/2020: 125 MDKK) at 30 April 2021.

In addition to the credit facilities, the Group has the following loans:

Maturity analysis

DKK'000	Contractual cash flow	< 1 year	1 - 3 years	3 to 5 years	>5 years
Bond loan (130 MEUR)	1,029,059	48,426	980,633	0	0
Mortgage loan	251,606	3,555	38,307	42,165	167,579
PIK loan	812,917	0	0	812,917	0
Leasing debt	99,125	36,881	45,057	16,777	410
Trade payables	515,933	515,933	0	0	0
Non derivatives	2,708,640	604,795	1,063,997	871,859	167,989
Interest swap	1,358	64	1,294	0	0
Derivatives	1,358	64	1,294	0	0
30 April 2021	2,709,998	604,859	1,065,291	871,859	167,989

DKK'000	Contractual cash flow	< 1 year	1 - 3 years	3 to 5 years	>5 years
Bond loan (130 MEUR)	1,077,485	48,426	1,029,059	0	0
Mortgage loan	202,079	3,292	20,574	42,463	135,750
PIK loan	812,917	0	0	812,917	0
Leasing debt	77,586	20,972	36,152	19,128	1,334
Trade payables	326,009	326,009	0	0	0
Non derivatives	2,496,076	398,699	1,085,785	874,508	137,084
Interest swap	3,938	177	3,761	0	0
Derivatives	3,938	177	3,761	0	0
30 April 2020	2,500,014	398,876	1,089,546	874,508	137,084

The corporate bond loan will mature in June 2022.

The contractual cash flows are based on the non-discounted cash flows, including down-payments and calculated interests based on current interest rates.

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29 Financial risk and financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables and from its financing activities, including deposits with banks and financial institutions (to the extent the balance is in surplus of the Group), foreign exchange transactions and other financial instruments. The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of the customers and trading partners. In addition, credit risks on counterparties other than banks are minimized through the use of prepayments and credit insurance. From a historical perspective, losses on receivables are at a low level.

The maximum credit risk related to trade receivables equals the carrying amount of the trade receivables.

The allowance for expected credit losses for trade receivables is calculated at individual level when there is an indication of impairment. For receivables with no indication of impairment, the expected credit losses are based on the historical credit loss. The expected loss includes the effect of Covid-19. In 2020/2021, credit losses recognised in the income statement are less than 0.1% of total revenue, corresponding to historic level. In 2019/2020, credit losses recognised in the income statement accounted for less than 0.1% of total revenue.

Selected customers offers supply chain financing programs, which the Group utilized to sell certain receivables. The Groups involvement in receivables sold under these programs is limited to administration and financial costs related to delayed payments. Thus, the Group only carries an immaterial risk on these receivables. The profit and loss impact from these programs is limited to an interest payment on the payments. The balance sheet does not include any receivables or payables related to receivables sold under these programs. At the balance sheet date, the nominal value of receivables sold amounts to 136.7 MDKK (2019/2020: 75.6 MDKK). Receivables sold are due within 4 months.

Categories of financial instruments

DKK'000	Carrying amount	Fair value
	30 April 2021	30 April 2021
Financial assets at amortized cost		
Trade receivables	574,239	574,239
Receivable from group companies	258	258
Cash and cash equivalent	213,669	213,669
	788,166	788,166
Financial liabilities at amortized cost		
Borrowings	-1,652,827	-1,652,827
Payables to group companies	0	0
Lease obligations	-95,544	-95,544
Trade payables	-515,932	-515,932
	-2,264,303	-2,264,303
Financial liabilities at fair value recognised through other comprehensive income (interest swap)	1,358	1,358
Financial asset at fair value recognised through profit and loss (hedging)	-403	-403
Derivative financial instruments, net	-955	-955
	-1,477,092	-1,477,092

Consolidated financial statements

Notes

29 Financial risk and financial instruments (continued)

DKK'000	Carrying amount	Fair value
	30 April 2020	30 April 2020
Financial assets at amortized cost		
Trade receivables	365,498	365,498
Cash and cash equivalent	248,630	248,630
	614,128	614,128
Financial liabilities at amortized cost		
Borrowings	-1,598,676	-1,598,676
Payables to group companies	-268	-268
Lease obligations	-74,016	-74,016
Trade payables	-326,009	-326,009
	-1,998,969	-1,998,969
Financial liabilities at fair value recognised through other comprehensive income (interest swap)	3,938	3,938
Financial asset at fair value recognised through profit and loss (hedging)	-1,428	-1,428
Derivative financial instruments, net	-2,510	-2,510
	-1,387,351	-1,387,351

Fair value hierarchy of financial instruments measured at fair value

30 April 2021

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Total
Forward contracts	0	-403	-403
Interest swap	0	1,358	1,358
Financial liabilities, net	0	955	955

30 April 2020

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Total
Forward contracts	0	-1,428	-1,428
Interest swap	0	3,938	3,938
Financial liabilities, net	0	2,510	2,510

Methods and assumptions for calculating fair value

The determined fair value of derivative financial instruments is based on observable market data such as yield curves or forward rates.

Consolidated financial statements

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30 Changes in liabilities arising from financing activities

Reconciliation of movements in cash flows to changes in financing liabilities:

2020/2021

DKK'000	1 May	Cash changes		Non-cash changes	Fair value changes and amortisation	30 April
		Cash flows	Additions	Foreign exchange movement		
Bond loan	955,546	0	0	-2,912	6,483	959,117
Mortgage debts	162,877	-74	0	0	213	163,016
Leasing debt	76,592	-29,020	46,338	-597	2,231	95,544
PIK loan	461,781	0	0	0	59,663	521,444
Loan with group companies	268	-4,020	0	0	3,494	-258
Total liabilities from financing activities	1,657,064	-33,114	46,338	-3,509	72,084	1,738,862

2019/2020

DKK'000	1 May	Cash changes		Non-cash changes	Fair value changes and amortisation	30 April
		Initial application of IFRS 16	Cash flows	Foreign exchange movement		
Bond loan	949,896	0	0	-833	6,483	955,546
Mortgage debts	162,899	0	-234	0	213	162,877
Leasing debt	0	34,777	-18,418	59,207	1,232	76,592
PIK loan	408,663	0	0	0	53,118	461,781
Loan with group companies	229	0	39	0	0	268
Total liabilities from financing activities	1,521,687	34,777	-18,613	59,207	-1,039	1,657,064

Consolidated financial statements

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31 Other contingent liabilities

Other contractual commitments

DKK'000	30 April 2021	30 April 2020
0-1 years	14,451	14,278
1-5 years	19,559	24,427
> 5 years	0	0
	34,010	38,705

At 30 April 2021, 18.2 MDKK (30 April 2020: 18.1 MDKK) was recognised as an expense regarding other contractual commitments.

32 Related party disclosures

AX V Nissens II ApS' related parties include the following:

Name	Registered office	Basis for controlling influence	Indirect ownership shares	Indirect share of votes
Axcel V K/S	Copenhagen	Participating interest	37.6%	39.6%
AFVJ Holding ApS	Horsens	Participating interest	25.4%	21.6%
AX V Nissens III ApS	Horsens	Participating interest	69.4%	73.0%

There has not been any significant transactions between companies in the Group and above related parties in the year.

There has been paid wages and salaries to the Board of Directors and the Executive Board as listed in Note 5.

Transactions between Group entities including sales, purchase and credit facilities are made at market terms and have been eliminated in the consolidated report.

AX V Nissens II ApS is included in the consolidated financial statement of AX V Nissens III ApS, CVR.nr. 38 64 73 50. The consolidated financial statement of AX V Nissens III ApS can be received by contacting the company.

33 Events after the reporting period

On 19 July 2021, the subsidiary K. Nissen International A/S has entered into an agreement concerning the sale of the Nissens Cooling Solutions division to a newly established company owned by A. P. Møller Holding A/S. Completion of the sale is subject to customary conditions, including obtaining required merger control clearances. Completion of the sale is expected to occur during Q4 of 2021.

It is the expectation that, following and subject to satisfaction or waiver of the sale conditions, the subsidiary AX V Nissens ApS will exercise its call option to redeem all of the outstanding Bonds, in accordance with the Terms and Conditions.

Consolidated financial statements

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34 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2020/2021 consolidated financial statements.

- IAS 1 Presentation of Financial Statements — Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- IAS 16 Property, Plant and Equipment – Amendments to IAS 16: Proceeds before Intended Use
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- IFRS 3 Business Combinations – Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Annual Improvements to IFRSs 2018-2020.

None of the new standards are endorsed by EU.

The endorsed adopted, not yet effective standards and interpretations will be implemented as they become mandatory for AX V Nissens II ApS.

None of the new standards and interpretations are expected to have a significant impact on recognition and measurements in AX V Nissens II ApS.

Parent financial statements

Income statement

For the year 1 May - 30 April

Note	DKK'000	2020/2021	2019/2020
	Other external costs	-69	-486
	Operating loss	-69	-486
4	Finance income	3,506	3,226
4	Finance cost	-59,913	-53,456
	Result before tax	-56,476	-50,716
5	Tax	3,117	3,235
	Result for the year	-53,359	-47,481

Statement of other comprehensive income

For the year 1 May - 30 April

Note	DKK'000	2020/2021	2019/2020
	Result for the year	-53,359	-47,481
	Other comprehensive income regarding market value of interest rate swap	0	0
	Income tax effect	0	0
	Other comprehensive income for the year, net of tax	0	0
	Total comprehensive income	-53,359	-47,481

Parent financial statements

Balance sheet

Note	DKK'000	30 April 2021	30 April 2020
	ASSETS		
	Non-current assets		
6	Investments in subsidiaries and associates	1,230,738	1,230,738
	Deferred tax	562	443
	Total non-current assets	1,231,300	1,231,181
	Current assets		
	Income tax receivable	2,998	2,831
	Receivables from Group companies	75,767	69,429
	Cash and cash equivalents	52,910	53,423
	Total current assets	131,675	125,683
	TOTAL ASSETS	1,362,975	1,356,864
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	1,023	1,023
	Retained earnings	840,465	894,012
	Total equity	841,488	895,035
	Non-current liabilities		
9	Borrowings	521,444	461,781
	Total non-current liabilities	521,444	461,781
	Current liabilities		
	Trade and other payables	43	48
	Total current liabilities	43	48
	Total liabilities	521,487	461,829
	TOTAL EQUITY AND LIABILITIES	1,362,975	1,356,864

Parent financial statements

Cash flow statement

For the year 1 May - 30 April

Note	DKK'000	2020/2021	2019/2020
	Operating activities		
	Result before tax	-56,476	-50,716
4	Finance income	-3,506	-3,226
4	Finance expenses	59,913	53,456
8	Changes in working capital	-5	-38
		-74	-524
4	Finance income, received	3,506	3,226
5	Income tax paid	2,831	3,060
	Net cash flows from operating activities	6,263	5,762
	Financing activities		
	Acquisition of treasury shares	-188	0
	Change in borrowings with related parties	-6,338	-6,285
	Interest paid	-250	-338
	Net cash flows from financing activities	-6,776	-6,623
	Cash flow for the year	-513	-861
	Cash and cash equivalents at 1 May	53,423	54,284
	Cash and cash equivalents at 30 April	52,910	53,423

Parent financial statements

Statement of changes in equity

For the year ended 30 April 2021

DKK'000	Share capital	Retained earnings	Total
Equity 1 May 2020	1,023	894,012	895,035
Total comprehensive income 30 April 2021			
Profit for the year	0	-53,359	-53,359
Total comprehensive income for the year	0	-53,359	-53,359
Transactions with owners			
Acquisition of treasury shares	0	-188	-188
Total transactions with owners	0	-188	-188
Equity 30 April 2021	1,023	840,465	841,488

For the year ended 30 April 2020

DKK'000	Share capital	Retained earnings	Total
Equity 1 May 2019	1,023	941,493	942,516
Total comprehensive income 30 April 2020			
Profit for the year	0	-47,481	-47,481
Total comprehensive income for the year	0	-47,481	-47,481
Equity 30 April 2020	1,023	894,012	895,035

Parent financial statements

Overview of notes for the consolidated financial statements

Note

- 1 Accounting policies
- 2 Significant accounting judgements, estimates and assumptions
- 3 Fees paid to auditors appointed at the annual general meeting
- 4 Net finance costs
- 5 Income tax
- 6 Investments in subsidiaries and associates
- 7 Equity
- 8 Change in working capital
- 9 Borrowings
- 10 Pledges, collateral and contingencies etc.
- 11 Related party disclosures
- 12 Events after the reporting period
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Parent financial statements

Notes

1 Accounting policies

For the accounting policies, please refer to the consolidated financial statement's accounting policies on page 24.

Investments in subsidiaries

Dividends on investments in subsidiaries are recognised in the income statement of the Parent Company in the financial year in which the dividend is declared.

Investments in subsidiaries are measured at cost, including transaction costs.

If there is an indication of impairment, the carrying amount of investments in subsidiaries is tested for evidence of impairment.

When there is evidence that investments may be impaired, an impairment test is performed. Impairment is recognised at the recoverable amount, if this is lower than the carrying amount. The recoverable amount is the higher of the value in use or fair value less costs of disposal.

Receivables

For receivables from group entities, the expected credit loss-model (ECLs) is used.

For the credit loss-model is an expectation-based model, where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).

If a significant increase in the credit risk has occurred compared to original expectations, expected loss related to the assets is presumed, lifetime expected losses (stage 2).

The assets are written off, when there is no reasonable expectation to recover outstanding amounts based on the expected loss of the assets, lifetime expected losses (stage 3). Interest income is recognised in the income statement based on effective interest method according to the remaining asset.

Expected loss is estimated based on considered PD (probability of default), EAD (exposure value in default) and LGD (losses by default), incorporated in Management's expectation for the future development and information available.

2 Significant accounting judgements, estimates and assumptions

For the significant accounting judgements, estimates and assumptions, please refer to the consolidated financial statement's accounting policies in note 2.

3 Fees paid to auditors appointed at the annual general meeting

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Statutory audit	56	64
Tax and VAT advisory services	13	0
	69	64

Parent financial statements

Notes

4 Net finance costs

Finance income

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Interest income, Group entities	3,506	3,226
Total finance income	3,506	3,226

Finance costs

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Interests – borrowings, net	59,120	52,576
Amortisation borrowings	542	542
Other financial costs	251	338
Total finance expense	59,913	53,456

5 Income tax

Income statement

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Current income tax		
Tax for the current year can be specified as follows:		
Tax of the result of the year	-3,117	-3,235
Tax on other comprehensive income	0	0
	-3,117	-3,235

DKK'000	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Current income tax		
Tax for the current year can be specified as follows:		
Current income tax charge	-2,998	-2,831
Change in provision for deferred tax	-119	-119
Adjustments to prior year	0	-285
	-3,117	-3,235

Parent financial statements

Notes

5 Income tax (continued)

Tax on profit for the year can be explained as follows:

	1 May 2020 – 30 April 2021	1 May 2019 – 30 April 2020
Accounting profit before income tax		
Calculated 22 % tax on profit for the year	-12,425	-11,158
Tax effect of:		
Interest limitation according to § 11 B in the Danish Corporate Tax Law etc.	9,308	8,137
Other non-deductible expenses	0	71
Tax adjustments to prior year	0	-285
	-3,117	-3,235
Effective tax (%)	5.5%	6,4%
DKK'000	30 April 2021	30 April 2020
Deferred tax 1 May	443	324
Deferred tax for the year recognized in profit for the year	119	119
Deferred tax 30 April	562	443
DKK'000	30 April 2021	30 April 2020
Reflected in the statement of financial position as follows:		
Deferred tax assets	562	443
Deferred tax 30 April	562	443
Deferred tax relates to:		
Borrowings	562	443
Income tax receivable 30 April	562	443
Income tax receivable		
DKK'000	30 April 2021	30 April 2020
Income tax receivable 1 May	2,831	2,775
Joint taxation contribution	-2,831	-3,060
Current tax for the year	2,998	2,831
Adjustment to prior year	0	285
Income tax receivable 30 April	2,998	2,831

Parent financial statements

Notes

6 Investments in subsidiaries and associates

DKK'000	30 April 2021	30 April 2020
Cost 1 May	1,230,738	1,230,738
Cost 30 April	1,230,738	1,230,738
Carrying amount 30 April	1,230,738	1,230,738

Name	Legal form	Registered office	Ownership 30 April 2021	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
AX V Nissens I ApS	A/S	Horsens, Denmark	100%	1,290,991	88,170

7 Equity

The share capital consists of 102,291,500 shares with a nominal value of 0,01 DKK each. 97,219,500 are A-shares and have voting rights. 5,000,000 are B-shares with no voting rights and are ascribed special rights.

8 Change in working capital

DKK'000	30 April 2021	30 April 2020
Change in other payables	-5	-38
	-5	-38

Parent financial statements

Notes

9 Borrowings

Long-term debt liabilities are due as follows:

DKK'000	30 April 2021	30 April 2020
0-1 year	0	0
1-3 years	0	0
3-5 years	521,444	461,781
>5 years	0	0
	521,444	461,781

Reconciliation of movements in cash flows to changes in financing liabilities

DKK'000	1 May 2020	Non-cash changes Fair value changes and amortisa- tion	30 April 2021
Borrowings, mortgage	461,781	59,663	521,444
Total liabilities from financing activities	461,781	59,663	521,444

DKK'000	1 May 2019	Non-cash changes Fair value changes and amortisa- tion	30 April 2020
Borrowings, mortgage	408,663	53,118	461,781
Total liabilities from financing activities	408,663	53,118	461,781

10 Pledges, collateral, contingencies and commitments.

For information on the pledges, collateral contingencies and commitments please refer to note 28 in the consolidated financial statements.

11 Related party disclosures

Besides the information on related parties, cf. note 32 in the consolidated financial statements, there have been intercompany balances between the subsidiary AX V Nissens II ApS.

There has been paid wages and salaries to Board of Directors as given in Note 5.

12 Events after the reporting period

For information on events after the reporting period, please refer to note 33 in the consolidated financial statements.

13 Standards issued, but not yet effective

For the note on standards issued, but not yet effective, please refer to note 34 in the consolidated financial statements.