

## CIPP Holding ApS

Energivej 3

4180 Sorø

Business registration no. 40911553

## Annual report for the period 1 May – 31 December 2021

The Annual General Meeting adopted the annual report on 22 April 2022

Chairman of the General Meeting



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Name: Søren Friis Knudsen

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## Company details

Name	CIPP Holding ApS
Address, zip code, city	Energivej 3, 4180 Sorø
CVR no.	40 91 15 53
Established	6 November 2019
Registered office	Sorø
Financial year	1 May – 31 December
First financial year	6 November – 30 April
Board of Directors	Søren Friis Knudsen, Chairman Lars Patrik Nolåker Robin Mürer Nicoletta Giadrossi Wolfgang Orgeldinger Talitha Maja Kirchner
Executive Board	Karsten Müller Nicolai Krøjer Westh
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 2000 Frederiksberg

## Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of CIPP Holding ApS for the financial year 1 May - 31 December 2021.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements according to the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 May - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Sorø, 22 April 2022

Executive Board:



Karsten Müller



Nicolai Krøjer Westh

Board of Directors:

Søren Friis Knudsen  
Chairman

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Robin Mürer

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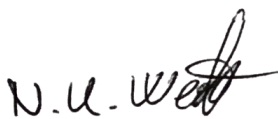
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Sorø, 22 April 2022


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Nicolai Krøjer Westh

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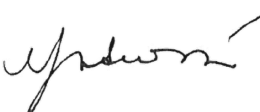
  
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## Independent auditor's report

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of CIPP Holding ApS for the financial year 1 May - 31 December 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 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 May - 31 December 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### 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 assurance conclusion thereon.

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

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

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

### Management's responsibilities for the financial statements

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

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

## Independent auditor's report

### Auditor's responsibilities for the audit of the financial statements

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

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

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

Copenhagen, 22 April 2022  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



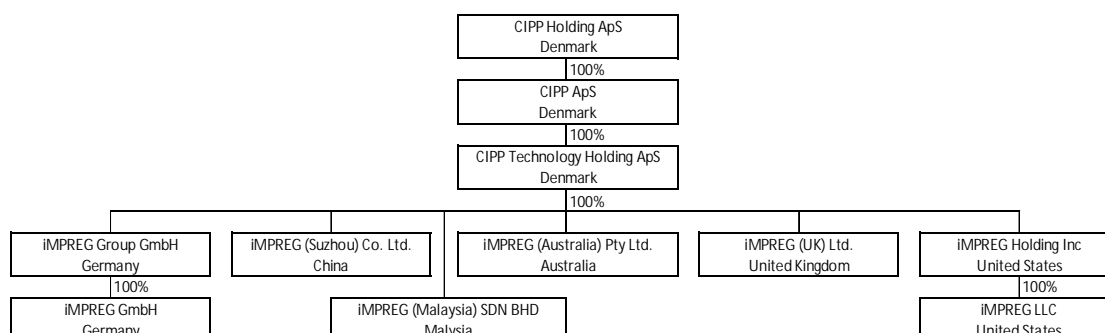
Mikkel Sthyr  
State Authorised  
Public Accountant  
mne26693



Ole Becker  
State Authorised  
Public Accountant  
mne33732

## Management commentary

## Group structure



EUR'000	2021 <sup>2)</sup>	2020/21	2019/20 <sup>1)</sup>
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## Key figures

Revenue	51,486	69,583	18,755
Gross profit	17,792	26,219	5,922
Operating profit/loss before special items, depreciation, amortization	7,649	11,591	1,678
Special items	-458	-352	-4,986
Operating profit/loss before, depreciation, amortisation (EBITDA)	7,191	11,239	-3,308
Operating profit/loss	1,402	3,631	-5,723
Net financials	-978	-5,539	-1,422
Profit/loss for the year	-70	-3,283	-7,648

Total assets	137,097	134,881	133,752
Additions to property, plant and equipment	3,118	1,569	1,569
Equity	59,550	59,727	61,481

Cash flows from operating activities	2,048	-544	-1,892
Cash flows from investing activities	-3,817	-3,445	-75,994
Cash flows from financing activities	-453	1,099	87,245
Total cash flows	-2,222	-2,890	9,359

## Ratios

Gross margin (%)	34.6	37.7	31.6
Operating margin (%)	14.9	16.7	8.9
Solvency ratio (%)	44.4	44.4	45.9

Average number of full-time employees	270	240	224
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1) Including 4.5 months of operations. The Parent Company was established on 6 November 2019 and the Group was established on 17 December 2019 after the acquisition of Anpartsselskabet af 16. november 2015.

2) Including 8 months due to change in financial year to end 31 December 2021.

*Financial ratios*

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

Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating margin (%)	$\frac{\text{Operating profit/loss before special items, depreciation, amortisation} \times 100}{\text{Revenue}}$
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total equity and liabilities at year-end}}$

## Management commentary

### *Key activities*

CIPP Holding ApS is an investment company that through its ownership of CIPP ApS and subsidiaries, is one of the world's leading suppliers of liners for sewer, wastewater, and stormwater rehabilitation.

CIPP Holding ApS and its subsidiaries are in the following referred to as "The Group". The Group supplies liners, accessories, and various technical services and equipment for pipe rehabilitation.

### *Business model*

The Group develops liners for rehabilitations of sewer, wastewater, and stormwater pipes. The products are produced at The Group's factories.

The customers are served from the regional factories or warehouses, and supported by competent technical and logistic personal in respect of usage, installation and logistics prior to installation.

Raw materials for the products are sourced through specialized materials suppliers for glass, resin, and other materials. The Group strives for high customer satisfaction with The Group's products and the installation thereof.

As of 31 December 2021, The Group employed a total of 270 people excl. temporary workers in all locations, including the Danish headquarters, the facilities in Germany, China and the US.

### *Development in the year*

The Group has reorganized the financial year to follow the calendar year and thus the operating activities in the income statement covers 8 months against 12 months for 2020/21.

On 6 December 2021, a fully owned subsidiary, iMPREG (Malaysia) SDN. BHD., was registered in Kuala Lumpur, Malaysia. The company did not have any business activities during the fiscal year.

On 20 December 2021, aptus 1926. GmbH was acquired as a subsidiary to CIPP Technology Holding ApS and renamed iMPREG Group GmbH. On the same date iMPREG Group GmbH acquired all the shares in iMPREG GmbH from CIPP Technology Holding ApS. iMPREG Group GmbH did not have any other business activities during the fiscal year.

The consolidated income statement for the period shows an EBITDA of EUR 7.7 million and net loss after tax of EUR 0.1 million. Total assets as of 31 December 2021 was EUR 137.1 million and equity was EUR 59.6 million.

The majority of supplies took place in Europe from the factories in Ammerbuch and Gärtringen, Germany. The Asian market was supplied from the factory in Taicang, China and the North American market was supplied from the factory in Richmond, Virginia, US.

The Group started investing in an additional factory in Taicang, China that is expected to go into operation during first half of 2022.

The market for sewer, wastewater, and stormwater rehabilitation has consistently been growing worldwide, and Management considers the financial impact from COVID-19 to be limited. We have experienced extraordinary price increases in key raw materials during first half of 2021 and again towards the end of 2021 and have adjusted our sales prices where possible but with delay.

## Management commentary

Management considers the profit for the period for The Group to be below the expectations announced in the annual report for 2020/21, however satisfactory given the ability to continue operations and maintain supply to costumers in consideration of COVID-19, increasing material prices and challenging logistics. The profit was negatively affected by extraordinary price increases in key raw materials, which were not fully passed through in the sales agreements with customers.

The Parent Company is without activity and shows a minor loss as expected.

## *Risks*

### *General*

As a result of its operations and financing, The Group is exposed to financial risks, including market risks (currency, interest rate and credit risks), which may affect The Group's results of operation and financial position.

The Group's risks are managed centrally in The Group's finance function. It is The Group's policy not to engage in active speculation in financial risks. Thus, The Group's financial management is aimed at managing the financial risks directly attributable to The Group's operations and financing.

### *Currency risks*

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

### *Raw material prices risks*

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

### *Credit risks*

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

### *Interest risks*

The Group has floating-rate loans and the interest is not hedged, hence there is a risk related to increased interest rates.

### *Key employees*

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

## *Capital Structure*

On 20 December 2019, The Group, through CIPP ApS, entered into a EUR 65.0 million senior facilities agreement and a EUR 6.0 million super senior revolving credit facility, that was increased to EUR 8.9 million on 7 April 2020 to ensure financing for the future growth. On 23 March 2022, the super senior revolving credit facility was increased to EUR 10.0 million to further support the growth.

## Management commentary

### *Statutory report on corporate social responsibility*

The Group has a focus on CSR in relation to its business activities. As mentioned above the Group develops liners for rehabilitations of sewer, wastewater, and stormwater pipes. The products are produced at The Group's factories.

The customers are served from the regional factories or warehouses, and supported by competent technical and logistic personal in respect of usage, installation and logistics prior to installation. Raw materials for the products are sourced through specialized materials suppliers for glass, resin, and other materials. The Group strives for high customer satisfaction with The Group's products and the installation thereof.

### *Environment and Climate*

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

This may have an effect on our reputation and harm the local environment. Our primary risk within climate is the negative impact in the form of CO2 emission due to our production.

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

Our strategy comprise five strategic areas and long term targets ("LTT"):

- |  |   |
|--|---|
| 1) Enable climate resilience in society            | LTT: 80% UV penetration worldwide                     |
| 2) Minimize environmental impact of our operations | LTT: Net zero   |
| 3) Ensure healthy, safe, and satisfied employees   | LTT: eNPS >20 and attrition below 15%                 |
| 4) Ensure ethical supply chain                     | LTT: 100% adherence to supply code of conduct         |
| 5) Promote integrity throughout our operations     | LTT: 100% of employees trained annually in ESG topics |

In the period, the Group began tracking scope 1 and 2 GHG emissions. In FY 2022, the Group will start monthly tracking and identify ways to reduce emissions.

The Group's German and Chinese operations are certified ISO 9001 and ISO 14001. In FY2021, the Group has prepared for starting the process for ISO 9001 certification of the US operation.

Throughout the period, we have not been made aware of any breaches of local environmental or climate regulations in our operations.

### *Employee conditions*

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

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

Our primary risk is if we have work-related accidents or if our employees are not motivated when they come to work. This could have an impact on our ability to attract and retain employees. In the period we started to measure employee satisfaction using employee net promotor score and plan to increase the frequency of our measurements during the period.

We believe that our activities in the period have contributed to maintaining a good working environment.



## Management commentary

### *Human rights*

We respect human rights and perform our business in line with basic human rights enshrined in the UN Declaration of Human Rights. The Group shall comply with the four conventions of the International Labour Organization (ILO) on the right to free organization, prohibition of child labour, prohibition of forced labour, and prohibition of discrimination. To ensure that no human rights violations take place in our facilities, we are in continuous dialogue and perform regular visits. Visits to China will be restarted when COVID-19 travel restrictions are lifted.

It can be a risk that employees feel discriminated at work. This may impact our ability to attract and retain employees. Our whistle blower policy enables employees to come forward with concerns. In the period, the employees did not make use of our whistle blower policy.

We are not aware of any breach of human rights in the period.

### *Data ethics*

The CIPP Group has not implemented a Data Ethics policy in 2021. The CIPP Group's business takes place in the business-to-business segment, and the involvement of personal data is therefore limited. The Group has not implemented any new technologies that would give rise to concerns regarding data ethics in relation to personal data.

The protection of individuals' fundamental rights and freedoms is achieved through compliance with existing data protection laws, especially the requirements relating to data minimization, transparency and security. The use of non-personal data within the CIPP Group does not involve any new technologies that would give rise to ethical concerns.

### *COVID-19*

In the period, the Covid-19 pandemic continued to put pressure on the physical and mental well-being of our employees caused by health risks, lockdowns and home office. The Group has put great focus on protecting our employees during this time by prescribing guide-lines and providing protective equipment. This has, among other things, ensured the health of employees during the pandemic.

### *Statutory report on anti-corruption and/or bribery*

The Group has a zero tolerance in relation to corruption and bribery and has strong values and a shared vision of professional business acumen. Internal controls and distributed authority matrix are continuously updated aiming at ensuring adherence. A formal anti-corruption policy is part of our Code of Conduct.

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

We are not aware of any breaches concerning corruption and bribery in the period.

### *Statutory report on gender equality*

The Group has set a target that at least 20% of the Board of Directors are from the underrepresented gender before 2024. The Group currently has 33% of the underrepresented gender at board level, and the target has been achieved.

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

## Management commentary

The Group had 25% of the underrepresented gender amongst other management positions in the period and we will continue our efforts in this area.

### *Governance*

CIPP Holding ApS holds 4-5 ordinary board meetings every year, as well as a two-day strategy workshop. For ordinary board meetings, in addition to the board members, the Group CEO, Group CFO, Group COO and Group CBDO participates. In the strategy review meetings the regional managers in Europe, Americas and Asia also participate.

The board is additionally informed about monthly performance through monthly reports and monthly review meetings.

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

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

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

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

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

### *Ownership and adherence to Danish Venture Capital Association*

CIPP Holding ApS is owned as follows:

FSN Capital V	97.27%
Management	2.73%

### *Outlook*

The Group expects a positive development in FY2022 based on an increased demand for the products, driven by an increasing demand for rehabilitation of infrastructure worldwide. Our expectation for FY2022 is a revenue range between EUR 87m and EUR 92m and EBITDA range between EUR 12m and EUR 14m.

### *Events after the reporting period*

Management expects the financial impact from the Russian/Ukrainian conflict to be limited.

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

## Consolidated income statement for the period 1 May - 31 December 2021

Note	EUR'000	2021 (8 months)	2020/21 (12 months)
1	Revenue	51,486	69,583
	Cost of goods sold	-29,895	-38,779
2	Operating expenses	-3,799	-4,585
	Gross profit	17,792	26,219
3	Staff costs	-10,143	-14,628
	Operating profit/loss before special items, depreciation, amortisation	7,649	11,591
4	Special items	-458	-352
	Operating profit/loss before, depreciation, amortisation	7,191	11,239
10, 11, 12	Depreciation, amortisation and impairment losses	-5,789	-7,608
	Operating profit/loss	1,402	3,631
5	Finance income	1,332	39
6	Finance expenses	-2,310	-5,578
	Profit/loss before tax	424	-1,908
7	Tax on profit/loss for the year	-494	-1,375
	Profit/loss for the year	-70	-3,283

## Consolidated statement of comprehensive income for the period 1 May - 31 December 2021

Note	DKK'000	2021 (8 months)	2020/21 (12 months)
9	Profit/loss for the year	-70	-3,283
	<i>Items that may be reclassified to the consolidated income statement:</i>		
	Exchange rate differences on translation of foreign operations	-105	699
	Total comprehensive income, net of tax	-175	-2,584

## Consolidated statement of cash flows for the period 1 May - 31 December 2021

Note	EUR'000	2021 (8 months)	2020/21 (12 months)
	Operating activities		
	Operating profit/loss	1,402	3,631
10, 11, 12	Amortisation, depreciation and impairment losses	5,746	7,601
15	Change in working capital	-3,282	-6,626
	Cash flow from ordinary operating activities	3,866	4,606
	Interest received	20	39
	Interest paid	-1,407	-3,513
	Income tax paid	-431	-1,676
	Net cash flows from operating activities	2,048	-544
	Investing activities		
10	Purchase of intangible assets	-700	-910
11	Purchase of tangible assets	-3,117	-2,535
	Net cash flows from investing activities	-3,817	-3,445
	Financing activities		
	Loan received, net of borrowing costs paid	0	-109
	Change in credit facility	659	1,823
	Repayment of lease liabilities	-1,112	-1,445
	Capital increases	0	830
	Net cash flows from financing activities	-453	1,099
	Change in cash and cash equivalents	-2,222	-2,890
	Cash and cash equivalents at 1 May	6,473	9,363
	Exchange rate adjustments of cash	0	0
	Cash and cash equivalents at 31 December 2021 / 30 April 2021	4,251	6,473

## Consolidated statement of financial position as per 31 December 2021

Note	EUR'000	31 December 2021	30 April 2021
	ASSETS		
10	Goodwill	54,605	54,605
10	Technology	23,059	24,883
10	Customer relationships	9,644	10,452
10	Brand	2,686	2,899
10	Other	3,586	3,244
	Intangible assets	93,580	96,083
11	Plant and machinery	8,591	7,659
11	Other fixtures and fittings, tools and equipment	2,306	1,306
11	Property, plant and equipment under construction	797	755
12	Right-of-use asset	6,774	6,404
	Total tangible assets	18,468	16,124
8	Deferred tax asset	0	0
	Other non-current assets	0	0
	Total non-current assets	112,048	112,207
	Current assets		
13	Inventories	6,352	4,980
14	Trade receivables	10,932	7,708
14	Contract assets	2,921	2,570
	Income tax receivable	2	2
	Other receivables	452	823
	Prepayments	139	119
	Cash	4,251	6,472
	Total current assets	25,049	22,674
	<b>TOTAL ASSETS</b>	<b>137,097</b>	<b>134,881</b>
	EQUITY AND LIABILITIES		
	Equity		
	Equity attributable to shareholders in CIPP Holding ApS	59,552	59,727
	Total equity	59,552	59,727
	Liabilities		
	Non-current liabilities		
16	Interest-bearing loans and borrowings	44,599	43,696
16	Lease liabilities	5,458	4,786
8	Deferred tax liabilities	9,808	10,431
	Total non-current liabilities	59,865	58,913
	Current liabilities		
16	Bank loans	8,939	8,280
16	Lease liabilities	1,478	1,768
	Trade payables	4,321	2,682
	Income tax payable	1,642	957
	Other payables	1,300	2,555
	Total current liabilities	17,680	16,241
	Total liabilities	77,545	75,154
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>137,097</b>	<b>134,881</b>

## Consolidated statement of changes in equity for the period 1 May - 31 December 2021

EUR'000

	Share capital	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 May 2021	126	634	58,967	59,727
Profit/loss for the year	0	0	-70	-70
Other comprehensive income	0	-105	0	-105
Total comprehensive income	0	-105	-70	-175
Transactions with the owners				
Capital increase	0	0	0	0
Total transactions with shareholders	0	0	0	0
Equity at 31 December 2021	126	529	58,897	59,552

EUR'000

	Share capital	Foreign currency translation reserve	Retained earnings	Total
Equity at 1 May 2020	125	-65	61,421	61,481
Profit/loss for the year	0	0	-3,283	-3,283
Other comprehensive income	0	699	0	699
Total comprehensive income	0	699	58,138	58,837
Transactions with the owners				
Capital increase	1	0	829	830
Total transactions with shareholders	1	0	829	830
Equity at 30 April 2021	126	634	58,967	59,727

## Notes to consolidated financial statements

## 1. Revenue and segments

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

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

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

EUR'000	2021	2020/21
EMEA	31,543	43,237
APAC	11,772	18,063
Americas	8,171	8,283
Total revenue	<u>51,486</u>	<u>69,583</u>

## 2. Audit fee

Statutory audit	70	64
Tax and indirect tax advisory services	38	92
Other services	44	21
Total audit fee	<u>152</u>	<u>177</u>

## 3. Staff costs

Wages and salaries	9,439	13,663
Other social security costs	1,036	1,302
Pension	30	28
Hereof capitalised	-362	-365
Total staff costs	<u>10,143</u>	<u>14,628</u>

Average number of employees

	<u>270</u>	<u>240</u>
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## Remuneration to Executive Management

Wages and salaries	400	492
Pension	0	0
Total remuneration to Executive Management	<u>400</u>	<u>492</u>

## Remuneration to Board of Directors

Wages and salaries	170	20
Pension	0	0
Total remuneration to Board of Directors	<u>170</u>	<u>20</u>

Total remuneration to Executive Management and Board of Directors

	<u>570</u>	<u>512</u>
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The Group has no other employees considered Key Employees.

## Pension plans

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

The Group has not entered into any defined benefit plans.

## Notes to consolidated financial statements

## 4. Special items

EUR'000	2021	2020/21
Restructuring costs etc.	96	-
Cyber incident	362	-
Acquisition costs etc.	-	352
Total special items	458	352

## 5. Financial income

Interest income	20	39
Exchange rate adjustments, net	1,312	0
Total financial income	1,332	39

## 6. Financial expenses

Interest expenses	1,961	3,412
Exchange rate adjustments, net	0	1,737
Interest related to lease liabilities	138	154
Amortization of borrowing costs	211	275
Total financial expenses	2,310	5,578

## 7. Income tax

## Income tax expense in the income statement

<i>Current income tax:</i>		
Current income tax charge	1,173	2,198
Prior year adjustments	-57	5
<i>Deferred tax:</i>		
Changes in temporary differences	-623	-828
Income tax expense in the income statement	494	1,375

## Reconciliation of effective tax rate

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

Profit/loss before tax	424	-1,908
Calculated at Denmark's statutory income tax rate of 22%	-93	420
Effect of unrecognised tax asset relating to tax losses	-124	-1,247
Permanent differences etc., including acquisition-related costs, interest limitation, etc.	-201	-207
Effect of difference in tax rate in foreign subsidiaries, net	-75	-189
Withholding taxes paid	-58	-147
Prior year adjustments	57	-5
Income tax expense reported in the consolidated income statement	-494	-1,375

The effect of difference in tax rate in foreign subsidiaries primarily related to Germany and China.



## Notes to consolidated financial statements

## 8. Deferred tax assets and deferred tax liabilities

Deferred tax in 2021 related to the following:

EUR'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-9,670	-664
Property, plant and equipment	-153	68
Inventories, etc.	80	-26
Other items	-65	-1
Deferred tax expense (income)		-623
Net deferred tax assets (liabilities)	-9,808	
<i>Reflected in the statement of financial position as follows:</i>		
Deferred tax assets	0	
Deferred tax liabilities	-9,808	
Deferred tax liabilities, net	-9,808	

Deferred tax in 2020/21 related to the following:

EUR'000	Consolidated statement of financial position	Consolidated income statement/other comprehensive income
Intangible assets	-10,334	-801
Property, plant and equipment	-85	55
Inventories, etc.	54	6
Other items	-66	-88
Deferred tax expense (income)		-828
Net deferred tax assets (liabilities)	-10,431	
<i>Reflected in the statement of financial position as follows:</i>		
Deferred tax assets	0	
Deferred tax liabilities	-10,431	
Deferred tax liabilities, net	-10,431	

Due to uncertainty in the future earnings for the coming years deferred tax assets related to tax losses have not been recognised. At 31 December 2021, the Group has an unrecognised deferred tax asset relating to tax losses of EUR 2.0 million (30 April 2021: 2.0 million).

## 9. Proposed distribution of profit/loss

EUR'000	2021	2020/21
Retained earnings	-70	-3,283

## Notes to consolidated financial statements

## 10. Intangible assets

EUR'000	Goodwill	Technology	Customer relationship	Brand	Other	Total
Cost at 1 May 2021	54,605	27,361	12,118	3,192	4,402	101,678
Additions	0	0	0	0	700	700
Foreign exchange adjustments	0	0	0	0	0	0
Cost at 31 December 2021	54,605	27,361	12,118	3,192	5,102	102,378
Amortisation at 1 May 2021	0	2,478	1,666	293	1,158	5,595
Amortisation	0	1,824	808	213	358	3,203
Foreign exchange adjustments	0	0	0	0	0	0
Amortisation at 31 December 2021	0	4,302	2,474	506	1,516	8,798
Carrying amount at 31 December 2021	54,605	23,059	9,644	2,686	3,586	93,580
Amortisation period	-	15	10	15	10-20	

Except from goodwill, all other intangible assets are considered to have finite useful lives over which the assets are amortised, cf. the description of accounting policies. The Group is largely patenting its inventions. In the past year, The Group has further developed its products, which is crucial for the Group to maintain its market position in this segment. At 31 December 2021, the carrying amount of these development projects was EUR 3,085 thousand. This amount also includes the development of new IT systems whose development will continue in the coming financial year.

EUR'000	Goodwill	Technology	Customer relationship	Brand	Other	Total
Cost at 1 May 2020	54,605	27,361	12,118	3,192	3,505	100,781
Acquisition of business	0	0	0	0	910	910
Additions	0	0	0	0	13	13
Cost at 30 April 2021	54,605	27,361	12,118	3,192	4,402	101,678
Amortisation at 1 May 2020	0	654	454	80	464	1,652
Amortisation	0	1,824	1,212	213	668	3,917
Foreign exchange adjustments	0	0	0	0	26	26
Amortisation at 30 April 2021	0	2,478	1,666	293	1,158	5,595
Carrying amount at 30 April 2021	54,605	24,883	10,452	2,899	3,244	96,083
Amortisation period	-	15	10	15	10-20	

At 30 April 2020, the carrying amount of these development projects was EUR 3,020 thousand. This amount also includes the development of new IT systems whose development will continue in the coming financial year.

## Impairment test of goodwill

Goodwill acquired through business combinations has been allocated to the reportable operating segments reflecting The Group's CGUs, which are tested for impairment:

- EMEA
- Americas
- APAC

The recoverable amount of each CGU is determined on the basis of its value in use. The value in use is established using certain key assumptions as described below. The key assumptions are revenue growth, product contribution and discount rates.

The value-in-use cash flow projections are based on budgets approved by Management covering the subsequent financial years. The assumptions applied in the short to medium term are based on Management's expectations as to the operational development and growth in product contribution. The terminal growth rates applied for periods beyond 1 year do not exceed an expected weighted long-term average growth rate, including inflation, for the main countries in which the Group operates. Other costs within operating profit before acquisition-related costs are for impairment testing purposes allocated to the reportable operating segments based on their relative share of the product contribution in the Group.

## Notes to consolidated financial statements

## 10. Intangible assets (continued)

Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates.

*The carrying amount of goodwill and the key assumptions*

		2021			
		Key assumptions applied			
EUR'000	Goodwill	Long-term growth in revenue	Long-term growth in product contribution	Discount rate, net of tax	Discount rate, pre-tax
	37,651	2%	16.7 %	11.1 %	14.6 %
EMEA Americas	5,402	2%	14.2 %	11.0 %	13.9 %
APAC	11,552	2%	22.4 %	10.9 %	13.1 %
Total	54,605				

		2020/21			
		Key assumptions applied			
EUR'000	Goodwill	Long-term growth in revenue	Long-term growth in product contribution	Discount rate, net of tax	Discount rate, pre-tax
	37,651	2%	19.9%	10.7%	14.0%
EMEA Americas	5,402	2%	13.5%	10.9%	13.8%
APAC	11,552	2%	20.8%	10.3%	13.0%
Total	54,605				

*Sensitivity analysis*

A sensitivity analysis of the key assumptions in the impairment test is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption as applied in the expected long-term rate can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

		2021					
		Growth in revenue		Growth in product contribution		Discount rate, net of tax	
EUR'000		Long-term rate	Allowed decrease	Long-term rate	Allowed decrease	Applied rate	Allowed increase
		2%	3.7 %	16.7 %	3.4 %	11.1 %	2.3 %
EMEA Americas		2%	n/a %	14.2 %	14.2 %	11.0 %	14.2 %
APAC		2%	14.5 %	22.4 %	11.0 %	10.9 %	6.8 %

		2020/21					
		Growth in revenue		Growth in product contribution		Discount rate, net of tax	
EUR'000		Long-term rate	Allowed decrease	Long-term rate	Allowed decrease	Applied rate	Allowed increase
		2%	1.8%	19.9%	2.4%	10.7%	1.3%
EMEA Americas		2%	>2%	13.5%	1.6%	10.8%	1.4%
APAC		2%	>2%	20.8%	5.0%	10.0%	>10.0%

## Notes to consolidated financial statements

## 11. Tangible assets

EUR'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 May 2021	9,805	1,491	755	12,051
Additions	1,572	1,140	406	3,118
Disposals	-124	-54	0	-178
Transfers	313	53	-366	0
Foreign exchange adjustments	522	95	2	619
Cost at 31 December 2021	12,088	2,725	797	21,252
Depreciation and impairment losses at 1 May 2021	2,146	185	0	2,331
Depreciation	1,173	275	0	1,448
Disposals	-96	-53	0	-149
Foreign exchange adjustments	274	12	0	514
Depreciation and impairment losses at 31 December 2021	3,497	419	0	2,332
Carrying amount at 31 December 2021	8,591	2,306	797	11,694

Depreciation in the income statement includes a net loss of EUR 29 thousand in 2021 (2020/21: EUR 7 thousand) related to disposals of assets.

EUR'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 May 2020	8,221	732	1,222	10,175
Additions	1,676	712	0	2,388
Disposals	-120	0	-0	-120
Transfers	466	0	-466	0
Foreign exchange adjustments	-438	47	-1	-392
Cost at 30 April 2021	9,805	1,491	755	12,051
Depreciation and impairment losses at 1 May 2020	371	23	0	394
Depreciation	1,957	217	0	2,174
Disposals	-120	0	0	-120
Foreign exchange adjustments	-62	-55	0	-117
Depreciation and impairment losses at 30 April 2021	2,146	185	0	2,331
Carrying amount at 30 April 2021	7,659	1,306	755	9,720

## 12. Right-of-use assets

EUR'000	2021	2020/21
Cost at 1 May 2021	8,342	3,748
Additions	267	4,594
Modification	1,211	0
Cost at 31 December 2021	9,820	8,342
Depreciation and impairment losses at 1 May 2021	1,938	424
Depreciation	1,108	1,514
Depreciation and impairment losses at 31 December 2021	3,046	1,938
Carrying amount at 31 December 2021	6,774	6,404

Right-of-use assets comprise primarily office and production facility rentals as well as car leases.

## Notes to consolidated financial statements

## 12. Right-of-use assets (continued)

Amounts recognised in the income statement:

EUR'000	2021	2020/21
Interest related to lease liabilities (included in financial expenses)	138	153
Total	138	153

In 2021, the Group paid EUR 1,219 thousand (2020/21: EUR 1,598 thousand) related to lease contracts of which EUR 138 thousand (2020/21: EUR 153 thousand) related to lease interest and EUR 1,081 thousand (2020/21: EUR 1,445 thousand) related to repayment of lease liabilities.

## 13. Inventories

EUR'000	31 December 2021	30 April 2021
Raw materials and consumables	2,083	882
Work in progress	2,157	1,515
Manufactured goods and goods for resale	2,112	2,583
Total inventories	6,352	4,980

In 2021, write-down of inventories amounted to EUR 0 thousand (2020/21: EUR 232 thousand) and reversal of write-down of inventories amounted to EUR 232 thousand (2020/21: EUR 0 thousand).

## 14. Trade receivables and contract assets

Trade receivables	11,038	8,500
Allowance for expected credit losses	-106	-792
Total	10,932	7,708
Contract assets	2,921	2,570
Allowance for expected credit losses	0	0
Total	2,921	2,570
Allowance for expected credit losses		
Allowance at 1 May	792	282
Reversed	-544	0
Expected credit losses in the year	0	591
Realised in the year	-142	-81
Total allowance for expected credit losses	106	792

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

## Ageing of trade receivables

The ageing of trade receivables is broken down as follows:

EUR'000	31 December 2021	30 April 2020
Not due	5,253	5,622
Overdue 1-30 days	2,326	1,027
Overdue 31-60 days	1,396	430
Overdue 61-90 days	556	82
Over 90 days	1,507	547
Total	11,038	7,708

## Notes to consolidated financial statements

## 14. Trade receivables (continued)

## Customer credit risks

The Group's exposure to credit risks is assessed to be low. The Group's customer portfolio is diversified in terms of geography and size. The Group is not exposed to credit risks related to significant individual customers regarding sales to specific markets.

Customer credit risks are managed both locally and at group level subject to The Group's established policy, procedures and controls relating to customer credit risk management. The credit quality of a customer is assessed based on credit rating and analysis, and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are followed up on a regular basis and the allowance for expected credit losses is made on a monthly basis. The calculation is based on actual historical data. The maximum exposure to credit risks at the reporting date is the carrying amount of each class of financial assets.

The Group considers the concentration of risk with respect to trade receivables and contracts assets as low, as its customers are located in several jurisdictions and operate in largely independent markets.

## 15. Change in working capital

EUR'000	2021	2020/21
Change in inventories	-1,372	-345
Change in trade receivables, contract assets and other receivables	-3,222	-3,804
Change in trade and other payables	-352	-1,892
Non-cash items	928	-585
<b>Total</b>	<b>-3,282</b>	<b>-6,626</b>

## 16. Interest-bearing loans and borrowings

EUR'000	Expiry	Interest margin	Nominal amount 31 December 2021	Carrying amount 31 December 2021
Senior Facility	21 January 2027	EURIBOR + 6.75%	46,071	44,599
Lease liability	Expire before 2031	EURIBOR + 3.25%	6,936	6,936
Bank loan (maximum EUR 8,900)	21 January 2027	EURIBOR + 3.25%	8,939	8,939
			<b>61,946</b>	<b>60,474</b>
Interest-bearing loans and borrowings				44,599
Lease liabilities, non-current				5,458
Lease liabilities, current				1,478
Bank loans, current				8,939
				<b>60,474</b>

Financing costs at 31 December 2021 amounted to EUR 1.5 million and are amortized until the expiry date of the loans. Amortization amounted to EUR 211 thousand in 2021.

EUR'000	Expiry	Interest margin	Nominal amount 30 April 2021	Carrying amount 30 April 2021
Senior Facility	21 January 2027	EURIBOR + 6.50%	45,379	43,696
Lease liability	Expire before 2026	EURIBOR + 3.25%	6,554	6,554
Bank loan (maximum EUR 8,900)	21 January 2027	EURIBOR + 3.00%	8,280	8,280
			<b>60,213</b>	<b>58,530</b>
Interest-bearing loans and borrowings				43,696
Lease liabilities, non-current				4,786
Lease liabilities, current				1,768
Bank loans, current				8,280
				<b>58,530</b>

Financing costs at 31 April 2021 amounted to EUR 1.7 million and are amortized until the expiry date of the loans. Amortization amounted to EUR 274 thousand in 2020/21.

## Notes to consolidated financial statements

## 17. Financial assets and liabilities

EUR'000	Carrying amount 31 December 2021	Carrying amount 30 April 2021
<i>Financial assets at amortised cost</i>		
Trade receivables	10,932	7,708
Other receivables	452	818
Cash	4,251	6,472
	<u>15,635</u>	<u>14,998</u>
<i>Financial liabilities at amortised cost</i>		
Interest-bearing loans and borrowings	44,599	43,696
Bank loan	8,939	8,280
Lease liabilities	6,936	6,554
Trade payables	4,321	2,682
Other payables	1,300	2,555
	<u>66,095</u>	<u>63,767</u>

The fair value of the assets and liabilities listed above is not materially different from the carrying amount except from interest-bearing loans and borrowings. The fair value of interest-bearing loans and borrowings is not considered materially different from the nominal amount:

EUR'000	31 December 2021	30 April 2021
Interest-bearing loans and borrowings, fair value (Level 2)	<u>46,071</u>	<u>45,379</u>

## Fair values

As per 31 December 2021, the Group does not have any financial instruments measured at fair value.

The carrying amounts of the Group's financial instruments, measured at amortised cost, are reasonable approximations of fair values.

*Valuation techniques*

Management has assessed that cash, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of other financial instruments:

Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. The own non-performance risk at 31 December 2021 was assessed to be insignificant.

## Notes to consolidated financial statements

## 18. Reconciliation of liabilities arising from financing activities

The change during the year in liabilities arising from financing activities is specified below:

EUR'000	31 December 2021	30 April 2021
Total, 1 May	58,530	53,379
Repayment of leases	-1,112	-1,445
Change in credit facility	659	1,823
<i>Non-cash</i>		
Amortisation of borrowing costs,	211	274
Borrowing costs capitalized	0	-109
Roll up interests	692	0
Additions to lease liability	1,494	4,608
Total, 31 December / 30 April	<u>60,474</u>	<u>58,530</u>
Interest-bearing loans and borrowings	44,599	43,696
Lease liabilities, non-current	5,458	4,786
Lease liabilities, current	1,478	1,768
Bank loans, current	8,939	8,280
Total, 31 December 2021	<u>60,474</u>	<u>58,530</u>

## 19. Financial risk management

The Group is exposed to credit risk, liquidity risk and market risk.

Financial risk factors refer to fluctuations in The Group's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations. It is The Group's policy not to trade in financial instruments for speculative purposes.

*Foreign currency risk*

The Group is exposed to foreign currency risks arising from its operating and financing activities, as The Group has sales and purchases in foreign currencies. In accordance with The Group's risk management policy, the group does not hedge foreign currency risks.

The risk exposure is considered primarily to relate to transactions in USD and CNY. A 10%-change in the relevant currencies, with all other variables held constant, would impact revenue and gross profit with the amounts below:

2021:

EUR'000	Revenue	Gross profit
USD	-/+849	-/+287
CNY	-/+1,165	-/+582
	<u>-/+2,014</u>	<u>-/+869</u>

2020/21:

EUR'000	Revenue	Gross profit
USD	-/+758	-/+174
CNY	-/+1,866	-/+974
	<u>-/+2,624</u>	<u>-/+1,148</u>



## Notes to consolidated financial statements

## 19. Financial risk management (continued)

*Interest rate risk*

The Group's exposure to the risk of changes in market interest primarily relates to the change in the EURIBOR rate on the long-term loans. The Group does not use derivative contracts to hedge the interest rate risks.

The interest risk exposure relates to an increase in EURIBOR from zero. A +0.5%-change in EURIBOR, with all other variables held constant, would increase interest with the amounts below:

2021:

EUR'000	Nominal amount 31 December 2021	+0.5% in inter- est – increase in interest cost
Senior facility	46,071	230
Lease liability	6,936	35
Bank loans	8,939	45
	<u>61,946</u>	<u>310</u>

2020/21:

EUR'000	Nominal amount 31 April 2021	+0.5% in inter- est – increase in interest cost
Senior facility	45,379	226
Lease liability	6,554	33
Bank loans	8,280	41
	<u>60,213</u>	<u>300</u>

*Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk mainly relates to trade debtors, other receivables and cash at banks.

The aggregate amounts recognised under these items in the balance sheet constitute the maximum credit risk. Receivables relate to sale of products. Credit risk associated with trade debtors handled by the local management team of each operating subsidiary, which monitors the creditworthiness of existing and new customers and assigns credit lines to individual customers. The Group conducts individual assessments of customer creditworthiness. The credit risk relating to trade receivables is disclosed in note 14.

Cash is held with banks with high credit ratings.

*Liquidity risk*

Liquidity risk is the risk that The Group is not able to meet the contractual obligations associated with its financial liabilities due to insufficient liquidity

The Group has entered into a long-term committed financing agreement with credit facilities enabling both the current operations and planned expansion. Treasury management is centralised and ensures that sufficient financial resources are available to meet planned requirements.

## Notes to consolidated financial statements

## 19. Financial risk management (continued)

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

EUR'000 31 December 2021	On demand	0 to 12 months	1 to 5 years	> 5 years	Total
<i>Non-derivates:</i>					
Interest-bearing loans and borrowings	0	0	0	46,071	46,071
Bank loan	0	0	0	8,939	8,939
Lease liability	0	1,478	4,231	1,227	6,936
Trade payables and other financial liabilities	0	5,621	0	0	5,621
	<u>0</u>	<u>7,099</u>	<u>4,231</u>	<u>56,237</u>	<u>67,567</u>

EUR'000 30 April 2021	On demand	0 to 12 months	1 to 5 years	> 5 years	Total
<i>Non-derivates:</i>					
Interest-bearing loans and borrowings	0	0	0	45,379	45,379
Bank loan	0	0	0	8,280	8,280
Lease liability	0	1,544	4,209	801	6,554
Trade payables and other financial liabilities	0	5,237	0	0	5,237
	<u>0</u>	<u>6,781</u>	<u>4,209</u>	<u>54,460</u>	<u>65,450</u>

The senior debt facilities are subject to financial covenants. At 31 December 2021, the Group was in compliance with the financial covenants.

## Capital structure

The Group's management assesses whether The Group's capital structure is in line with the interests of The Group and its shareholders. The overall objective is to ensure a capital structure that supports long-term profitable growth and ensuring that it meets financial covenants connected with the interest-bearing loans and borrowings that define capital structure requirements. Failure to meet the financial covenants would permit the bank to call loans and borrowings.

As of 31 December 2021, The Group's interest-bearing net debt totals EUR 57.8 (30 April 2021: 54.0) million which is considered a reasonable level compared to the current need for financial flexibility. There are no changes in The Group's guidelines and procedures for managing capital structure in 2021.

## Notes to consolidated financial statements

### 20. Mortgages and securities

Loans and debts have been secured by a floating charge on mortgage in CIPP Technology Holding ApS. The carrying amount of charged claims is DKK 8,000 thousand equivalent to EUR 1,074 thousand.

As security for the loans and borrowings, the following security is provided to lenders under the senior facility agreement:

- A share pledge agreement in respect of the CIPP Holding ApS;
- A share pledge agreement in respect of CIPP ApS;
- A share pledge agreement in respect of CIPP Technology Holding ApS;
- A share pledge agreement in respect of IMPREG GmbH;
- An assignment agreement in respect of security over bank accounts of IMPREG GmbH;
- An assignment agreement in respect of security over IP rights of IMPREG GmbH;
- A pledge agreement in respect of the Danish Floating Charge of CIPP Technology Holding ApS; and
- A pledge agreement in respect of an intra-group loan from CIPP ApS to CIPP Technology Holding ApS in the nominal amount equivalent to approximately EUR 41.5 million.
  - A pledge agreement in respect of an intra-group loan from the CIPP Technology Holding ApS to iMPREG GmbH in the nominal amount equivalent to approximately EUR 41.5 million.

### 21. Contingent liabilities

#### Joint taxation arrangement

The Parent Company is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc. The Group as a whole is not liable to other parties.

The Group is party to pending tax audit. In Management's opinion, apart from the receivables and payables recognised in the statement of financial position, the outcome of these audit is not expected to affect the Group's financial position.

### 22. Related parties and group relations

The financial statements include the financial statements of the Group and the subsidiaries in the following table:

Name	Country of incorporation	City	Ownership share %
CIPP ApS	Denmark	Sorø	100.0
CIPP Technology Holding ApS	Denmark	Sorø	100.0
iMPREG Group GmbH	Germany	Gärtringen	100.0
iMPREG GmbH	Germany	Ammerbuch	100.0
iMPREG (Suzhou) Co. Ltd.	China	Suzhou	100.0
iMPREG Holding Inc.	US	Richmond	100.0
iMPREG LLC	US	Richmond	100.0
iMPREG (Australia) Pty Ltd.	Australia	Sydney	100.0
iMPREG (UK) Ltd.	United Kingdom	Hampshire	100.0
iMPREG (Malaysia) Sdn Bhd.	Malaysia	Kuala Lumpur	100.0

#### *The ultimate parent*

The ultimate parent of The Group is FSN Capital GP V Limited, 11-15 Seaton Place, St. Helier, Jersey. Transactions with FSN Capital GP V Limited comprised recharged costs of EUR 2 thousand (2020/21: EUR 127 thousand).

#### *Transactions with Executive Board and key management personnel*

Remuneration of the Board of Directors and the Executive Board is disclosed in note 3. No other transactions were conducted during the year.

### 23. Share capital

The Company's share capital is EUR 126,015.54 divided into shares of EUR 0.01 with 10,053,355 A-shares and 2,548,125 B-shares, respectively.

### 24. Events after the reporting period

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

## Parent company income statement for 1 May - 31 December 2021

Note	EUR'000	2021 (8 months)	2020/21 (12 months)
1	Other external expenses	-168	-109
	Operating profit/loss	-168	-109
	Interest from group companies	32	0
	Profit/loss before tax	-136	-109
	Tax on profit/loss for the year	47	23
	Profit/loss for the year	<u>-89</u>	<u>-86</u>

\* 4 months of operations.

## Parent company statement of comprehensive income for 1 May - 31 December 2021

Note	EUR'000	2021 (8 months)	2020/21 (12 months)
	Profit/loss for the year	-89	-86
	Total comprehensive income, net of tax	<u>-89</u>	<u>-86</u>

## Parent company cash flow statement for 1 May - 31 December 2021

EUR'000	2021 (8 months)	2020/21 (12 months)
Operating activities		
Operating profit/loss	-168	-109
Change in working capital	156	125
Cash flow from ordinary operating activities	-12	16
Net cash flows from operating activities	0	0
Lending activities to group enterprises		
Change in receivables from group enterprises	-33	-1,585
Net cash flows from lending activities to group enterprises	-33	-1,585
Financing activities		
<i>Transactions with shareholders</i>		
Proceeds from the issue of share capital	0	830
Net cash flows from financing activities	0	830
Net increase in cash/cash equivalents	-45	-739
Cash and cash equivalents at 1 May 2021	49	788
Cash and cash equivalents at 31 December 2021	4	49

## Parent company balance sheet at 31 December 2021

Note	EUR'000	31 December 2021	30 April 2021
	ASSETS		
	Fixed assets		
4	Investments in group enterprises	69,311	69,311
	Total fixed assets	69,311	69,311
	Current assets		
	Receivables from group enterprises	1,618	1,585
	Joint taxation receivable	70	23
	Cash	4	49
	Total current assets	1,692	1,657
	<b>TOTAL ASSETS</b>	<b>71,003</b>	<b>70,968</b>
	 EQUITY AND LIABILITIES		
	Equity	70,744	70,833
	Current liabilities		
	Other payables	113	125
	Payables to group companies	146	10
	Total current liabilities	259	135
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>71,003</b>	<b>70,968</b>

## Parent company statement of changes in equity for the period 1 May - 31 December 2021

EUR'000	Share capital	Retained earnings	Total
Equity at 1 May 2021	125	70,708	70,833
Profit/loss for the year	0	-89	-89
Total comprehensive income	125	70,619	70,744
Transactions with the owners			
Capital increase	0	0	0
Total transactions with shareholders	0	0	0
Equity at 31 December 2021	125	70,619	70,744

EUR'000	Share capital	Retained earnings	Total
Equity at 1 May 2020	125	69,963	70,088
Profit/loss for the year	0	-86	-86
Total comprehensive income	125	69,877	70,002
Transactions with the owners			
Capital increase	0	831	831
Total transactions with shareholders	0	831	831
Equity at 30 April 2021	125	70,708	70,833

## Notes to parent company financial statements

EUR'000	2021	2020/21
<b>1. Audit fee</b>		
Statutory audit	5	5
Tax and indirect tax advisory services	6	0
Other services	32	0
<b>Total audit fee</b>	<b>43</b>	<b>5</b>
<b>2. Income tax expense in the income statement</b>		
<b>Reconciliation of effective tax rate</b>		
Profit/loss before tax	-136	-109
Calculated at Denmark's statutory income tax rate of 22.0%	30	23
Effect of unrecognised tax asset relating to tax losses	19	0
<b>Income tax expense reported in the income statement</b>	<b>49</b>	<b>23</b>
<b>3. Proposed distribution of profit/loss</b>		
Retained earnings	-89	-86
<b>4. Investments in group enterprises</b>		
Cost beginning of year	69,311	69,311
Cost end of year	69,311	69,311
Carrying amount at 31 December / 30 April	69,311	69,311

## Subsidiaries owned directly and indirectly:

Name	Country of incorporation	City	Ownership share %
CIPP ApS	Denmark	Sorø	100.0
CIPP Technology Holding ApS	Denmark	Sorø	100.0
iMPREG Group GmbH	Germany	Gärtringen	100.0
-iMPREG GmbH	Germany	Ammerbuch	100.0
iMPREG (Suzhou) Co. Ltd.	China	Suzhou	100.0
iMPREG Holding Inc.	United States	Richmond	100.0
-iMPREG LLC	United States	Richmond	100.0
iMPREG (Australia) Pty Ltd.	Australia	Sydney	100.0
iMPREG (UK) Ltd.	United Kingdom	Hampshire	100.0
iMPREG (Malaysia) Sdn Bhd.	Malaysia	Kuala Lumpur	100.0

## The ultimate parent

The ultimate parent of The Group is FSN Capital GP V Limited, 11-15 Seaton Place, St. Helier, Jersey. There were no transactions with the ultimate parent in 2021 and 2020/21.



## Notes to the parent company financial statements

5. Remuneration to management  
Remuneration of the Board of Directors and the Executive Group Management is disclosed in note 3 to the consolidated financial statements.
6. Contingent liabilities  
Joint taxation arrangement  
The Parent Company is jointly taxed with its Danish subsidiaries. The entities included in the joint taxation arrangement have joint and several unlimited liability for Danish corporate income taxes, etc. The Group as a whole is not liable to other parties.
7. Mortgages and securities  
Mortgages and securities are disclosed in note 20 to the consolidated financial statement
8. Financial risks and financial instruments  
Financial risk factors refer to fluctuations in the Company's results, cash flows and financial position due to changes in financial exposure. The overall objective of risk monitoring and control is to provide cost-effective financing and to minimise potential adverse impacts from market fluctuations.
9. Events after the reporting period  
Events after the reporting period are described in note 24 to the consolidated financial statements.

## Accounting policy

### Principles applied in the preparation of the consolidated financial statements

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

The consolidated income statement and the consolidated statement of financial position separately present items that are considered individually significant or are required under the minimum presentation of IAS 1.

In determining whether an item is individually significant, The Group considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant.

Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements of IAS 1, no further disclosures are provided in respect of said line item.

The consolidated financial statements are presented in EUR, which is the Parent Company's functional currency and The Group's presentation currency, and all values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

### Recognition and measurement

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

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

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

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

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

### Reporting currency

The financial statements are presented in Euro (EUR'000).

### Significant accounting estimates and judgements

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

#### *Impairment testing of goodwill*

Goodwill is recognized at cost less any accumulated impairment. The Group regularly and at least annually performs impairment tests of goodwill in accordance with the accounting policies. The assumptions and assessments made pertaining to expected cash flows and the discount rate in the form of weighted average cost of capital are described in note 10, Intangible assets.

## Accounting policies

### *Inventories*

Write-down for obsolete inventories is carried out on the basis of an assessment of their recoverability at the reporting date. Inventories are analysed and written down, if necessary. Movements in inventory write-downs are reflected in note 13.

### *Receivables*

The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customers with similar credit risk characteristics as well as an individual assessments. An analysis of overdue trade receivables and movements in the provisions for bad debts is included in note 14.

### Consolidated financial statements

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

### Basis of consolidation

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

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

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

### Foreign currency translation

For each of the reporting entities in The Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as finance income or finance costs.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or the exchange rate at the beginning of the reporting period is recognised in the income statement as finance income or finance costs.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency, the income statement is translated at the exchange rates at the transaction date, and the statement of financial position items are translated at the exchange rates at the end of the reporting period. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in the consolidated financial statements in other comprehensive income if the balance is denominated in the functional currency of the parent or the foreign entity.

## Accounting policies

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it will measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the separate income statement caption special items.

When The Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

### Income statement

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognized when control of goods sold has transferred to the customer. Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. Other than the delivery of goods, The Group's contracts with customers do not include other commitments that constitute separate performance obligations.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which The Group expects to be entitled in exchange for products sold and freight. Revenue excludes discounts, VAT and other duties. In determining the transaction price, The Group considers the effects of variable consideration. The Group's payment terms is generally 30-45 days, and it is the Group's assessment that contracts with customers do not include any significant financing element.

The Group has concluded that it is the principal in all its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory risks.

#### Cost of sales

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

#### Other external expenses

Other external expenses include expenses relating to The Group's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognized in current assets.

#### Staff costs

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

The Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administrated pension plans on a statutory, contractual or voluntary basis. Contributions to defined contribution plans are recognised as staff costs when the related service is provided.

#### Special items

Special items include acquisition-related costs, restructuring cost and other costs which Management does not considered a normal part of The Group's operations including impairment of investments and gains/losses related to divestment of entities are shown separately in order to give a more true and fair view of The Group's operating profit/loss.

#### Depreciation, amortization and impairment losses

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

#### Other financial income

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

## Accounting policies

### Other financial expenses

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

### Tax on profit/loss for the year

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

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

### Statement of comprehensive income

Other comprehensive income consists of income and costs not recognised in the income statement, including exchange rate adjustments arising from the translation of functional currency into presentation currency and fair value adjustments of hedging instruments.

In the event of the disposal of an entity, the accumulated exchange rate adjustment relating to the relevant entity is reclassified to the income statement.

### Balance sheet

#### Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation (for intangible assets with finite lives) and accumulated impairment losses, if any.

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

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing 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 income statement as amortisation.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the policies applied to The Group's intangible assets is as follows:

- Goodwill – indefinite
- Technology, etc. – amortised on a straight-line basis over 15 years
- Customer relationship – amortised on a straight-line basis over 10 years
- Brands – amortised on a straight-line basis over 15 years

## Accounting policies

### Goodwill

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

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

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

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

### Intellectual property rights etc.

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

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

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

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

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

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

### Property, plant and equipment

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

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

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

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

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

## Accounting policies

Estimated useful lives and residual values are reassessed annually. Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Impairment of non-current assets

The carrying amount of non-current assets are assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

### Inventories

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

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

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

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

### Receivables

On initial recognition, trade receivables are measured at fair value, which in all material respects corresponds to the nominal value, and subsequently measured at amortised cost.

The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customers with similar credit risk characteristics as well as an individual assessment.

### Contract assets

A contract asset is initially recognised for revenue earned from goods or services that has been transferred to the customer, the amount recognised as contract assets is reclassified to trade receivables, when invoiced. Contract assets are subject to impairment assessment.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Right-of-use assets and lease liabilities

The Group has applied IFRS 16 to lease contracts related to offices, production facilities and equipment and cars. The Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception of a contract The Group assesses whether a contract is, or contains, a lease, i.e. the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

## Accounting policies

### *Right-of-use assets*

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use assets is periodically reduced by any impairment losses and adjusted for certain remeasurement of the lease liability.

The right-of-use assets are depreciated on straight line basis over the expected rent period.

Expenses relating to short-term leases and low asset values are expensed in the income statement as other external expenses.

### *Lease liabilities*

The Group measures the lease liability using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate as the interest on its bank overdraft facility. The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate as at the commencement date. The Group's lease contracts do not include any significant variable payments.

### *Equity*

Equity includes total comprehensive income for the year, comprising the profit/loss for the year and other comprehensive income. Proposed dividend for distribution is included as a separate component of equity until the declaration date.

The translation reserve comprises the Group's share of accumulated exchange rate differences arising on translation of foreign entities from the entity's functional currency to the presentation currency of the Group.

### *Income tax receivable or payable*

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

### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.



## Accounting policies

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax assets relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances changes. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period and relates to new information about facts and circumstances at the acquisition date or recognised in the income statement.

### Financial liabilities

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The

Group determines the classification of its financial liabilities on initial recognition.

All financial liabilities are initially recognised at fair value and, in the case of loans and borrowings, subsequently at amortised cost. This includes directly attributable transaction and borrowing costs.

If a change or modification to loan agreements are substantial, considering the net present value of the future cash flows under the new terms discounted using the original effective interest rate, any costs or fees incurred are recognised in the income statement. If the change or modification to loan agreements are not substantial, any costs or fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the new loan agreement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

### Deferred income

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

## Accounting policies

### Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash in hand and bank deposits.

### Principles applied in the preparation of the parent financial statements

#### Basis of preparation

The separate financial statements of the parent company have been included in the annual report as required by the Danish Financial Statements Act.

The separate financial statements of the parent company for 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements according to the Danish Financial Statements Act applying to large reporting class C entities.

The financial statements have been prepared on a historical cost basis.

#### Financial statements of the parent company

The accounting policies of the parent company are unchanged from last year and consistent with those applied in the consolidated financial statements with the following addition for investments in group subsidiaries:

#### Investments in group enterprises

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed as described in the accounting policies above. Where the recoverable amount is lower than the cost, the investment is written down to this lower value.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.

#### Standards issued, but not yet effective

IASB has published certain new standards, amendments to existing standards and interpretations that are not yet mandatory as per 31 December 2021, or which are not adopted by the EU as per 31 December 2021.

The Group expects to adopt the new standards and interpretations when they become mandatory.

None of the standards and interpretations are expected to have a material impact on the consolidated financial statements of the Group or the financial statements for the parent company.