# CIPP Holding ApS

Energivej 3

4180 Sorø

Business registration no. 40911553

# Annual report 1 May 2020 - 30 April 2021

The Annual General Meeting adopted the annual report on 29 June 2021

**Chairman of the General Meeting**

Name: Søren Friis Knudsen

# Contents

## 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 – 30 April |
| First financial year | 6 November – 30 April |
| | |
| Board of Directors | Søren Friis Knudsen, Chairman |
| | Lars Patrik Nolåker |
| | Wolfgang Orgeldinger |
| | Nicoletta Giadrossi |
| | Severin Loos |
| | Robin Mürer |
| | |
| Executive Board | Søren Friis Knudsen |
| | 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 2020 – 30 April 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 30 April 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 May 2020 – 30 April 2021.

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, 29 June 2021

**Executive Board:**

| | |
|---|---|
| Søren Friis Knudsen | Nicolai Krøjer Westh |

**Board of Directors:**

| | |
|---|---|
| Søren Friis Knudsen<br>Chairman | Lars Patrik Nolåker |
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Nicolai Krøjer Westh

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Sorø, 29 June 2021

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Sorø, 29 June 2021

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Nicolai Krøjer Westh

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Sorø, 29 June 2021

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| Søren Friis Knudsen | Nicolai Krøjer Westh |

**Board of Directors:**

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|---|---|
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| Wolfgang Orgeldinger | Nicoletta Giadrossi |
| Severin Loos | Robin Mürer |

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

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

**Basis for opinion**

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

***Independence***

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

**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:

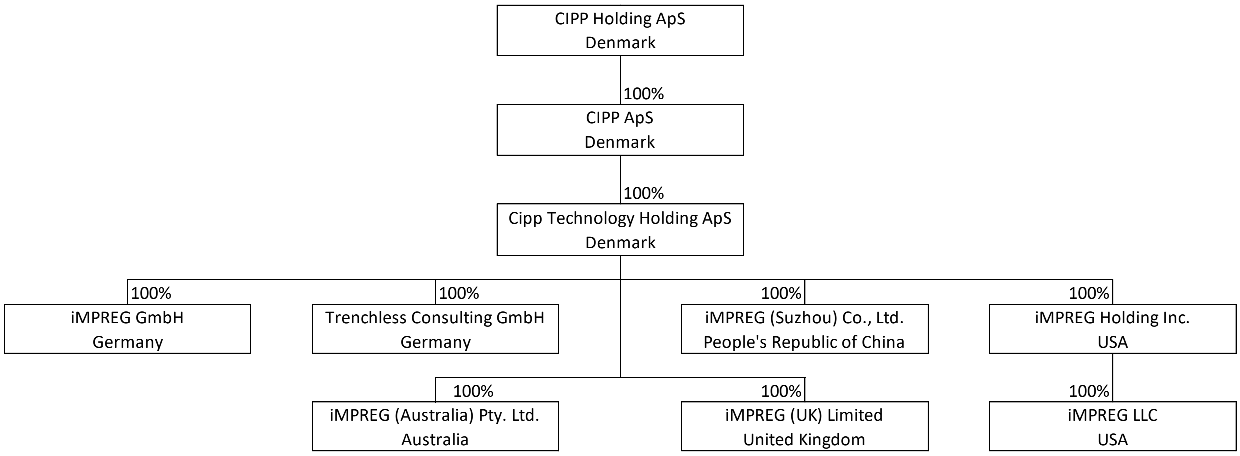
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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, 29 June 2021
EY Godkendt Revisionspartnerselskab

| | |
|---|---|
| Mikkel Sthyr | Ole Becker |
| State Authorised | State Authorised |
| Public Accountant | Public Accountant |
| mne26693 | mne33732 |

## Management commentary

### Group structure




| **EUR'000** | **2020/21** | **2019/20** [1)] |
|---|---|---|
| **Key figures** | | |
| Revenue | 69,583 | 18,755 |
| Gross profit | 26,219 | 5,922 |
| Operating profit/loss before special items, depreciation, amortization | 11,591 | 1,678 |
| Special items | -352 | -4,986 |
| Operating profit/loss before, depreciation, amortisation (EBITDA) | 11,239 | -3,308 |
| Operating profit/loss | 3,631 | -5,723 |
| Net financials | 5,539 | -1,422 |
| Profit/loss for the year | -3,283 | -7,648 |
| | | |
| Total assets | 134,881 | 133,752 |
| Additions to property, plant and equipment | 1,569 | 1,569 |
| Equity | 59,727 | 61,481 |
| | | |
| Cash flows from operating activities | -544 | -1,892 |
| Cash flows from investing activities | -3,445 | -75,994 |
| Cash flows from financing activities | 1,099 | 87,245 |
| Total cash flows | -2,890 | 9,359 |
| | | |
| **Ratios** | | |
| Gross margin (%) | 37.7 | 31.6 |
| Operating margin (%) | 16.7 | 8.9 |
| Solvency ratio (%) | 44.4 | 45.9 |
| | | |
| Average number of full-time employees | 240 | 224 |

[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.

## *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 (%) $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin (%) $$\frac{\text{Operating profit/loss before special items, depreciation, amortisation x 100}}{\text{Revenue}}$$

Solvency ratio (%) $$\frac{\text{Equity x 100}}{\text{Total equity and liabilities at year-end}}$$

## 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 30 April 2021, The Group employed a total of 240 people excl. temporary workers in all locations, including the Danish headquarter, the facilities in Germany, China and the US.

### *Development in the year*

On 30 June 2020, a resolution was passed to implement the merger between CIPP Technology Holding ApS (the continuing company) and Anpartsselskabet af 16. november 2015 and CIPP Technology Solutions A/S (the discontinuing companies) in accordance with the merger plan of 28 April 2020. CIPP ApS, the sole shareholder of Anpartsselskabet af 16. november 2015, received 100% of the existing shares in CIPP Technology Holding ApS as consideration of the shares in Anpartsselskabet af 16. november 2015, i.e. exchange of 100% of the shares in the Anpartsselskabet af 16. november 2015 for 100% of the shares in CIPP Technology Holding ApS, equivalent to nominally DKK 125,000 shares.

On 18 January 2021, a fully owned subsidiary, iMPREG (Australia) Pty. Ltd., was registered in New South Wales, Australia and on 17 March 2021 a fully owned subsidiary, iMPREG (UK) Limited, was registered in England and Wales. Neither of the companies had any business activities during the fiscal year.

The consolidated income statement for FY20/21 shows an EBITDA of EUR 11.6 million and net loss after tax of EUR 3.3 million. Total assets as of 30 April 2021 was EUR 134.9 million and equity was EUR 59.7 million.

The majority of supplies took place in Europe from the factory in Ammerbuch, 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's investments in an additional factory in Gärtringen, Germany that was initiated in 2019/20, went into operation during second half of 2021 as expected.

## Management commentary

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 towards the end of FY20/21.

Management considers the profit for the FY20/21 for The Group to be in line with expectations as announced in the annual report for 2019/20 and as satisfactory.

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.

## Management commentary

### *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.

### *Statutory report on corporate social responsibility*

The Group focuses on CSR in relation to its business activities. For a description of the business model, please refer to the above section.

#### *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 $CO^2$ 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.

In FY20/21, the Group has formulated and agreed on plans to commence tracking emissions in FY21/22.

The Group's German operation is certified ISO 9001 and ISO 14001 and the Chinese operation is ISO 9001 certified. In FY20/21, the Group has prepared for starting the process for ISO 14001 certification of the Chinese operation and ISO 9001 certification of the US operation.

Throughout FY20/21, 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. We plan to implement employee engagement surveys from FY21/22.

We believe that our activities in FY20/21 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 regular visits will be restartet when COVID-19 travel restrictions between regions are lifted.

It can be a risk that employees feel discriminated at work. This may impact our ability to attract and retain employees. In FY20/21, we have implemented a whistle blower policy to enable employees to come forward with concerns.

We are not aware of any breach of human rights in FY20/21.

**COVID-19**

In FY20/21, the Covid-19 pandemic has put additional pressure on the physical and mental well-being of our employees caused by health risks and lockdowns. The Group has put great focus on protecting our employees during this time by prescribing guidelines 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 FY20/21.

### *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. In FY20/21, the board was increased from four to six AGM-elected members. Of the two newly elected members, one candidate was female. The male candidate was elected for the board, based on his specific competencies and as he was fit for the position. Hence, the Group currently has 17% of the underrepresented gender at board level, and the target has not yet 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).

The Group had 25% of the underrepresented gender amongst other management positions in FY20/21 and we will continue our efforts in this area.

## Management commentary

### *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, and Group COO In the strategy review meetings there 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 | 97.36% |
| Management | 2.64% |

### *Outlook*

The Group expects a positive development in FY21/22 based on an increased demand for the products, driven by an increasing demand for rehabilitation of infrastructure worldwide. Our expectation for FY21/22 is a revenue range between EUR 80m and EUR 85m and EBITDA range between EUR 13m and EUR 15m.

### *Events after the reporting period*

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

## Consolidated income statement for the period 1 May 2020 – 30 April 2021

| Note | EUR'000 | 2020/21 | 2019/20* |
|---|---|---|---|
| 1 | Revenue | 69,583 | 18,755 |
| | Cost of goods sold | -38,779 | -10,503 |
| 2 | Operating expenses | -4,585 | -2,330 |
| | **Gross profit** | 26,219 | 5,922 |
| 3 | Staff costs | -14,628 | -4,244 |
| | **Operating profit/loss before special items, depreciation, amortisation** | 11,591 | 1,678 |
| 4 | Special items | -352 | -4,986 |
| | **Operating profit/loss before, depreciation, amortisation** | 11,239 | -3,308 |
| 10, 11, 12 | Depreciation, amortisation and impairment losses | -7,608 | -2,415 |
| | **Operating profit/loss** | 3,631 | -5,723 |
| 5 | Finance income | 39 | 40 |
| 6 | Finance expenses | -5,578 | -1,462 |
| | **Profit/loss before tax** | -1,908 | -7,145 |
| 7 | Tax on profit/loss for the year | -1,375 | -503 |
| | **Profit/loss for the year** | -3,283 | -7,648 |

* 4.5 months of operations.

## Consolidated statement of comprehensive income for the period 1 May 2020 – 30 April 2021

| Note | DKK'000 | 2020/21 | 2019/20 |
|---|---|---|---|
| 9 | **Profit/loss for the year** | -3,283 | -7,648 |
| | *Items that may be reclassified to the consolidated income statement:* | | |
| | Exchange rate differences on translation of foreign operations | 699 | -63 |
| | **Total comprehensive income, net of tax** | -2,584 | -7,711 |

## Consolidated statement of cash flows for the period 1 May 2020 – 30 April 2021

| Note | EUR'000 | 2020/21 | 2019/20 |
|---|---|---|---|
| | **Operating activities** | | |
| | Operating profit/loss | 3,631 | -5,723 |
| 10, 11, 12 | Amortisation, depreciation and impairment losses | 7,601 | 2,415 |
| 15 | Change in working capital | -6,626 | 2,924 |
| | **Cash flow from ordinary operating activities** | 4,606 | -384 |
| | Interest received | 39 | 40 |
| | Interest paid | -3,513 | -1,033 |
| | Income tax paid | -1,676 | -515 |
| | **Net cash flows from operating activities** | -544 | -1,892 |
| | **Investing activities** | | |
| 10 | Purchase of intangible assets | -910 | -608 |
| 11 | Purchase of tangible assets | -2,535 | -1,569 |
| 23 | Acquisition of business | 0 | -73,817 |
| | **Net cash flows from investing activities** | -3,445 | -75,994 |
| | **Financing activities** | | |
| | Loan received, net of borrowing costs paid | -109 | 43,218 |
| | Loan paid | 0 | -31,241 |
| | Change in credit facility | 1,823 | 6,458 |
| | Repayment of lease liabilities | -1,445 | -377 |
| | Capital increases | 830 | 69,187 |
| | **Net cash flows from financing activities** | 1,099 | 87,245 |
| | **Change in cash and cash equivalents** | -2,890 | 9,359 |
| | Cash and cash equivalents at 1 May 2020 | 9,363 | 5 |
| | Exchange rate adjustments of cash | 0 | 0 |
| | **Cash and cash equivalents at 30 April 2021** | 6,473 | 9,364 |

## Consolidated statement of financial position as per 30 April 2021

| Note | EUR'000 | 30 April 2021 | 30 April 2020 |
|---|---|---|---|
| | **ASSETS** | | |
| 10 | Goodwill | 54,605 | 54,605 |
| 10 | Technology | 24,883 | 26,707 |
| 10 | Customer relationships | 10,452 | 11,664 |
| 10 | Brand | 2,899 | 3,112 |
| 10 | Other | 3,244 | 3,041 |
| | **Intangible assets** | 96,083 | 99,129 |
| 11 | Plant and machinery | 7,659 | 7,850 |
| 11 | Other fixtures and fittings, tools and equipment | 1,306 | 709 |
| 11 | Property, plant and equipment under construction | 755 | 1,222 |
| 12 | Right-of-use asset | 6,404 | 3,324 |
| | **Total tangible assets** | 16,124 | 13,105 |
| 8 | Deferred tax asset | 0 | 3 |
| | **Other non-current assets** | 0 | 3 |
| | **Total non-current assets** | 112,207 | 112,237 |
| | **Current assets** | | |
| 13 | Inventories | 4,980 | 4,637 |
| 14 | Trade receivables | 7,708 | 4,860 |
| | Contract assets | 2,570 | 1,933 |
| | Income tax receivable | 2 | 105 |
| | Receivables from group enterprises | 5 | 64 |
| | Other receivables | 818 | 448 |
| | Prepayments | 119 | 104 |
| | Cash | 6,472 | 9,364 |
| | **Total current assets** | 22,674 | 21,515 |
| | **TOTAL ASSETS** | 134,881 | 133,752 |
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| | Equity attributable to shareholders in CIPP Holding ApS | 59,727 | 61,481 |
| | **Total equity** | 59,727 | 61,481 |
| | **Liabilities** | | |
| | **Non-current liabilities** | | |
| 16 | Interest-bearing loans and borrowings | 43,696 | 43,531 |
| 16 | Lease liabilities | 4,786 | 2,078 |
| 8 | Deferred tax liabilities | 10,431 | 11,261 |
| | **Total non-current liabilities** | 58,913 | 56,870 |
| | **Current liabilities** | | |
| 16 | Bank loans | 8,280 | 6,457 |
| 16 | Lease liabilities | 1,768 | 1,313 |
| | Trade payables | 2,682 | 3,901 |
| | Income tax payable | 492 | 473 |
| | Other payables | 3,019 | 2,907 |
| | Prepayments from customers | 0 | 350 |
| | **Total current liabilities** | 16,241 | 15,401 |
| | **Total liabilities** | 75,154 | 72,271 |
| | **TOTAL EQUITY AND LIABILITIES** | 134,881 | 133,752 |

## Consolidated statement of changes in equity for the period 1 May 2020 – 30 April 2021

| 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 |

| EUR'000 | Share capital | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|
| **Equity at 6 November 2019** | 5 | 0 | 0 | 5 |
| Profit/loss for the year | 0 | 0 | -7,648 | -7,648 |
| Other comprehensive income | 0 | -63 | 0 | -63 |
| **Total comprehensive income** | 0 | -63 | -7,648 | -7,711 |
| **Transactions with the owners** | | | | |
| Capital increase | 120 | 0 | 69,067 | 69,187 |
| **Total transactions with shareholders** | 120 | 0 | 69,067 | 69,187 |
| **Equity at 30 April 2020** | 125 | -63 | 61,419 | 61,481 |

## 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 | 2020/21 | 2019/20 |
|---|---|---|
| EMEA | 43,237 | 12,967 |
| APAC | 18,063 | 4,279 |
| Americas | 8,283 | 1,509 |
| | | 18,755 |
| Total revenue | 69,583 | 18.755 |

**2. Audit fee**

| | | |
|---|---|---|
| Statutory audit | 64 | 73 |
| Tax and indirect tax advisory services | 92 | 20 |
| Other services | 21 | 1,077 |
| Total audit fee | 177 | 1,170 |

**3. Staff costs**

| | | |
|---|---|---|
| Wages and salaries | 13,298 | 3,645 |
| Other social security costs | 1,302 | 589 |
| Pension | 28 | 10 |
| Total staff costs | 14,628 | 4,244 |
| Average number of employees | 240 | 224 |

**Remuneration to Executive Management and Board of Directors**

| | | |
|---|---|---|
| Wages and salaries | 512 | 186 |
| Pension | 0 | 5 |
| Total remuneration to Executive Management and Board of Directors | 512 | 191 |

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 | 2020/21 | 2019/20 |
|---|---|---|
| Acquisition costs etc. | 352 | 4,986 |
| Total special items | 352 | 4,986 |

### 5. Financial income

| | | |
|---|---|---|
| Interest income | 39 | 40 |
| Total financial income | 39 | 40 |

### 6. Financial expenses

| | | |
|---|---|---|
| Interest expenses | 3,412 | 1,243 |
| Exchange rate adjustments, net | 1,737 | 115 |
| Interest related to lease liabilities | 154 | 39 |
| Amortization of borrowing costs | 275 | 65 |
| Total financial expenses | 5,578 | 1,462 |

### 7. Income tax

**Income tax expense in the income statement**

| | | |
|---|---|---|
| *Current income tax:* | | |
| Current income tax charge | 2,198 | 240 |
| Prior year adjustments | 5 | |
| *Deferred tax:* | | |
| Changes in temporary differences | -828 | 263 |
| Income tax expense in the income statement | 1,375 | 503 |

**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** | -1,908 | -7,145 |
|---|---|---|
| Calculated at Denmark's statutory income tax rate of 220% | 420 | 1,572 |
| Effect of unrecognised tax asset relating to tax losses | -1,247 | -917 |
| Permanent differences, including acquisition-related costs, interest limitation, etc. | -207 | -1,097 |
| Effect of difference in tax rate in foreign subsidiaries, net | -189 | -61 |
| Withholding taxes paid | -147 | 0 |
| Prior year adjustments | -5 | 0 |
| Income tax expense reported in the consolidated income statement | -1,375 | -503 |

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 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) | -10,431 | -828 |
| Net deferred tax assets (liabilities) | -10,431 | |
| *Reflected in the statement of financial position as follows:* | | |
| Deferred tax assets | 0 | |
| Deferred tax liabilities | -10,431 | |
| Deferred tax liabilities, net | -10,431 | |

Deferred tax in 2019/20 related to the following:

| EUR'000 | Consolidated statement of financial position | Consolidated income statement/other comprehensive income |
|---|---|---|
| Intangible assets | -11,137 | 184 |
| Property, plant and equipment | -12 | 32 |
| Inventories, etc. | 61 | 0 |
| Other items | -170 | 47 |
| Deferred tax expense (income) | | 263 |
| Net deferred tax assets (liabilities) | -11,258 | |
| *Reflected in the statement of financial position as follows:* | | |
| Deferred tax assets | 3 | |
| Deferred tax liabilities | -11,261 | |
| Deferred tax liabilities, net | -11,258 | |

The Group expects to utilize the deferred tax assets as the group entities generally have a positive taxable income. At 30 April 2021, the Group has an unrecognised deferred tax asset relating to tax losses of tEUR 2,195 (30 April 2020: tEUR 917).

### 9. Proposed distribution of profit/loss

| EUR'000 | 2020/21 | 2019/20 |
|---|---|---|
| Retained earnings | -3,283 | -7,648 |

## Notes to consolidated financial statements

### 10. Intangible assets

| 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 |
| Additions | 0 | 0 | 0 | 0 | 910 | 910 |
| Foreign exchange adjustments | 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 | |

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 30 April 2021, the carrying amount of these development projects was EUR 2,940 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 6 November 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisition of business | 54,605 | 27,361 | 12,118 | 3,192 | 2,897 | 100,173 |
| Additions | 0 | 0 | 0 | 0 | 608 | 608 |
| Cost at 30 April 2020 | 54,605 | 27,361 | 12,118 | 3,192 | 3,505 | 100,781 |
| Amortisation at 6 November 2019 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation | 0 | 654 | 454 | 80 | 464 | 1,652 |
| Amortisation at 30 April 2020 | 0 | 654 | 454 | 80 | 464 | 1,652 |
| Carrying amount at 30 April 2020 | 54,605 | 26,707 | 11,664 | 3,112 | 3,041 | 99,129 |
| 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***

| | | 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** |
| EMEA | 37,651 | 2% | 19.9% | 10.7% | 14.0% |
| Americas | 5,402 | 2% | 13.5% | 10.9% | 13.8% |
| APAC | 11,552 | 2% | 20.8% | 10.3% | 13.0% |
| **Total** | 54,605 | | | | |

| | | 2019/20 | | | |
|---|---|---|---|---|---|
| | | 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** |
| EMEA | 37,651 | 2% | 19.9% | 11.1% | 14.3% |
| Americas | 5,402 | 2% | 13.5% | 11.1% | 13.2% |
| APAC | 11,552 | 2% | 20.8% | 11.1% | 13.9% |
| **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.

| | 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** |
| EMEA | 2% | 1.8% | 19.9% | 2.4% | 10.7% | 1.3% |
| Americas | 2% | >2% | 13.5% | 1.6% | 10.8% | 1.4% |
| APAC | 2% | >2% | 20.8% | 5.0% | 10.0% | >10.0% |

| | 2019/20 | | | | | |
|---|---|---|---|---|---|---|
| | **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** |
| EMEA | 2% | >2% | 19.9% | 4.9% | 11.1% | 2.9% |
| Americas | 2% | >2% | 13.5% | 8.0% | 11.1% | >10.0% |
| APAC | 2% | >2% | 20.8% | 12.3% | 11.1% | >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 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 20 April 2021 | 2,146 | 185 | 0 | 2,331 |
| Carrying amount at 30 April 2021 | 7,659 | 1,306 | 755 | 9,720 |

Depreciation in the income statement includes a net loss of EUR 7 thousand in 2020/21 (2019/20: EUR 0 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 17 December 2019 | | | | |
| Acquisition of business | 8,407 | 337 | 59 | 8,803 |
| Additions | 16 | 390 | 1,163 | 1,569 |
| Foreign exchange adjustments | -202 | 5 | 0 | -197 |
| Cost at 30 April 2020 | 8,221 | 732 | 1,222 | 10,175 |
| Depreciation and impairment losses at 17 December 2019 | | | | |
| Depreciation | 316 | 23 | 0 | 339 |
| Foreign exchange adjustments | 55 | 0 | 0 | 55 |
| Depreciation and impairment losses at 31 December | 371 | 23 | 0 | 394 |
| Carrying amount at 30 April 2020 | 7,850 | 709 | 1,222 | 9,781 |

### 12. Right-of-use assets

| EUR'000 | 2020/21 | 2019/20 |
|---|---|---|
| Cost at 1 May 2020 | 3,748 | 0 |
| Acquisition of business | 0 | 3,691 |
| Additions | 4,594 | 57 |
| Cost at 30 April 2021 | 8,342 | 3,748 |
| Depreciation and impairment losses at 1 May 2020 | 424 | 0 |
| Depreciation | 1,514 | 424 |
| Depreciation and impairment losses at 30 April 2021 | 1,938 | 424 |
| Carrying amount at 30 April 2021 | 6,404 | 3,748 |

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

Amounts recognised in the income statement:

| | | |
|---|---|---|
| Interest related to lease liabilities (included in financial expenses) | 153 | 39 |
| **Total** | 153 | 39 |

## Notes to consolidated financial statements

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

In 2020/21, the Group paid EUR 1,598 thousand (2019/20: EUR 486 thousand) related to lease contracts of which EUR 153 thousand (2019/20: EUR 39 thousand) related to lease interest and EUR 1,445 thousand (2019/20: EUR 377 thousand) related to repayment of lease liabilities.

### 13. Inventories

| EUR'000 | 30 April 2021 | 30 April 2020 |
|---|---|---|
| Raw materials and consumables | 882 | 3,481 |
| Work in progress | 1,515 | 843 |
| Manufactured goods and goods for resale | 2,583 | 313 |
| Total inventories | 4,980 | 4,637 |

In 2020/21, write-down of inventories amounted to EUR 232 thousand (2019/20: EUR 150 thousand) and reversal of write-down of inventories amounted to EUR 0 (2019/20: EUR 0 thousand).

### 14. Trade receivables

| | | |
|---|---|---|
| Trade receivables | 8,500 | 5,142 |
| Allowance for expected credit losses | -792 | -282 |
| **Total** | 7,708 | 4,860 |

**Allowance for expected credit losses**

| | | |
|---|---|---|
| Allowance at 1 May 2020 | 282 | 0 |
| Acquisition of business | 0 | 165 |
| Expected credit losses in the year | 591 | 203 |
| Realised in the year | -81 | -86 |
| Total allowance for expected credit losses | 792 | 282 |

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

**Ageing of trade receivables**

The ageing of trade receivables is broken down as follows:

| EUR'000 | 30 April 2021 | 30 April 2020 |
|---|---|---|
| Not due | 5,622 | 3,701 |
| Overdue 1-30 days | 1,027 | 558 |
| Overdue 31-60 days | 430 | 370 |
| Overdue 61-90 days | 82 | 33 |
| Over 90 days | 547 | 198 |
| Total | 7,708 | 4,860 |

**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 low, as its customers are located in several jurisdictions and operate in largely independent markets.

## Notes to consolidated financial statements

### 15. Change in working capital

| EUR'000 | 2020/21 | 2019/20 |
|---|---|---|
| Change in inventories | -345 | -72 |
| Change in trade and other receivables | -3,804 | 1,292 |
| Change in trade and other payables | -1,892 | 1,193 |
| Non-cash items | -585 | 131 |
| **Total** | -6,626 | 2,544 |

### 16. Interest-bearing loans and borrowings

| 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 |
| | | | 59,834 | 58,530 |

| | |
|---|---|
| Interest-bearing loans and borrowings | 43,696 |
| Lease liabilities, non-current | 4,786 |
| Lease liabilities, current | 1,768 |
| Bank loans, current | 8,280 |
| | 58,530 |

Financing costs at 30 April 2021 amounted to EUR 2.0 million and are amortized until the expiry date of the loans. Amortization amounted to EUR 274 thousand in 2020/21.

| EUR'000 | Expiry | Interest margin | Nominal amount 30 April 2020 | Carrying amount 30 April 2020 |
|---|---|---|---|---|
| Senior Facility | 21 January 2027 | EURIBOR + 6.75% | 45,000 | 43,531 |
| Lease liability | Expire before 2026 | EURIBOR + 3.25% | 3,146 | 3,391 |
| Bank loan (maximum EUR 8,900) | 21 January 2027 | EURIBOR + 3.25% | 6,457 | 6,457 |
| | | | 54,603 | 53,379 |

| | |
|---|---|
| Interest-bearing loans and borrowings | 43,531 |
| Lease liabilities, non-current | 2,078 |
| Lease liabilities, current | 1,313 |
| Bank loans, current | 6,457 |
| | 53,379 |

Financing costs at 30 April 2020 amounted to EUR 1.9 million and are amortized until the expiry date of the loans. Amortization amounted to EUR 65 thousand in 2019/20.

### 17. Financial assets and liabilities

| EUR'000 | Carrying amount 30 April 2021 | Carrying amount 30 April 2020 |
|---|---|---|
| ***Financial assets at amortised cost*** | | |
| Trade receivables | 7,708 | 4,860 |
| Other receivables | 818 | 448 |
| Cash | 6,472 | 9,364 |
| | 14,998 | 14,672 |
| ***Financial liabilities at amortised cost*** | | |
| Interest-bearing loans and borrowings | 43,696 | 49,988 |
| Bank loan | 8,280 | 6,457 |
| Lease liabilities | 6,554 | 3,391 |
| Trade payables | 2,682 | 3,901 |
| Other payables | 3,019 | 2,909 |
| | 64,231 | 66,646 |

## Notes to consolidated financial statements

**17. Financial assets and liabilities (continued)**

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 | 30 April 2021 | 30 April 2020 |
|---|---|---|
| Interest-bearing loans and borrowings, fair value (Level 2) | 45,379 | 48,146 |

**Fair values**

As per 30 April 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 30 April 2021 was assessed to be insignificant.

**18. Reconciliation of liabilities arising from financing activities**

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

| EUR'000 | 30 April 2021 | 30 April 2020 |
|---|---|---|
| **Total, 1 May** | **53,379** | **0** |
| Loans from acquisition of business | 0 | 31,241 |
| Lease obligations from acquisition of business | 0 | 3,767 |
| Proceeds, net of borrowing costs paid | 0 | 43,218 |
| Repayment | 0 | -31,241 |
| Repayment of leases | -1,445 | -377 |
| Change in credit facility | 1,823 | 6,457 |
| *Non-cash* | | |
| Amortisation of borrowing costs, | 274 | -65 |
| Borrowing costs capitalized | -109 | 0 |
| Additions to lease liability | 4,608 | 0 |
| Accrued interest | 0 | 379 |
| **Total, 30 April** | 58,530 | 53,379 |
| | | |
| Interest-bearing loans and borrowings | 43,696 | 43,531 |
| Lease liabilities, non-current | 4,786 | 2,078 |
| Lease liabilities, current | 1,768 | 1,313 |
| Bank loans, current | 8,280 | 6,457 |
| Total, 30 April 2021 | 58,530 | 53,379 |

**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.

## Notes to consolidated financial statements

**19. Financial risk management (continued)**

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:

| EUR'000 | Revenue | Gross profit |
|---|---|---|
| USD | -758 | -174 |
| CNY | -1,866 | -974 |
| | -2,624 | -1,148 |

***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:

| EUR'000 | Nominal amount 30 April 2021 | +0.5% in interest – increase in interest cost |
|---|---|---|
| Senior facility | 45,379 | 225 |
| Lease liability | 6,554 | 16 |
| Bank loans | 8,280 | 32 |
| | 59,834 | 273 |

***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.

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

| **EUR'000 30 April 2021** | On demand | 0 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| ***Non-derivates:*** | | | | | |
| 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 | 2,650 | 0 | 0 | 2,650 |
| | 0 | 4,194 | 4,209 | 54,460 | 62,863 |

The senior debt facilities are subject to financial covenants, which include debt and interest coverage ratios and investment ratios. At 30 April 2021, the Group was in compliance with the financial covenants.

## Notes to consolidated financial statements

**19. Financial risk management (continued)**

**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 30 April 2021, The Group's interest-bearing net debt totals EUR 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 2020/21.

**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.

**Security**

As security for the loans the Group's loans and borrowings, the following security has been 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 the Company to CIPP Technology Holding ApS in the nominal amount equivalent to approximately EUR 42,010 thousand.
- A pledge agreement in respect of an intra-group loan from the Company to iMPREG GmbH in the nominal amount equivalent to approximately EUR 42,010 thousand.

**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 a number of pending tax audits. In Management's opinion, apart from the receivables and payables recognised in the statement of financial position, the outcome of these audits 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 GmbH | Germany | Ammerbuch | 100.0 |
| Trenchless Consulting GmbH | Germany | Ammerbuch | 100.0 |
| iMPREG (Suzhou) Co. Ltd. | China | Suzhou | 100.0 |
| iMPREG Holding Inc. | US | Richmond | 100.0 |
| iMPREG Consulting US LLC | US | Richmond | 100.0 |
| iMPREG (Australia) Pty Ltd. | Australia | Sydney | 100.0 |
| iMPREG (UK) Ltd. | United Kingdom | Hampshire | 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 127 thousand (2019/20: EUR 284 thousand).

## Notes to consolidated financial statements

**22. Related parties and group relations (continued)**

***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. Business combinations**

*2020/21*

No business combinations in 2020/21.

*2019/20*

On 17 December 2019, CIPP ApS, a 100% owned subsidiary of CIPP Holding ApS, completed the acquisitions of 100% of the shares in Anpartsselskabet af 16. November 2015 ApS and thereby obtained control over CIPP Technology Solutions A/S and subsidiaries. The CIPP Technology Solutions A/S Group is one of the world's leading suppliers of liners for sewer, wastewater, and stormwater rehabilitation. The Group supplies liners, accessories, and various technical services and equipment for pipe rehabilitation.

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

| | |
|---|---|
| **EUR'000** | |
| **Assets** | |
| Customer relationships | 12,118 |
| Technology | 27,361 |
| Brand | 3,192 |
| Other intangible assets | 2,897 |
| Other tangible assets | 8,803 |
| Other fixed assets | 3,692 |
| Inventories | 5,058 |
| Trade receivables | 5,575 |
| Other receivables | 2,550 |
| Prepayments | 79 |
| Cash and cash equivalents | 3,291 |
| | 74,616 |
| Liabilities | |
| Loans | 31,241 |
| Lease obligations | 3,767 |
| Bank overdraft | 4,457 |
| Trade payables | 1,753 |
| Other payables | 3,827 |
| Deferred tax liabilities | 10,995 |
| Corporation tax | 530 |
| | 56,570 |
| Total identifiable net assets at fair value | 18,046 |
| Goodwill arising on acquisition | 54,605 |
| Net cash acquired from the subsidiary included in cash flows from investing activities [1)] | 1,166 |
| Net cash outflow-related business acquisitions | 73,817 |

[1)] Includes cash and drawings on bank overdraft facilities

Goodwill arising from acquisitions are in general not deductible for tax purposes. Goodwill relates to expected synergies, employee knowhow and intangible assets that do not qualify for separate recognition.

In 2019/20, costs related to the acquisitions amounted to EUR 5.0 and are included as special items in the income statement.

The fair value of trade receivables amounted to EUR 5.6 million. An allowance of EUR 0.2 million has been made to reflect the expected credit loss.

Revenue and operating profit before depreciation, amortisation and special items from acquired businesses since the acquisition date included in the consolidated financial statements are estimated to EUR 18.8 million and EUR 1.9 million, respectively.

Subsequent to 30 April 2021, no further business combinations were made.

## Notes to consolidated financial statements

**24. 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.

**25. 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 2020 – 30 April 2021

| Note | EUR'000 | 2020/21 | 2019/20* |
|---|---|---|---|
| 1 | Other external expenses | -109 | -17 |
| | **Operating profit/loss** | -109 | -17 |
| | **Profit/loss before tax** | -109 | -17 |
| | Tax on profit/loss for the year | 23 | 0 |
| | **Profit/loss for the year** | -86 | -17 |

* 4 months of operations.

## Parent company statement of comprehensive income for 1 May 2020 – 30 April 2021

| Note | EUR'000 | 2020/21 | 2019/20 |
|---|---|---|---|
| | **Profit/loss for the year** | -86 | -17 |
| | **Total comprehensive income, net of tax** | -86 | -17 |

## Parent company cash flow statement for 1 May 2020 – 30 April 2021

| **EUR'000** | **2020/21** | **2019/20** |
|---|---|---|
| **Operating activities** | | |
| Operating profit/loss | -109 | -17 |
| Change in working capital | 123 | 10 |
| **Cash flow from ordinary operating activities** | 14 | -7 |
| **Net cash flows from operating activities** | 0 | 0 |
| **Lending activities to group enterprises** | | |
| Change in receivables from group enterprises | -1,585 | -69,311 |
| **Net cash flows from lending activities to group enterprises** | -1,585 | -69,311 |
| **Financing activities** | | |
| ***Transactions with shareholders*** | | |
| Proceeds from the issue of share capital | 830 | 70,100 |
| **Net cash flows from financing activities** | 830 | 70,100 |
| Net increase in cash/cash equivalents | -741 | 782 |
| Cash and cash equivalents at 1 May 2020 | 788 | 6 |
| **Cash and cash equivalents at 30 April 2021** | 47 | 788 |

## Parent company balance sheet at 30 April 2021

| Note | EUR'000 | 30 April 2021 | 30 April 2020 |
|---|---|---|---|
| | **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, long term | 1,585 | 0 |
| | Joint taxation receivable | 23 | 0 |
| | Cash | 49 | 788 |
| | **Total current assets** | 1,657 | 788 |
| | **TOTAL ASSETS** | 70,968 | 0 |
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | 70,833 | 70,088 |
| | **Current liabilities** | | |
| | Other payables | 125 | 0 |
| | Payables to group companies | 10 | 11 |
| | **Total current liabilities** | 135 | 11 |
| | **TOTAL EQUITY AND LIABILITIES** | 70,968 | 70,099 |

## Parent company statement of changes in equity for the period 1 May 2020 – 30 April 2021

| 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 |

| EUR'000 | Share capital | Retained earnings | Total |
|---|---|---|---|
| **Equity at 6 November 2019** | 5 | 0 | 5 |
| Profit/loss for the year | 0 | -17 | -17 |
| **Total comprehensive income** | 5 | -17 | -12 |
| **Transactions with the owners** | | | |
| Capital increase | 120 | 69,980 | 70,100 |
| **Total transactions with shareholders** | 120 | 69,980 | 70,100 |
| **Equity at 30 April 2021** | 125 | 69,963 | 70,088 |

## Notes to parent company financial statements

| EUR'000 | 2020/21 | 2019/20 |
|---|---|---|

**1. Audit fee**

| | 2020/21 | 2019/20 |
|---|---|---|
| Statutory audit | 5 | 5 |
| Other assistance | 0 | 5 |
| **Total audit fee** | 5 | 10 |

**2. Income tax expense in the income statement**

**Reconciliation of effective tax rate**

| | 2020/21 | 2019/20 |
|---|---|---|
| **Profit/loss before tax** | -109 | -17 |
| Calculated at Denmark's statutory income tax rate of 22.0% | 23 | 4 |
| Effect of unrecognised tax asset relating to tax losses | 0 | -4 |
| **Income tax expense reported in the income statement** | 23 | 0 |

**3. Proposed distribution of profit/loss**

| | 2020/21 | 2019/20 |
|---|---|---|
| Retained earnings | -86 | -17 |

**4. Investments in group enterprises**

| | 2020/21 | 2019/20 |
|---|---|---|
| **Cost beginning of year** | 69,311 | 0 |
| Additions | 0 | 69,311 |
| **Cost end of year** | 69,311 | 69,311 |
| Carrying amount at 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 GmbH | Germany | Ammerbuch | 100.0 |
| Trenchless Consulting GmbH | Germany | Ammerbuch | 100.0 |
| iMPREG (Suzhou) Co. Ltd. | China | Suzhou | 100.0 |
| iMPREG Holding Inc. | US | Richmond | 100.0 |
| iMPREG Consulting US LLC | US | Richmond | 100.0 |
| iMPREG (Australia) Pty Ltd. | Australia | Sydney | 100.0 |
| iMPREG (UK) Ltd. | United Kingdom | Hampshire | 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 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 25 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.

**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.

*Business combination*

The allocation of the acquisition cost to the fair value of the acquired assets, liabilities and contingent liabilities and thus to goodwill, including the allocation to cash-generating units, may have a significant impact on future profits. Fair values are based on estimates using information available at the time control was obtained. When part of the acquisition cost for entities acquired is dependent on the development in future profits, estimates are made of the most probable value of the contingent acquisition cost based on current forecasts. Please refer to note 23 for information about business combination.

# 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 and are not considered a normal part of The Group's operations, impairment of investments and gains/losses related to divestment of entities and 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 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.

**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.

**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.

**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.

**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.

*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.

# Accounting policies

*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.

**Other financial liabilities**

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

**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 income**

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

**Cash flow statement**

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

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

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

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

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

**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 30 April 2021, or which are not adopted by the EU as per 30 April 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.