CIPP Holding ApS

Energivej 3

4180 Sorø

Business registration no. 40911553

Annual report 2019/20

(6 November 2019 - 30 April 2020)

The Annual General Meeting adopted the annual report on 28 September 2020

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 Severin Loos Robin Mürer
Executive Board	Søren Friis Knudsen Nicolai Krøjer Westh
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 26, 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 6 November 2019 – 30 April 2020.

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 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 6 November 2019 – 30 April 2020.

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, 28 September 2020
Executive Board:

Søren Friis Knudsen	Nicolai Krøjer Westh

Board of Directors:

Søren Friis Knudsen Chairman	Lars Patrik Nolåker
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 6 November 2019 – 30 April 2020, 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 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 6 November 2019 – 30 April 2020 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:

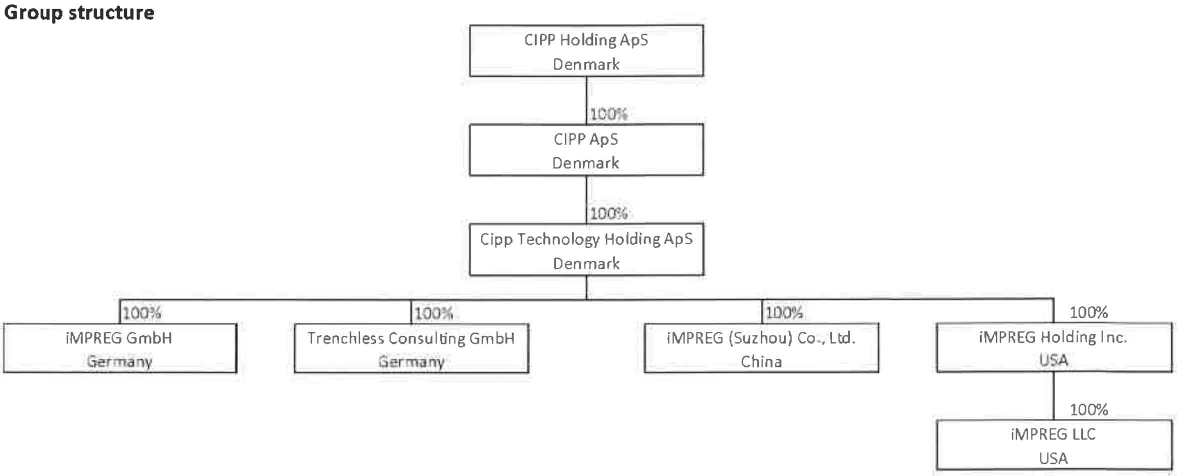
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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, 28 September 2020
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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

Management's review

Group structure



EUR'000	2019/20 1)
Key figures	
Revenue	18,755
Gross profit	5,922
Operating profit/loss before special items, depreciation, amortization	1,678
Special items	-4,986
Operating profit/loss before, depreciation, amortisation (EBITDA)	-3,308
Operating profit/loss	-5,723
Net financials	-1,422
Profit/loss for the year	-7,648
Total assets	133,752
Additions to property, plant and equipment	1,569
Equity	61,481
Cash flows from operating activities	-1,892
Cash flows from investing activities	-75,994
Cash flows from financing activities	87,245
Total cash flows	9,359
Ratios	
Gross margin (%)	31.6
Operating margin (%)	8.9
Solvency ratio (%)	45.9
Average number of full-time employees	224

1) Including 4,5 months of operations. The parent company was established 6 November 2019 and the group was established the 17 December 2019 after the aqusition 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.

Ratios	**Calculation formulas**
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's review

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, waste water, and storm water 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, waste water, and storm water pipes. The products are produced at the Group's factories.

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

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

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

As of 30 April 2020, The Group employed a total of 223 people (excl temporary workers) in all locations including the Danish headquarter, the facilities in Germany, China and US.

Development in the year

CIPP Holding ApS was established on 6 November 2019 and the first fiscal year is from 6 November 2019 to 30 April 2020.

On 17 december 2019 The Group was established through its fully owned subsidiary, CIPP ApS, that acquired Anpartsselskabet af 16. november 2015 and all its subsidiaries (iMPREG Group), which is one of the world's leading suppliers of liners for sewer, waste water, and storm water rehabilitation

The consolidated income statement for FY19/20 (17 December – 30 April 2020) shows an EBITDA of EUR -3.3 million and net profit after tax of EUR -7.6 million. The result for the period is negatively impacted by aqusition costs of EUR 5.0 million and amortisation of intangible assets from the aqusition. Total assets as of 30 April 2020 was EUR 133.8 million and equity was EUR 61.5 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.

During 19/20 The Group initiated investments in an additional factory in Gärtringen, Germany in near proximity to its factory in Ammerbuch, which is expected to be operational in 20/21.

Management's review

The market for sewer, waste water, and storm water rehabilitation has consistently been growing world wide, however during last part of the financial year 19/20 the growth was reduced due to certain countries/markets being locked-down from COVID-19, but Management considers the financial impact from COVID-19 to be limited.

Management considers the profit for the 19/20 for The Group to be in line with expectations and as satisfactory.

The parent company is without activitity 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 operations 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 may not 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's review

Capital Structure

On 20 December 2019 The Group, through CIPP ApS, entered into a EUR 65 million senior facilities agreement and a EUR 6 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 has a focus on CSR in relation to its business activities. For 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 is followed up by management through robust reporting systems from each of the regions.

The Group is certified ISO 9001 and ISO 14001 in the German operation, and the plan is to establish ISO 9001 in the Chinese operation in FY20/21, and in the US operation in the following year.

We believe that we comply with local regulations in our operations in Germany, China and US.

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 20/21.

We believe that our activities in FY19/20 have contributed to maintaining a good working environment.

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 to our production facilities.

Management's review

It can be a risk that employees feel discriminated at work. This may impact our ability to attract and retain employees. We are in 20/21 implementing a whistle blower policy to enable employees to come forward with concerns.

We are not aware of any breach of human rights in FY19/20.

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 aim at ensuring adherence. A formal anti-corruption policy is part of our Code of Conduct and is expected to be fully implemented during 20/21. A whistle-blower mechanism is being implemented simultaneously.

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 in 20/21 implementing a new and updated Code of Conducts in all regions.
We are not aware of any breaches concerning corruption and bribery in 19/20.

Statutory report on gender equality

The Group has set a target that at least 20% of the board is from the underrepresented gender before 2024. The Board of Directors consists of four AGM-elected members. The Group currently has 0% underrepresented gender at the Board of Director level. Initiatives to improve the ratio of the underrepresented gender at the next AGM are in place. The target figure has not been reached in 19/20, as our female board member resigned.

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 23% underrepresented gender amongst other management positions in 19/20 and we will continue our efforts in this area.

Governance

CIPP Holding ApS holds 4-5 ordinary board meetings every year, as well as a two-day strategy workshop. For ordinary board meetings, in addition to the board members, the Group CEO, Group CFO and Group COO participates.

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

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

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

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

Management's review

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 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	97.75%
Management	2.25%

As FSN Capital is the majority shareholder and given that FSN Capital Partners is a member of the Danish Venture Capital Association ("DVCA"), CIPP Holding ApS is presenting the annual report in accordance with the guidelines from DVCA.

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

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

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

Outlook

The Group expects a positive development in 20/21 based on increased demand for the products, driven by an increasing demand for rehabilitation of infrastructure worldwide. Our expectation for 2020/21 is a revenue range between EUR 65m and EUR 69m and EBITDA range between EUR 9m and EUR 10m.

Events after the reporting period

On 30 June 2020 a resolution was passed 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. In accordance with the merger plan of 28 April 2020, the sole shareholder of Anpartsselskabet af 16. november 2015, CIPP ApS, 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.

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

Consolidated income statement for the period 6 November 2019 – 30 April 2020

Note	EUR'000	2019/20
1	Revenue	18,755
	Cost of goods sold	-10,503
2	Operating expenses	-2,330
	Gross profit	5,922
3	Staff costs	-4,244
	Operating profit/loss before special items, depreciation, amortisation	1,678
4	Special items	-4,986
	Operating profit/loss before, depreciation, amortisation	-3,308
10, 11, 12	Depreciation, amortisation and impairment losses	-2,415
	Operating profit/loss	-5,723
5	Finance income	40
6	Finance expenses	-1,462
	Profit/loss before tax	-7,145
7	Tax on profit/loss for the year	-503
	Profit/loss for the year	-7,648

Consolidated statement of comprehensive income for the period 6 November 2019 – 30 April 2020

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

Consolidated statement of cash flows for the period 6 November 2019 – 30 April 2020

Note	EUR'000	2019/20
	Operating activities	
	Operating profit/loss	-5,723
10, 11	Amortisation, depreciation and impairment losses	2,415
15	Change in working capital	2,924
	Cash flow from ordinary operating activities	**-384**
	Interest received	40
	Interest paid	-1,033
	Income tax paid	-515
	Net cash flows from operating activities	**-1,892**
	Investing activities	
10	Purchase of intangible assets	-608
11	Purchase of tangible assets	-1,569
23	Acquisition of business	-73,817
	Net cash flows from investing activities	**-75,994**
	Financing activities	
	Loan received	43,218
	Loan paid	-31,241
	Change in credit facility	6,458
	Repayment of lease liabilities	-377
	Capital increases	69,187
	Net cash flows from financing activities	**87,245**
	Change in cash and cash equivalents	**9,359**
	Cash and cash equivalents at 6 November 2019	5
	Cash and cash equivalents at 30 April 2020	**9,364**

Consolidated statement of financial position as per 30 April 2020

Note	EUR'000	30 April 2020
	ASSETS	
10	Goodwill	54,605
10	Technology	26,707
10	Customer relationships	11,664
10	Brand	3,112
10	Other	3,041
	Intangible assets	99,129
11	Plant and machinery	7,850
11	Other fixtures and fittings, tools and equipment	709
11	Property, plant and equipment under construction	1,222
12	Right-of-use asset	3,324
	Total tangible assets	13,105
8	Deferred tax asset	3
	Other non-current assets	3
	Total non-current assets	112,237
	Current assets	
13	Inventories	4,637
14	Trade receivables	4,860
	Contract assets	1,933
	Income tax receivable	105
	Receivables from group enterprises	64
	Other receivables	448
	Prepayments	104
	Cash	9,364
	Total current assets	21,515
	TOTAL ASSETS	133,752
	EQUITY AND LIABILITIES	
	Equity	
	Equity attributable to shareholders in CIPP Holding ApS	61,481
	Total equity	61,481
	Liabilities	
	Non-current liabilities	
16	Interest-bearing loans and borrowings	43,531
16	Lease liabilities	2,078
8	Deferred tax liabilities	11,261
	Total non-current liabilities	56,870
	Current liabilities	
16	Bank loans	6,457
16	Lease liabilities	1,313
	Trade payables	3,901
	Income tax payable	473
	Other payables	2,907
	Prepayments from customers	350
	Total current liabilities	15,401
	Total liabilities	72,271
	TOTAL EQUITY AND LIABILITIES	133,752

Consolidated statement of changes in equity for the period 6 November 2019 – 30 April 2020

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 Groups'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	2019/20
EMEA	12.967
APAC	4.279
Americas	1.509
Total revenue	18.755

2. Audit fee

Statutory audit	73
Tax and indirect taxes advisory	20
Other services	1,077
Total audit fee	1,170

3. Staff costs

Wages and salaries	3,645
Other social security costs	589
Pension	10
Total staff costs	4,245
Average number of employees	224

Remuneration to Executive Management and Board of Directors

Wages and salaries	186
Pension	5
Total remuneration to Executive Management and Board of Directors	191

The Group has no other employees considered Key Employees.

Pension plans

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

The Group has not entered any defined benefit plans.

4. Special items

Acquisition costs	4,986
Total special items	4,986

Notes to consolidated financial statements

EUR'000	2019/20
5. Financial income	
Interest income	40
Total financial income	40
6. Financial expenses	
Interest expenses	1,243
Exchange rate adjustments, net	115
Interest related to lease liabilities	39
Amortization of borrowing costs	65
Total financial expenses	1,462

7. Income tax

Income tax expense in the income statement

Current income tax:	
Current income tax charge	240
Deferred tax:	
Changes in temporary differences	263
Income tax expense in the income statement	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	-7,145
Calculated at Denmark's statutory income tax rate of 22.0%	1,572
Effect of unrecognised tax asset relating to tax losses	-917
Tax impact from acquisition-related costs and other permanent differences etc.	-1,097
Effect of difference in tax rate in foreign subsidiaries, net	-61
Income tax expense reported in the consolidated income statement	-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 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 31 April 2020, the Group has an unrecognised deferred tax asset relating to tax losses of tEUR 917.

9. Proposed distribution of profit/loss

EUR'000	2019/20
Retained earnings	-7,648

10. Intangible assets

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	

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 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.

Notes to consolidated financial statements

10. Intangible assets (continued)

Impairment test 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.

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

		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.

	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 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	2019/20
Cost at 6 November 2019	0
Acquisition of business	3,691
Additions	57
Cost at 30 April 2020	3,748
Depreciation and impairment losses at 6 November 2019	
Acquisition of business	0
Depreciation	424
Depreciation and impairment losses at 30 April 2020	424
Carrying amount at 30 April 2020	3,324

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

Amounts recognised in the income statement:

EUR'000	2019/20
Interest related to lease liabilities (included in financial expenses)	39
Total	39

In 2019/20, the Group paid tEUR 486 related to lease contracts of which tEUR 39 related to lease interest and tEUR 377 related to repayment of lease liabilities.

Notes to consolidated financial statements

13. Inventories

EUR'000	30 April 2020
Raw materials and consumables	3,481
Work in progress	843
Manufactured goods and goods for resale	313
Total inventories	4,637

In 2019/20, write-down of inventories amounted to tEUR 150 and reversal of write-down of inventories amounted to tEUR 0.

14. Trade receivables

Trade receivables	5,142
Allowance for expected credit losses	-282
Total	4,860

Allowance for expected credit losses

Acquisition of business	165
Expected credit loses in the year	203
Realised in the year	-86
Total allowance for expected credit losses	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:

Not due	3,701
Overdue 1-30 days	559
Overdue 31-90 days	370
Overdue 90-180 days	33
Rev Over 180 days	198
Total	4,861

Customer credit risks

The Group's exposure to credit risks is assesses 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	2019/20
Change in inventories	-72
Change in trade and other receivables	1,292
Change in trade and other payables	1,324
Total	2,544

16. Interest-bearing loans and borrowings

EUR'000	Expiry	Interest margin	Nominal amount 30 April 2020	Carrying amount 30 April 2020
Facility B1	21 January 2027	EURIBOR + 6.75%	13,000	12,575
Facility B2	21 January 2027	EURIBOR + 6.75%	32,000	30,956
Lease liability	Expire up till 2026	EURIBOR + 3.25%	3,146	3,391
Bank loan (maksumum EUR 8,900)	21 January 2027	EURIBOR + 3.25%	6,457	6,457
			54,603	53,379

Loans and borrowings, non-current	43,531
Lease liabilities, non-current	2,078
Loans and borrowings, current	0
Lease liabilities, current	1,313
Bank loan, current	6,457
	53,379

Financing costs at 30 April 2020 amounted to tEUR 1,9 and are amortized until the expiry date of the loans. Amortization in 2019/20 amounted to EUR 65 thousand. At 30 April 2020, accrued interest amounted to tEUR 379.

17. Financial assets and liabilities

EUR'000	Carrying amount 30 April 2020
Financial assets at amortised cost	
Trade receivables	4,860
Other receivables	447
Cash	9,364
	14,671
Financial liabilities at amortised cost	
Interest-bearing loans and borrowings	49,988
Bank loan	6,457
Lease liabilities	3,391
Trade payables	3,901
Other payables	2,909
	66,646

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:

Interest-bearing loans and borrowings, fair value (Level 2)	48,146

Notes to consolidated financial statements

17. Financial assets and liabilities (continued)

Fair values

As per 30 April 2020, 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 2020 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 2020
Total, 6 November 2019	0
Loans from acquisition of business	31,241
Lease obligations from acquisition of business	3,767
Proceeds	43,218
Repayment	-31,241
Repayment of leases	-377
Change in credit facility	6,457
Amortisation of borrowing costs	-65
Accrued interest	379
Total, 30 April 2020	53,379
Loans and borrowings, non-current	43,531
Lease liabilities, non-current	2,078
Loans and borrowings, current	0
Lease liabilities, current	1,313
Bank loan, current	6,457
Total, 30 April 2020	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.

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

EUR'000	Revenue	Gross profit
USD	-493	-131
CNY	-1,518	-714
	-2,011	-845

Notes to consolidated financial statements

19. Financial risk management (continued)

Interest rate risk

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

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

EUR'000	Nominal amount 30 April 2020	+0.5% in interest – increase in interest cost
Facility B1	13,000	65
Facility B2	32,000	120
Lease liability	3,146	16
Bank loan	6,457	32
	54,603	233

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 the 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 2020	On demand	0 to 12 months	1 to 5 years	> 5 years	Total
Non-derivates:					
Interest-bearing loans and borrowings	0	0	0	43,531	43,531
Bank loan	0	0	0	6,457	6,457
Lease liability	0	1,403	1,714	29	3,146
Trade payables and other financial liabilities	0	6,747	0	0	6,747
	0	8,150	1,714	50,017	59,881

The senior debt facilities are subject to financial covenants, which include debt and interest coverage ratios and investment ratios. Compliance with covenants will be tested for the first time at 31 October 2020. At 30 April 2020, the Management expects to comply with the financial covenants.

Capital structure

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

As of 30 April 2020, The Group's interest-bearing debt net comprise EUR 43.5 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 2019/20.

Notes to consolidated financial statements

20. Mortgages and securities

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

Security

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

- A share pledge agreement in respect of the Cipp Holding ApS;
- A share pledge agreement in respect of Cipp ApS;
- A share pledge agreement in respect of Cipp Technology Holding ApS;
- A share pledge agreement in respect of IMPREG GmbH;
- An assignment agreement in respect of security over bank accounts of IMPREG GmbH;
- An assignment agreement in respect of security over IP rights of IMPREG GmbH;
- A pledge agreement in respect of the Danish Floating Charge of Cipp Technology Holding ApS; and
- A pledge agreement in respect of an intra-group loan from the company to Cipp Technology Holding ApS in the nominal amount equivalent to approximately tEUR 42,010.
- A pledge agreement in respect of an intra-group loan from the company to iMPREG GmbH in the nominal amount equivalent to approximately tEUR 42,010.

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.

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

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 acquisition costs of 284 EURt.

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

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

Transactions with Board of Directors and Executive Boardl

Remuneration of the Board of Directors and the Executive Board is disclosed in note 5. No other transactions with members of the Board of Directors and the Executive Board.

Notes to consolidated financial statements

23. Business combinations

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 obtaining control of 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, waste water, and storm water 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 based on the provisional purchase price allocation 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 with 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, employees 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 have been made to reflect the amount 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.

Subsequent to 30 April 2020, no further business combinations were made.

Notes to consolidated financial statements

24. Events after the reporting period

On 30 June 2020 a resolution was passed 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. In accordance with the merger plan of 28 April 2020, the sole shareholder of Anpartsselskabet af 16. november 2015, CIPP ApS, 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.

The market for sewer, waste water, and storm water rehabilitation has consistently been growing worldwide, however during last part of the financial year 19/20 the growth was reduced due to certain countries/markets being locked-down from COVID-19, but Management considers the financial impact from COVID-19 to be limited.

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 6 November 2019 – 30 April 2020

Note	EUR'000	2019/20
1	Other external expenses	-17
	Operating profit/loss	-17
	Profit/loss before tax	-17
	Profit/loss for the year	-17

Parent company statement of comprehensive income for 6 November 2019 – 30 April 2020

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

Parent company cash flow statement for 6 November 2019 – 30 April 2020

EUR'000	2019/20
Operating activities	
Operating profit/loss	-17
Change in working capital	10
Cash flow from ordinary operating activities	-7
Net cash flows from operating activities	0
Investing activities	
Acquisition of business	-69,311
Net cash flows from investing activities	-69,311
Financing activities	
Transactions with shareholders	
Proceeds from the issue of share capital	70,100
Net cash flows from financing activities	70,100
Net increase in cash/cash equivalents	783
Cash and cash equivalents at 6 November 2019	5
Cash and cash equivalents at 30 April 2020	788

Parent company balance sheet at 30 April 2020

Note	EUR'000	30 April 2020
	ASSETS	
	Current assets	
4	Investments in group enterprises	69,311
	Cash	788
	Total current assets	70,099
	TOTAL ASSETS	70,099
	EQUITY AND LIABILITIES	
	Equity	70,088
	Current liabilities	
	Payables to group companies	11
	Total current liabilities	11
	TOTAL EQUITY AND LIABILITIES	70,099

Parent company statement of changes in equity for the period 6 November 2019 – 30 April 2020

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	0	-17	-17
Transactions with the owners			
Capital increase	120	69,980	70,100
Total transactions with shareholders	120	69,980	70,100
Equity at 30 April 2020	125	69,963	70,088

Notes to parent company financial statements

1. Audit fee

EUR'000	2019/20
Statutory audit	5
Other assistance	5
Total audit fee	10

2. Income tax expense in the income statement

Reconciliation of effective tax rate

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

3. Proposed distribution of profit/loss

Retained earnings	-17

4. Investments in group enterprises

Cost beginning year	0
Additions	69,311
Cost end of year	69,311
Carrying amount at 30 April	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

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 acquisition costs of tEUR 284.

Remuneration to the Board of Directors is included in transactions with key persons in Management.

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

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 4 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. **Mortgage and securities**

Mortgage and securities are disclosed in note 20 in the consolidated financial statement

8. **Financial risks and financial instruments**

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

9. **Events after the reporting period**

Events after the reporting period are described in note 24 to the consolidated financial statements.

Accounting policies

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

The consolidated income statement and the consolidated statement of financial position seperately 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 company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the company 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 company, 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 customer 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 company'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 company 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 company.

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

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 Company, the accumulated exchange rate adjustment relating to the relevant Company 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 equaling 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 accountingpolicies 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 labor costs and indirect production costs.

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

The net 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 customer 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 Company 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 over straight line over the expected rent period

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

Accounting policies

Lease liabilities

The Group measures the lease liability using the Groups 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 Groups lease contracts does 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 2020, or which are not adopted by the EU as per 30 April 2020.

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.