

Ellab A/S

Trollesmindealle 25, DK-3400 Hillerød

CVR No. 20 89 69 49

Annual report for 1 May 2019 to 30 April 2020

The Annual Report was presented and adopted at the Annual General Meeting of the Company on:
26 August 2020

Chairman
Michael Engstrøm

Contents

Management's Statement and Auditor's Report	Page
Management's Statement	3
Independent Auditor's Report	4

Management's Review	Page
Company Information	6
Management's Review	7
Financial Highlights	9

Consolidated Financial Statements	Page
Consolidated Income Statement	10
Consolidated Statement of Comprehensive Income	10
Consolidated Balance Sheet	11
Consolidated Statement of Changes in Equity	13
Consolidated Cash Flow Statement	14
Notes	15

Financial Statements - Parent	Page
Income Statement	43
Statement of Comprehensive Income	43
Balance Sheet	44
Statement of Changes in Equity	46
Cash Flow Statement	47
Notes	48

Management's Statement

The Executive and Board of Directors have discussed and approved the Annual Report of Ellab A/S for the financial year 1 May 2019 - 30 April 2020.

The annual report and consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 30 April 2020 of the Group and Parent and of the results of the the Group and Parent's operations and cash flows for the financial year 1 May 2019 - 30 April 2020.

In our opinion, Management's Review includes a true and fair account of the matters dealt with.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hillerød, 26 August 2020

Executive Board

Peter Krogh

Board of Directors

Bo Harald Peter Risberg
Chairman

Claus Bjerre

Sarah Katherine Newbitt

Niels Erik Olsen

Rikke Kjær Nielsen

Independent Auditors Report

To the Shareholder of Ellab A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position 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 1 May 2019 to 30 April 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Ellab A/S-Group for the financial year 1 May 2019 - 30 April 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in 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 further requirements in 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 Auditors Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 over-ride 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 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.

Hillerød, 26 August 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen
State Authorised Public Accountant
mne17120

Christian Engelbrecht Friis
State Authorised Public Accountant
mne44180

Company Information

The Company

Ellab A/S
Trollesmindealle 25
DK-3400 Hillerød

Central Business Registration No:	20 89 69 49
Registered in:	Hillerød
Financial period:	1 May 2019 - 30 April 2020
Municipality of reg. office:	Hillerød, Denmark

Board of directors

Bo Risberg, Chairman
Claus Bjerre, Vice Chairman
Sarah Newbitt
Niels Erik Olsen
Rikke Kjær Nielsen

Executive Board

Peter Krogh

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Management's Review

Key activities

Ellab ("the Company") is a leading supplier of Validation and Monitoring Solutions and Ellab is providing high end thermal validation and monitoring solutions and validation services to life science and food industries for applications where accurate and complete documentation is essential. The Company designs, develop and manufactures high-precision equipment, and software for temperature, pressure and humidity validation and monitoring.

In September 2019 the previous owners of the Ellab Group IK VII Fund managed by IK Investment Partners signed an agreement regarding sale of Ellab Group to EQT Mid Market Europe GP B.V., acting in its capacity as general partner of EQT Mid Market Europe Limited Partnership ("EQT"). Both IK Investment Partners and EQT are members of the organization for venture capital and private equity (DVCA).

Market overview

Ellab handles sales and services by own sales companies in Nordics, DACH, Italy, UK, Ireland, France, Benelux, North America, Middle East and Philippines. Other markets are handled through independent distributors.

Production, assembly, quality inspection and development of Ellab Validation equipment (Data Loggers and Thermocouple Systems) takes place mainly in the facility in Hillerød, Denmark and production, assembly, quality inspection of Monitoring Systems takes place in the facility in Letchworth, United Kingdom.

Development in the year

During the year Ellab has invested further in direct markets in North America, DACH, UK and Ireland. In May 2019, the Company acquired the UK based company Hanwell, to expand activities within the wireless monitoring market. Hanwell is a renowned company designing and manufacturing wireless environmental monitoring systems.

In January 2020 Ellab announced the acquisition of Instrument Technology Limited in Ireland specialized in the supply of instrumentation products and services to the life science industry. Later in April 2020 Ellab acquired QualUs, an Irish company specialized in thermal qualification and validation services.

The expansion in the DACH region continued during the year and in April 2020 Ellab announced the acquisition of Adsano, a company specialized in thermal qualification and validation services.

In 2019/20, the Group had a positive sales trend and following the Group's strategy for organic growth, significant investments in product development activities and market development have been made.

Revenue increased 44% to DKK 395.5m including acquisitions corresponding to an organic growth of 21%. Measured in constant currency the growth would have been 42%.

The income statement for the Group for 2019/20 shows a profit from operating activities of DKK 126.8m before special items (2018/19 DKK 100.6m) and profit for the year of DKK 85.7m (2018/19 DKK 74.1m).

The balance sheet at 30 April 2020 of the Company shows equity of DKK 214.8m (2018/19 DKK 234.3m). Total assets amount to DKK 449.2m (2018/19 DKK 346.1m).

Cash flow from operating activities was positive by DKK 105.7m for 2019/20 (2018/19 positive by DKK 95.3m). Cash flow from investing activities amounted to negative DKK 40.5m (2018/19 81.0m) and Free cash flow amounted to DKK negative 29.7m net off acquired cash (2018/19 12.2m). Cash flow is impacted by dividend paid DKK 123m and acquisition of subsidiaries DKK 78m.

Management's Review

Expectations from last year and development for the coming year.

The development in 2019/20 has been above expectations from last year.

The current activities of the group continue in 2020/21, and the management expects continued market development and a sales development that are impacted by the Covid-19. The impact from Covid-19 in 2020/21 is still uncertain but the Company expects the largest negative impact in Q1 of the fiscal year. The Company expects to continue to increase market activity and new product innovation.

Operating risk and financial risks

With activities around the world Ellab has the risks inherent in international activities, including currency risks.

The Ellab Group is not particularly exposed to changes in interest rates.

Research and development

The Company continuously develops products and processes related to its primary activities.

Impact of the external environment

The Group meets the environmental requirements in the legislation and works consciously and continuously to reduce the environmental impact from the operations. In continuation of this work the Company has an environmental policy and environmental certification (ISO14001) from 2018/19.

Ellab has implemented an anti-corruption and anti-bribery policy in all affiliates and countries, as it does not accept corruption and bribery practice in any shape or form in our business. Further Ellab requests and demands decent and proper conduct of business from company associates involved in trade with Ellab and Ellab has implemented a Code of Conduct.

Intellectual capital resources of importance for future earnings

The Group's policy is a continuous development of products and processes. It is therefore crucial that the Group in the future can attract and retain competent and motivated employees, including engineers.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The spread of Covid-19 has affected the global economic and short-term growth prospects negatively. The financial position and results of operations for the year ended 30 April 2020 has not been severely impacted by the Covid-19 pandemic, and no adjustments relating to Covid-19 have been made to the Financial Statements.

Apart from the impacts of Covid-19, the financial position at 30 April 2020 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019/20 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

Ellab AS	2019/20 TDKK	2018/19 TDKK	2017/18* TDKK	2016/17* TDKK	2015/16* TDKK
Key figures					
Income statement					
Revenue	395.526	273.862	204.114	195.221	167.870
Gross profit/loss	265.941	196.940	148.908	144.118	131.943
Operating profit/loss	116.352	93.001	74.857	63.335	66.913
Net financials	-726	6.147	-3.320	-8	-462
Net profit/loss for the year	85.694	74.072	53.166	49.934	50.057
Balance Sheet					
Balance sheet total	449.198	346.127	183.364	144.522	83.858
Equity	214.820	234.343	158.817	106.982	56.948
Cash flows					
From investment in property, plant and equipment	-19.869	-9.675	-11.189	-7.408	4.506
Number of employees	268	174	141	121	109
Ratios					
EBITDA	142.034	108.696	82.634	67.887	70.269
Adjusted EBITDA	152.480	116.609	89.031	84.852	-
Solvency ratio	47,8%	67,7%	86,6%	74,0%	67,9%
Return on equity	38,2%	38,1%	40,0%	60,9%	91,3%

As of 1 May 2018, accounting policies were changed to IFRS. The figures for 2018/19 and 2019/20 are presented in accordance with IFRS.

*The comparative figures for 2017/18, 2016/17 and 2015/16 are presented in accordance with the Danish Financial Statement Act.

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under Accounting Policies.

Consolidated Income Statement

	Notes	1 May 2019 to 30 April 2020 TDKK	1 May 2018 to 30 April 2019 TDKK
Revenue	3	395.526	273.862
Cost of production	4, 5	(129.584)	(76.922)
Gross profit		265.941	196.940
Distribution costs	4, 5	(95.962)	(63.960)
Development costs	4, 5	(18.342)	(13.703)
Administration costs	4, 5	(24.839)	(18.714)
Profit/loss before special items		126.798	100.563
Special items	6	(10.446)	(7.562)
Profit/loss before net financials		116.352	93.001
Financial income	7	8.030	10.702
Financial expenses	8	(8.756)	(4.555)
Profit/loss before tax		115.627	99.148
Income tax expense	9	(29.933)	(25.076)
Profit/loss for the year		85.694	74.072

Consolidated Statement of Comprehensive Income

	1 May 2019 to 30 April 2020 TDKK	1 May 2018 to 30 April 2019 TDKK
Profit for the period	85.694	74.072
Other comprehensive income		
<i>Items that will be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	959	1.454
Income tax relating to these items	0	0
Other comprehensive income for the period, net of tax	959	1.454
Total comprehensive income for the period	86.653	75.526

Consolidated Balance Sheet

		30 April 2020	30 April 2019	1 May 2018
	Notes	TDKK	TDKK	TDKK
Intangible assets	10	153.794	34.637	4.323
Property, plant and equipment	11	36.788	20.850	16.888
Right-of-use assets	13	57.682	49.659	49.101
Other receivables		2.371	1.942	1.951
Deferred tax assets	12	2.476	990	1.943
Total non-current assets		253.111	108.078	74.206
Inventories	14	27.149	20.492	18.055
Trade receivables	15	100.122	56.034	31.378
Contract assets	16	2.144	0	0
Receivables from group enterprises		0	67.955	29.095
Other receivables		1.743	1.832	598
Prepayments		4.545	1.667	1.986
Cash and cash equivalents		60.384	90.069	77.147
Total current assets		196.087	238.049	158.259
Total assets		449.198	346.127	232.465

Consolidated Balance Sheet

		30 April 2020	30 April 2019	1 May 2018
	Note	TDKK	TDKK	TDKK
Share capital	17	15.000	15.000	15.000
Foreign currency translation reserve		2.413	1.454	0
Retained earnings		157.407	103.889	143.817
Proposed dividend		40.000	114.000	0
Total equity		214.820	234.343	158.817
Lease liabilities	13	52.505	46.070	43.629
Deferred tax liabilities	12	19.792	0	0
Other payables		118	0	0
Warranty provisions		250	0	0
Total non-current liabilities		72.664	46.070	43.629
Borrowings	18	31.313	745	908
Trade payables		14.977	7.376	2.609
Contract liabilities	15	1.830	0	0
Lease liabilities	13	9.318	5.197	4.706
Payables to group enterprises		28.623	0	0
Income tax payables		24.818	21.459	7.015
Other payables		48.043	30.657	14.753
Deferred revenue	15	2.793	280	28
Total current liabilities		161.714	65.714	30.019
Total liabilities		234.378	111.784	73.648
Total equity and liabilities		449.198	346.127	232.465

Consolidated Statement of Changes in Equity

	Notes	Share capital TDKK	Foreign currency translation reserve TDKK	Retained earnings TDKK	Proposed dividend TDKK	Total TDKK
Equity at 1 May 2019	17	15.000	1.454	103.889	114.000	234.343
Profit for the year		0	0	45.694	40.000	85.694
Other comprehensive income		0	959	0	0	959
Total comprehensive income for the period		0	959	45.694	40.000	86.652
Contributions of equity		0	0	32.824	0	32.824
Proposed dividend paid		0	0	0	(114.000)	(114.000)
Extraordinary dividend paid and payable		0	0	(25.000)	0	(25.000)
Total transactions with owners in their capacity as owners		0	0	7.824	(114.000)	(106.176)
Equity at 30 April 2020		15.000	2.413	157.407	40.000	214.820

Dividend per share is TDKK 2.7 for proposed dividend as of 30 April 2020.

Dividend per share is TDKK 1.7 for extraordinary dividend declared in 2019/20.

Dividend per share is TDKK 8.2 for dividend paid in 2019/20.

Equity at 1 May 2018	17	15.000	0	143.817	0	158.817
Profit for the year		0	0	(39.928)	114.000	74.072
Other comprehensive income		0	1.454		0	1.454
Total comprehensive income for the period		15.000	1.454	103.889	114.000	234.343
Total transactions with owners in their capacity as owners		0	0	0	0	0
Equity at 30 April 2019		15.000	1.454	103.889	114.000	234.343

Dividend per share is TDKK 7.6 for proposed dividend as of 30 April 2019.

Consolidated Cash Flow Statement

	Notes	2019/20 TDKK	2018/19 TDKK
Profit/loss for the year		85.694	74.072
Adjustments	24	56.595	32.425
Changes in net working capital	25	(4.944)	607
Interests received		5.308	4.607
Interests paid		(10.110)	(4.752)
Income taxes paid		(26.870)	(11.634)
Net cash flow from operating activities		105.674	95.325
Purchase of intangible assets	10	(4.546)	(3.604)
Purchase of property, plant and equipment	11	(19.869)	(9.675)
Payment for acquisition of subsidiary, net of cash acquired	20	(77.906)	(35.607)
Loans to related parties and repayment		61.861	(32.765)
Sale of property, plant and equipment		0	650
Net cash flow from investing activities		(40.461)	(81.001)
Repayment of borrowings		(10.876)	0
Raising of loan		44.313	0
Principal elements of lease payments	13	(4.908)	(2.145)
Dividend paid		(123.455)	0
Cash flow from financing activities		(94.927)	(2.145)
Net cash flow for the year		(29.713)	12.179
Cash and cash equivalents, beginning of the year		90.069	77.147
Effects of exchange rate changes on cash and cash equivalents		28	743
Cash and cash equivalents at end of the year		60.384	90.069
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		60.384	90.069
Cash and cash equivalents at end of the year		60.384	90.069

Notes

1. Accounting policies
2. Critical accounting estimates and judgements
3. Revenue from contracts with customers
4. Staff costs
5. Amortisation, depreciation and impairment losses
6. Special items
7. Financial income
8. Financial expenses
9. Tax on profit for the year
10. Intangible assets
11. Property, plant and equipment
12. Deferred tax
13. Leases
14. Inventories
15. Trade receivables
16. Contract balances
17. Share capital
18. Financial risk management
19. Capital management
20. Business Combinations
21. Commitments and contingent liabilities
22. Fee to auditors appointed at the general meeting
23. Changes in liabilities arising from financing activities
24. Related parties
25. Events after the balance sheet date
26. Cash flow statement - adjustments
27. Cash flow statement - changes in net working capital
28. List of group companies
29. First time adoption of IFRS

Notes

The annual report has been prepared under the historical cost convention. The financial statements are presented in Danish Kroner (DKK), which is also the parent company's functional currency. The financial statements have been rounded to the nearest thousand.

1. Accounting policies

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements applying to entities of medium-sized enterprises reporting class C.

First time adoption

This Annual Report is the first Annual Report that is presented in accordance with IFRS. The comparative figures for 2018-19 in the income statement and the balance sheet items at 1 May 2018 and 30 April 2019 were restated in accordance with IFRS. The accounting policies applied are based on the standards and interpretations effective at 30 April 2020. No standards or interpretations which are not yet effective have been adopted.

The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standards, concerning the transition from the Danish Financial Statements Act to IFRS are provided in note 29.

Basis of consolidation

The consolidated financial statements include the parent company, Ellab A/S, and its subsidiaries (the Group). Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Foreign currency translation

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Notes

Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such measurement are recognised in profit or loss.

Revenue

The Group generates revenue from the sale of validation and monitoring equipment and validation services.

Revenue relating to sale of validation and monitoring equipment is recognised at a point in time when control of the products transfers to the customers, usually upon delivery, and it is probable that the Group will collect the consideration to which it is entitled for transferring the products. The amount of sales to be recognised is based on the consideration the Group expects to receive in exchange for its goods. Each product is considered as one performance obligation.

The revenue from validation service relates to consultancy services for validation. Revenue is derived over time and recognised in the income statement as the services are rendered. Validation service contracts include fixed price contracts and contracts based on hourly rates. Distinct validation service contracts are considered as one performance obligation. Revenue is recognized by measuring progress towards completion of the performance obligation. Measurement of progress is based on an input method relating to direct labour hours spent. For contracts with differences between cumulative revenue recognized and cumulative amounts invoiced to the customer, the Group recognizes a contract asset or a contract liability for the difference.

For validation service contracts where the customers are invoiced a fixed amount for each hour of services provided, Ellab applies the practical expedient in IFRS 15, whereby revenue is recognised in the amount to which Ellab has a right to invoice, as this corresponds directly with the value of the completed services.

Cost of production

Cost of production comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution costs

Distribution expenses from sales units comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses, sales office expenses as well as operation of motor vehicles, depreciation, etc.

Notes

Development costs

Research and development costs comprise research costs, costs relating to development projects that do not qualify for recognition in the balance sheet as well as amortisation and impairment of development projects.

Administrative costs

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Special items

Special items include significant income and expenses of a special non-recurring nature which cannot be attributed directly to the Group's ordinary operating activities of the continued activities. Special items include costs related to acquisition of businesses and other consultancy assistance.

These items are classified separately in the income statement to provide a transparent view of the Group's ordinary operating profit.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently, if events or changes in material circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relation to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the total revenue streams which is considered as one cash-generating unit in Ellab Group based on the internal management reporting.

Other intangible assets

The Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Completed development projects	3 years
Patents and trademarks	10-20 years
Customers and distributors	5-10 years
Technology	20 years

Development projects

Development costs cover costs and salaries directly or indirectly attributable to the development activities of the enterprise.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies where the cost can be measured reliably and if sufficient certainty exists that future earnings cover production costs, selling costs and administrative expenses as well as the development costs. Amortisation of development projects recognised will start when the asset is ready for use.

Other development costs are recognised in the income statement as incurred

Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation. The cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciations are calculated using the straight-line method, net of their residual values over their estimated useful lives, as follows:

Buildings	40 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss as other operating income/expenses.

Notes

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases include mainly properties and cars.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability, and reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

Variable lease payments, payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in Income Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Impairment of non-current assets

Goodwill and development projects in progress are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Notes

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group hold the trade receivables with the objective to collect the contractual cash flows and therefor measures them subsequently at amortised cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 15 for a description of the Group's impairment policies for trade receivables.

Contract assets

Contract assets relates to validation service contracts with customers where revenue is recognised over time. If the services rendered by the Group exceed the payment, a contract asset is recognised.

Receivables from group enterprises

Receivables from group enterprise in the parent company are measured at amortised cost using the effective interest method, less loss allowance. Provisions for estimated bad debts are made based on 12-month expected credit loss if credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, a lifetime ECL is recognised which may be significantly higher than a 12-month ECL.

Prepayments

Prepayments recognised as an asset comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents comprises cash and bank balances.

Cash and cash equivalents comprises cash and bank balances.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deductions, net of tax, from the proceeds.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Financial liabilities

Borrowings are initially recognised at fair value which is generally proceeds received, and net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other financial liabilities, including bank and loans, trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

Contract liabilities

Contract liabilities relates to the Group's validation service activities. A contract liability is the obligation to transfer validation services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Deferred revenue

Deferred revenue is prepayments by customers for equipment that have not been delivered and prepayments relating to rental of equipment.

Notes

Provisions

Provisions consist of provisions for warranty claims in respect of goods or services already delivered. Provisions for warranties and such obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using generally accepted valuation techniques based on observable inputs from active markets. For financial liabilities where the fair value is disclosed, the fair value is estimated by discounting future contractual cash flows at the current market interest rate.

Cash flow statement

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

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long term debt and principal element on lease payments as well as payments to and from shareholders.

Key Figures

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Financial highlights

Solvency ratio	$\frac{\text{Equity at year end} * 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} * 100}{\text{Average equity}}$

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit before depreciation, amortization and special items.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes

2. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements according to IFRS, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated as the value of assets and liabilities often depends on future events that are somewhat uncertain.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

Critical accounting estimates

Business Combinations, key assumptions in identifying assets acquired and liabilities assumed

As a result of acquisitions, management makes estimates relating to identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, and with measuring the fair value at the time of acquisition. Significant estimates are made in the measurement of the fair value of the brand, customers & distributors and technology at the time of acquisition in relation to cash-flow projections, discount rates and terminal growth rates. Furthermore, key assumptions have been made in relation to the useful lives of the intangible assets identified in the acquisitions. When estimating the useful lives of the assets, management has considered among other expectations to technologic development and expected churn rates based on historical customer churn rates and the group's primary customer groups. The churn rate and expected useful lives of assets acquired in a business combination are reassessed annually. Changes in actual useful lives or expected useful lives of these assets are recognized in the financial statements, when such changes are ascertained. The valuation of brands is based on royalty rates observable for comparable brands.

For further information relating to business combinations, see note 20. Business combinations.

Goodwill, key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. Qualitative factors considered in this assessment include industry and market considerations, financial performance and other relevant events and factors affecting the Group. For the 2019-20 and 2018-19 reporting periods, the recoverable amount of the cash-generating unit was determined based on value-in-use calculations which require the use of assumptions in the calculation of cash-flow projections, discount rates and terminal growth rates. The calculations use cash flow projections based on financial forecasts covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using an estimated growth rate. Key estimates in the calculation of discounted future cash flows include expected growth in revenue, estimated costs and discount rate. Estimates of growth and costs are based on historical data combined with various internal estimates and external sources including macro economy expectations. The discount rate is based on weighted average cost of capital determined by considering the observable weighted average cost of capital of comparable companies. For further information on goodwill, see note 10. Intangible assets.

Receivables, key assumptions in estimated credit loss allowances

Management makes allowance for doubtful trade receivables based on the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The allowance is an estimate based on shared credit risk characteristics, ageing factor, geographical risk, specific customer knowledge and past history. For a detailed description of credit risk allowances, please see note 15. Trade receivables.

Leases, key assumptions in determining the lease term

Extension and termination options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated based on the Group's strategy and other relevant factors such as significant leasehold improvements. When assessing lease terms, Management has considered the availability of alternative options and other relevant factors. For further information on leases, please see note 13. Leases.

Notes

3. Revenue from contracts with customers

The Group derives revenue from the following major business lines.

	1 May 2019 to 30 April 2020 TDKK	1 May 2018 to 30 April 2019 TDKK
Sale of equipment	345.397	246.099
Validation service contracts	50.129	27.763
	395.526	273.862

Revenue is recognised as follows:

At a point in time	345.397	246.099
Over time	50.129	27.763
	395.526	273.862

4. Employee costs

	TDKK	TDKK
Wages and salaries	117.281	86.957
Defined contribution plans	5.107	3.826
Other social security costs	10.345	4.185
Other staff costs	0	0
	132.733	94.968

Wages and Salaries, pensions and other social security expenses are recognised in the following items:

Cost of production	56.043	33.069
Distribution expenses	51.891	46.121
Development expenses	18.279	13.635
Administrative expenses	6.520	2.143
	132.733	94.968

Average number of employees	268	174
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Key Management Compensation

Key Management consists of Executive Board and Board of Directors. The compensation paid or payable to key management for employee services is shown below:

	TDKK	TDKK
Wages and salaries and Board fee	4.462	3.421
Defined contribution plans	296	286
Other social security costs	1	1
Total compensation of key management personnel	4.759	3.708

With reference to section 98b of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is disclosed in total.

Notes

5. Depreciation, amortisation and impairment losses

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
Depreciation on property, plant and equipment	13.752	8.864
Amortisation on intangible assets	4.877	1.665
Depreciation on right-of-use assets	7.076	4.873
Depreciation, amortisation and impairment losses	25.705	15.402

Depreciation, amortisation and impairment losses are recognised in the following items:

Cost of production	8.564	5.672
Distribution expenses	10.744	3.676
Development expenses	1.358	1.182
Administrative expenses	5.038	4.872
	25.705	15.402

6. Special items

	TDKK	TDKK
Acquisition cost	4.648	4.519
Legal cost for preliminary compliance study	4.343	757
Other	1.455	2.285
	10.446	7.562

7. Financial income

	TDKK	TDKK
Foreign exchange rate gains	4.645	4.464
Interest received from group companies	2.722	6.095
Other financial income	663	143
	8.030	10.702

8. Financial expenses

	TDKK	TDKK
Foreign exchange rate losses	4.270	1.781
Interest expense on lease liabilities	2.800	2.364
Other financial expenses	1.686	410
	8.756	4.555

Notes

9. Tax on profit for the year

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
<i>Current tax:</i>		
Current tax on profits for the year	29.715	24.123
Current tax on profits for previous years	(75)	0
Deferred tax on profit for the year	292	953
	29.933	25.076
Calculated 22.0% tax on profit for the year before income tax	25.438	21.813
Tax effects of:		
Differences in the tax rates in foreign subsidiaries relative to 22%	856	1.501
Taxable losses not recognised	0	588
Non-deductible expenses	1.349	490
Adjustment of tax relating to previous years	356	140
Income utilised against previous years taxable losses not recognised	(219)	(55)
Other	2.152	600
	4.494	3.264
Effective tax rate	26%	25%

Notes

	Goodwill TDKK	Patents and trademarks TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
10. Intangible assets							
<i>Cost:</i>							
At 1 May 2019	21.867	306	5.324	2.451	16.208	3.079	49.235
Additions during the year	0	247	0	0	677	3.622	4.546
Acquisition of business	28.859	0	43.960	46.837	249	0	119.905
Disposals during the year	(419)	0	0	0	0	0	(419)
Transfers for the year	0	0	0	0	1.065	(1.065)	0
Exchange difference	0	0	3	0	(2)	0	1
At 30 April 2020	50.307	553	49.287	49.288	18.197	5.636	173.268
<i>Accumulated amortisation and impairment:</i>							
At 1 May 2019	0	0	919	40	13.639	0	14.598
Amortisation for the year	0	28	2.226	1.355	1.268	0	4.877
Impairment for the year	0	0	0	0	0	0	0
Transfers for the year	0	0	0	0	0	0	0
Exchange difference	0	0	0	0	0	0	0
At 30 April 2020	0	28	3.145	1.395	14.907	0	19.475
Carrying amount 30 April 2020	50.307	526	46.142	47.893	3.290	5.636	153.794

Goodwill, customers and distributors and technology relates to the acquisition of Hanwell Group, United Kingdom, Instrument Technology Limited, Ireland, Adsano Group, Germany and Switzerland, and Argideen Science Limited, Ireland, in 2019/20. Acquired technology relates to established systems and procedures while acquired customers and distributors relates to the existing network of customers and distributors that will expand the group's current markets.

Acquired intangible assets are specified in note 20. Business Combinations.

Goodwill is not amortised but tested for impairment at least once a year. Customers and distributors are amortised over 5 - 10 years while technology is amortised over 20 years. Remaining useful life for customers and distributors are 4-9 years while remaining useful life for technology is 19-20 years.

Development projects in progress and completed development projects relates to development of the Group's products. Completed development projects are amortised over 3 years. Remaining useful life for completed development projects are 1-3 years.

Amortisation on intangible assets are included as "Amortisations on intangible assets" in note 5. Depreciation, amortisation and impairment losses. Amortisations on completed development projects are recognised as "Development expenses". Amortisations on other intangible assets are recognised as "Distribution expenses".

Research and development costs expensed during the year amount to TDKK 18.342.

	Goodwill TDKK	Patents and trademarks TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
<i>Cost:</i>							
At 1 May 2018	0	0	1.267	0	13.059	2.929	17.255
Acquisition of business	21.865	0	4.057	2.451	0	0	28.373
Additions during the year	0	306	0	0	0	3.299	3.605
Disposals during the year	0	0	0	0	0	0	0
Exchange difference	2	0	0	0	0	0	2
Transfers for the year	0	0	0	0	3.149	(3.149)	0
At 30 April 2019	21.867	306	5.324	2.451	16.208	3.079	49.235
<i>Accumulated amortisation and impairment:</i>							
At 1 May 2018	0	0	395	0	12.538	0	12.933
Amortisation for the year	0	0	524	40	1.101	0	1.665
Impairment for the year	0	0	0	0	0	0	0
Exchange difference	0	0	0	0	0	0	0
At 30 April 2019	0	0	919	40	13.639	0	14.598
Carrying amount 30 April 2019	21.867	306	4.405	2.411	2.569	3.079	34.637

Goodwill, customers and distributors and technology relates to the acquisition of FasInternational Sarl, Italy in 2018/19.

Amortisation on intangible assets are included as "Amortisations on intangible assets" in note 5. Depreciation, amortisation and impairment losses. Amortisations on completed development projects are recognised as "Development expenses". Amortisations on other intangible assets are recognised as "Distribution expenses".

Research and development costs expensed during the year amount to TDKK 13.703.

Notes

Impairment tests

The Group continuously assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of goodwill and other assets with indefinite useful life is required, the Group estimates the recoverable amount of the asset. Goodwill, customers and distributors and technology relates to the acquisitions in 2018/19 and 2019/20 detailed above.

Result of the annual impairment test

The carrying amount of goodwill, TDKK 50.307, relating to the acquisition of FasInternational Sarl, Italy in 2018/19 and Hanwell Group, United Kingdom, Instrument Technology Limited, Ireland, Adsano Group, Germany and Switzerland, and Argideen Science Limited, Ireland, in 2019/20 is tested annually for impairment. The recoverable amount is calculated as the present value of future net cash flows. The entities are monitored by management as a single cash generating unit.

Key parameters in the test are revenue growth, EBITDA margins, expected capital expenditure and growth expectations for the terminal period.

The estimated future free net cash flows for the impairment test at 30 April 2020 are based on budgets for 2020/21 and business plans and projections for 2021/22 to 2029/30 for the combined business activities considered as one CGU. Revenue is expected to increase annually by 15 % from 2021/22 to 2024/25 followed by an annual growth of 5 % from 2025/26 to 2029/30. The long-term growth rate in the terminal period from 2029/30 is estimated to 1%. Growth is mainly expected in North America, the DACH region, UK and Ireland where the Group expects to expand activities relating to sale of equipment and further develop validation service activities. The EBITDA margin is estimated to a level corresponding to historical EBITDA margins and in line with long term expectations and forecasts. A discount rate (WACC) is applied for the specific business areas based on assumptions about interest rates and risks reflecting the risks inherent in the assets. WACC has been estimated to 10 %.

The assumptions used in the impairment test at 30 April 2019 were in all materiality in accordance with the impairment test at 30 April 2020 for key assumptions relating to growth and discount rate. For the period ending 30 April 2019, the business plans is based on an expected revenue increase annually by 15 % from 2019/20 to 2024/25 followed by an annual growth of 5 % from 2025/26 to 2029/30. The long-term growth rate in the terminal period from 2029/30 is estimated to 1%. A discount rate (WACC) is applied for the specific business areas based on assumptions about interest rates and risks reflecting the risks inherent in the assets. WACC has been estimated to 10 %.

Key assumptions have been determined by using a combination of long term trends, historical performance and the Group's strategy. The expected annual growth rate and the expected margins in the budget period are based on historical experience and assumptions about expected market developments.

The impairment tests did not show indications of impairment losses to be recognised. In Management's opinion, changes in key assumptions mentioned above will not cause significant impairment losses.

Development projects in progress

For development projects in progress, Management estimates on an ongoing basis whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria. In Management's opinion, the development projects qualify for recognition.

Notes

11. Property, plant and equipment

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
<i>Cost:</i>					
At 1 May 2019	0	33.941	21.247	2.919	58.107
Additions during the year	0	1.220	18.171	478	19.869
Acquisition of business	1.705	747	4.808	108	7.368
Disposals during the year	0	0	(3.639)	0	(3.639)
Transfers for the year	0	(30.154)	38.472	(258)	8.060
Exchange difference	0	(7)	1.378	(1)	1.370
At 30 April 2020	1.705	5.747	80.437	3.246	91.135
<i>Accumulated amortisation and impairment:</i>					
At 1 May 2019	0	21.095	13.595	2.567	37.257
Amortisation for the year	14	844	12.717	177	13.752
Amortisation of sold assets during the year	0	0	(3.640)	0	(3.640)
Transfers for the year	0	(18.261)	24.478	(97)	6.120
Exchange difference	0	0	858	0	858
At 30 April 2020	14	3.678	48.008	2.647	54.347
Carrying amount 30 April 2020	1.691	2.069	32.429	599	36.788

	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
<i>Cost:</i>				
At 1 May 2018	23.744	20.037	2.525	46.306
Additions during the year	9.220	2.746	249	12.215
Disposals during the year	(1.469)	(1.449)	0	(2.918)
Exchange difference	2.446	(87)	145	2.504
At 30 April 2019	33.941	21.247	2.919	58.107
<i>Accumulated amortisation and impairment:</i>				
At 1 May 2018	14.879	12.148	2.391	29.418
Amortisation for the year	5.657	3.111	96	8.864
Amortisation of sold assets during the year	(592)	(1.678)	0	(2.270)
Exchange difference	1.151	14	80	1.245
At 30 April 2019	21.095	13.595	2.567	37.257
Carrying amount 30 April 2019	12.846	7.652	352	20.850

Notes

12. Deferred tax

	30 April 2020	30 April 2019
	TDKK	TDKK
Deferred tax at 1 May	990	1.943
Deferred tax recognised in the statement of profit or loss	292	(953)
Additions relating to acquisition of subsidiaries	(18.598)	0
Deferred tax at 30 April	(17.316)	990
Deferred tax relates to:	TDKK	TDKK
Intangible assets	(17.194)	2.606
Property, plant and equipment	453	583
Right-of-use assets	(5.630)	0
Inventories	(634)	(3.392)
Trade receivables	(22)	35
Contract assets	54	0
Payables	0	(600)
Lease liabilities	5.460	0
Provisions	(55)	0
Other	91	0
Tax loss carry forwards	162	(222)
Transferred to deferred tax asset	0	990
	(17.316)	0
Of which presented as deferred tax assets	2.476	990
Of which presented as deferred tax liabilities	(19.792)	0
	(17.316)	990

The tax value of losses are recognized as deferred tax to the extent that there is certainty supported by budgets that sufficient future taxable income will be available against which such deferred tax assets can be utilised in a period of 3-5 years. The budgets are based on changes in the structure of the entities resulting in a positive taxable income in the entities from 2020/21.

The Group has an unrecognised tax loss TDKK 168 (2018/19: TDKK 330), which relates to foreign subsidiaries.

Unrecognised deferred tax assets have no expiration date.

13. Leases

The Group has recognised the following amounts relating to leases:

Right-of-use assets	TDKK	TDKK
Properties	56.427	48.197
Cars and other leases	1.255	1.462
	57.682	49.659
Lease liabilities	TDKK	TDKK
Current	8.573	5.197
Non-current	52.505	46.070
	61.078	51.267

Additions to the right-of-use assets during the financial year ending 30 April 2020 were TDKK 15.463 (2018/19: TDKK 5.274).

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

Notes

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
Depreciation charge of right-of-use assets		
Properties	6.463	4.368
Cars and other leases	613	505
	7.076	4.873
Interest expense (included in financial expenses)	2.800	2.561
Expense relating to short-term leases (included in other operating expenses)	183	330

The total cash outflow for leases in 2019/20 was TDKK 7.891 (2018/19: TDKK 5.036).

The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options or periods after termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated based on the Group's strategy and other relevant factors such as significant leasehold improvements.

	30 April 2020	30 April 2019
	TDKK	TDKK
14. Inventories		
Raw materials and consumables	10.376	9.913
Finished goods and goods for resale	16.773	10.579
	27.149	20.492

The following are included in "Costs of production":

Inventories recognised as an expense	54.340	28.548
Write-downs of inventories to net realisable value	2.111	2.920

	TDKK	TDKK
15. Trade receivables		
Trade receivables before provision for bad debts	101.094	56.562
Less provision for impairment of trade receivables	(972)	(528)
Trade receivables net	100.122	56.034

Trade receivables are amounts due from customers for subscriptions sold in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The maximum credit exposure is equal to the carrying value of trade receivables.

For a further description of management of credit risks, please see note 18. Financial risk management.

	TDKK	TDKK
Movement on the Group's provision for impairment of trade receivables are as follows:		
Opening balances	(528)	(100)
Increase in loss allowance recognised in profit or loss during the year	(972)	(528)
Receivables written off during the year as uncollectible	0	0
Unused amount reversed	528	100
Provision for impairment of trade receivables	(972)	(528)

Provision for impairment of trade receivables are included in administration and distribution costs.

Notes

16. Contract balances

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 April 2020	30 April 2019
	TDKK	TDKK
Trade receivables	100.122	56.034
Contract assets	2.144	0
Contract liabilities	1.830	0
Deferred revenue	2.793	280

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets and liabilities are all related to ongoing validation service projects. Contract liabilities are expected to be included in the income statement in the next financial year. Contract assets are recognised as revenue in the income statement when the outcome of the contracts can be estimated reliably. The change in contract assets and liabilities compared to last year relates to increased activity relating to validation service projects.

The aggregate amount of the transaction price allocated to performance obligations that have not been satisfied at the end of the year has not been disclosed, as the Group's revenue are either related to contracts that have an original duration of one year or less; or as revenue is recognised in the amount to which the Group has a right to invoice in accordance with the practical expedient in IFRS 15.B16.

Deferred revenue is prepayments by customers for goods that have not been delivered and prepayments relating to rental of equipment and will be included in the Profit and Loss in the next financial year.

Revenue recognised in the reporting period that was included in deferred revenue at the beginning of the period is TDKK 280.

17. Share capital

	30 April 2020		30 April 2019	
	Number of	Nominal value	Number of	Nominal value
	shares	(TDKK)	shares	(TDKK)
<i>The share capital comprise:</i>				
A shares	15.000	15.000	15.000	15.000
Share capital	15.000	15.000	15.000	15.000

Each share has a nominal value of DKK 1000.

All shares carry same rights and preferences. The shares carry no restrictions.

Notes

18. Financial risk management

Financial risk factors

The Group's Management of financial risks is centralized to Ellab A/S. The Group identifies, monitors, assesses and mitigates financial risk at headquarter in cooperation with the Group's business units. The Group is exposed to foreign exchange risk, liquidity risk and credit risk that can have a significant impact on the financial performance of the Group. Significant risks are continuously assessed by Management and the Board of Directors.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group has international operating activities. As a result of the Group's structure, Management has assessed the risks related to foreign exchange rate as normal. The Group handles exchange rate risk by establishing sales entities in countries where the Group has significant activities or where the Group expects growth, thereby matching income and expenses in the same currency. As a result of the Group's structure, sales from local sales entities are invoiced in the local functional currency and expenses incurred are in the local functional currency. Hence the Group companies do not have significant transactions in other currencies than the local functional currency. As a result of this strategy, the exposure to foreign exchange rates is minimized and the risk relating to foreign exchange rates considered normal.

The Group does not hedge foreign currency risk.

Interest rate risk

The Ellab Group is not particularly exposed to changes in interest rates.

Borrowings are short-term financing based on variable interest rates.

Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables. The Group's primary credit exposure is related to trade receivables and cash positions.

The credit risk of the Group is assessed to be low. Credit risk related to trade receivables is managed by continuous risk assessment of major customers. The Group has policies in relation to maximum credit limits and prepayment requirements for customers with high credit risk. Based on forecasts as well as historical data, the Group expects only insignificant loss allowances for trade receivables. The Group has no major exposure relating to one single customer or business partner.

In relation to the credit risk related to financial institutions, the Group monitors financial institutions and places funds in financial institutions with satisfactory credit ratings.

Liquidity risk

Based on the Group's financial reserves and credit facilities, the liquidity risk of the Group is assessed to be low. Overall, the Group's debt financing is limited. The financial position of the Group and short-term forecasts of liquidity reserves is continuously monitored by Management and the finance department to ensure that sufficient financial resources are available.

Notes

Maturity analysis

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount TDKK	Less than 1 year TDKK	Between 1 and 5 year TDKK	More than 5 years TDKK	Total TDKK
Non-derivatives					
As at 30 April 2020					
Borrowings	31.313	32.879	0	0	32.879
Lease liabilities	61.823	8.573	32.158	35.537	76.268
Trade payables	14.977	14.977	0	0	14.977
Group payables	28.623	29.143	0	0	29.143
	136.736	85.572	32.158	35.537	153.267
As at 30 April 2019					
Borrowings	745	745	0	0	745
Lease liabilities	51.267	5.197	23.042	30.132	58.371
Trade payables	7.376	7.376	0	0	7.376
	59.388	13.318	23.042	30.132	66.492

	30 April 2020 TDKK	30 April 2019 TDKK
Financial assets and liabilities per measurement category		
Financial assets		
Financial assets at amortised cost:		
Trade receivables	100.122	56.034
Receivables from Group	0	67.955
Cash and cash equivalents	60.384	90.069
	160.506	214.058
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	31.313	745
Lease liabilities	61.823	51.267
Trade payables	14.977	7.376
Payables to Group	28.623	0
	136.736	59.388

The carrying value of financial assets and liabilities is, in all materiality, equal to fair value.

19. Capital management

The Group's objective when managing capital is to safeguard their ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure.

The Group centrally monitors capital on relevant key figures. The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors capital on the basis of the net debt to EBITDA ratio including the parent company Kelvin BidCo A/S. The Group's strategy during 2019/20 was to maintain a net debt to EBITDA ratio below 8. The Group fulfilled capital management targets during 2019/20.

Notes

20. Business combinations

Acquisitions 2018/19

FasInternational Sarl, Italy

Ellab A/S acquired 100% of the issued share capital of FasInternational Sarl, a distributor of validation and calibration equipment, at 20 December 2018 as a result of the Group's strategy to further develop the Italian market. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	TDKK
Cash	1.086
Trade and other receivables	11.210
Inventories	2.360
Plant and equipment	2.517
Intangible assets: Customer and distributors	4.057
Intangible assets: Technology	2.454
Intangible assets: Order backlog	2.158
Deferred tax liability relating to intangibles	-1.907
Trade payables	-4.263
Other liabilities	-4.424
Net identifiable assets acquired	15.248
Goodwill	21.445
Net assets acquired	36.693
<i>Purchase consideration – cash outflow</i>	
Less: Balances acquired	
Cash	-1.086
Net outflow of cash – investing activities	35.607

Goodwill of TDKK 21.445 arising from the acquisitions is attributable to know-how, profitability and synergies expected from combining the operations of Group and the acquired business. The goodwill recognized is not deductible for income tax purposes.

Purchase Consideration

The total purchase consideration of TDKK 36.693 has been settled in cash.

Acquired receivables

The fair value of acquired trade receivables is TDKK 11.210 with no loss allowance recognised in the acquisition.

Revenue and profit contribution

Acquisitions contributed revenues of TDKK 8.163 and net profit of TDKK 186 to the group for the period from 1 January 2019 to 30 April 2019.

If the acquisitions had occurred on 1 May 2018, consolidated pro-forma revenue and loss for the year ended 30 April 2019 would have been TDKK 293.921 and TDKK 74.420 respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 May 2018, together with the consequential tax effects.

Acquisition-related costs

Acquisition-related costs of TDKK 1.200 are included in Special Items in the statement of profit or loss and in operating cash flows in the statement of cash flows.

Notes

Acquisitions 2019/20

No single acquisition during 2019/20 is considered significant, and information relating to the acquisitions have been combined in the following note.

Hanwell Group, United Kingdom

On 30 May 2019, Ellab A/S acquired 100% of the issued share capital of Hanwell Group, a developer and manufacturer of wireless environmental monitoring system, following the Group's strategy to enter the market for monitoring systems.

Instrument Technology Limited, Ireland

Ellab Group acquired 100 % of the shares in Instrument Technology Limited, Ireland, on 20 December 2019 to strengthen focus on the supply of instrumentation products and services to the life science industry.

Adsano in Germany and Switzerland

The Group acquired 100 % of the shares in Adsano, on 1 April 2020 to further develop specialization in thermal qualification and validation services.

Argideen Science Limited, Ireland

On 29 April 2020, Ellab Group acquired 100% of the issued share capital of Argideen Science Limited, a service company providing validation services. With the acquisition, the Group expects to develop its validation service business.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	TDKK
Cash	33.646
Trade and other receivables	28.347
Inventories	6.177
Plant and equipment	11.140
Intangible assets: Customer and distributors	43.961
Intangible assets: Technology	46.837
Intangible assets: Order backlog	1.072
Deferred tax liability relating to intangibles	-18.597
Trade payables and other liabilities	-32.808
Net identifiable assets acquired	119.775
Goodwill	28.859
Net assets acquired	148.634
Less: Balances acquired	
Cash	-33.646
Investing activities	114.988
Of which relating to:	
Contribution of subsidiary from ultimate owner	32.824
Purchase consideration payable	4.260
Net outflow of cash – investing activities	77.904

Goodwill of TDKK 28.860 arising from the acquisitions is attributable to know-how, profitability and synergies expected from combining the operations of Group and the acquired businesses relating to sale of equipment and validation activities. The goodwill recognized is not deductible for income tax purposes.

Notes

Purchase Consideration

Of the total purchase consideration of TDKK 148.634, purchase consideration payable at 30 April 2020 amounts to TDKK 4.260. Furthermore, a purchase consideration of TDKK 32.814 relates to contribution of shares from a parent company. The remaining purchase consideration has been settled in cash.

Acquired receivables

The fair value of acquired trade receivables is TDKK 28.347 with no loss allowance recognised in the acquisitions.

Revenue and profit contribution

Acquisitions contributed revenues of TDKK 46.063 and net loss of TDKK 1.772 to the group for the period from 1 May 2019 to 30 April 2020.

If the acquisitions had occurred on 1 May 2019, consolidated pro-forma revenue and profit for the year ended 30 April 2020 would have been TDKK 464.554 and TDKK 103.079 respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 May 2019, together with the consequential tax effects.

Acquisition-related costs

Acquisition-related costs of TDKK 5.648, hereof TDKK 1.000 included in 2018/19, are included in Special Items in the statement of profit or loss and in operating cash flows in the statement of cash flows.

21. Commitments and contingent liabilities

Charges and security

Shares in subsidiaries in Ellab Inc., Ellab GmbH, Ellab UK Limited, The IMC Group (International) Limited, IMC International Holdings Limited, Hanwell Solutions Limited Have been pledged as security for credit institutions of the parent company Kelvin BidCo A/S. The shares are recognized at booked value of 39.881 TDKK. In 2018/19 shares in Ellab Inc. and Ellab GmbH were pledged as security for security for credit institutions of the parent company Saballe BidCo ApS of 25.208 TDKK.

The Group has placed assets of 151.316 TDKK in the above subsidiaries as security for credit institutions of the parent company Kelvin BidCo A/S.

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Kelvin HoldCo A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Group is not involved in lawsuits expected to have a material effect on the financial position of the Group. The Group is involved in an ongoing preliminary compliance study. It is not practical to estimate the potential effect of this study, but management estimates that it is not probable that a significant liability will arise resulting from the study.

22. Fee to auditors

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
Audit fee to PwC	434	379
Audit fee to other auditors	104	221
Other assurance engagements	0	0
Tax advisory services	61	0
Non-audit services	587	418
	<u>1.186</u>	<u>1.018</u>

Notes

23. Changes in liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in each of the periods presented.

	1 May 2019	Financing cash flows	Additions	Changes in foreign exchange rates	Other changes*	30 April 2020
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Current borrowings	745	-10.876	54.444	0	15.623	59.936
Lease liabilities	51.267	-7.708	15.463	0	2.801	61.823
Total liabilities from financing activities	52.012	-18.584	69.907	0	0	103.335

	1 May 2018	Financing cash flows	Additions	Changes in foreign exchange rates	Other changes*	30 April 2019
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Current borrowings	908	-163	0	0	0	745
Lease liabilities	48.335	-4.706	5.274	0	2.364	51.267
Total liabilities from financing activities	49.243	-4.869	0	0	0	52.012

*The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. For 2019/20, TDKK 15.623 in Other borrowings relates to unpaid dividend to parent company.

Notes

24. Related parties

Ellab Group's ultimate parent is: EQT Mid Market Europe

The ultimate parent for which consolidated financial statements are prepared is: Kelvin HoldCo A/S

The direct parent of Ellab Group is: Saballe TopCo ApS

Transactions with key management personnel and the ultimate parent

Transactions with key management personnel include transactions with companies controlled by the key management personnel. Reference is made to note 5 and 6. EQT Mid Market Europe Fund (EQT).

Significant transactions between the Group and the ultimate parent company

The ultimate parent company has made a non-cash capital contribution of shares in Argideen Science Limited to Instrument Technology Limited, Ireland during 2019/20.

There are no other transaction between the Group and the ultimate parent company

Transactions with related parties:

Acquisition of services (Management fees) from parent companies amounting to TDKK 5.498 (2018/19: TDKK 4.090).

Rental agreement with Ellab Properties ApS in which Ellab CEO has significant ownership interest 3.542 TDKK (2018/19 3.499 TDKK).

Loan from parent company of TDKK 13.000 (2018/19: TDKK 0) with an interest rate of 4 % and accrued interest amounting to TDKK 78. The loan is repayable upon 5 business days written notice and is expected to be repaid in cash.

Declared dividend of TDKK 139.000 (2018/19: TDKK 0) to parent company of which unpaid dividend amounts to TDKK 15.623 (2018/19: TDKK 0).

Declared ordinary dividend of TDKK 40.000 (2018/19: TDKK 114.000).

All transactions were performed on an arm's length basis. Other than these transactions, there has been no trading with key management personnel or their close relatives.

25. Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

26. Cash flow statement - adjustments

	30 April 2020 TDKK	30 April 2019 TDKK
Financial income	-8.030	-10.702
Financial expenses	8.756	2.191
Depreciation, amortisation and impairment losses, including losses and gains on sales	25.705	15.402
Tax on profit/loss for the year	29.933	25.076
Other adjustmentst	232	458
	56.595	32.425

27. Changes in net working capital

	30 April 2020 TDKK	30 April 2019 TDKK
Change in inventories	-6.657	330
Change in trade and group receivables	-37.994	-18.991
Change in contract assets	-2.144	0
Change in other receivables	-341	0
Change in prepayments	-2.878	0
Change in trade and group payables	23.224	19.268
Change in contract liabilities	1.830	0
Change in other payables	20.016	0
	-4.944	607

Notes

28. List of group companies

The Group's principal subsidiaries at 30 April 2020 are set out below:

	Type	Place of incorporation	Ownership interest
Ellab Inc.	Subsidiary	USA	100%
Ellab (UK) Limited	Subsidiary	UK	100%
Ellab GmbH	Subsidiary	Germany	100%
Ellab SARL	Subsidiary	France	100%
Ellab Philippines Corp.	Subsidiary	Philippines	95%
Ellab Benelux B.V.	Subsidiary	Netherlands	100%
Ellab FZCO	Subsidiary	Dubai	100%
FasInternational Sarl	Subsidiary	Italy	100%
The IMC Group (International) Limited	Subsidiary	UK	100%
IMC International Holdings Limited	Subsidiary	UK	100%
Hanwell Solutions Limited	Subsidiary	UK	100%
Hanwell Inc.	Subsidiary	USA	100%
Instrument Technology Limited	Subsidiary	Ireland	100%
Adsano Engineering GmbH	Subsidiary	Germany	100%
Adsano Engineering AG	Subsidiary	Switzerland	100%
Argideen Science Limited	Subsidiary	Ireland	100%

Notes

29. First time adoption of IFRS

These financial statements for the year ended 30 April 2020 are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 30 April 2019, the Group prepared its financial statements in accordance with The Danish Financial Statements Act ('Danish GAAP')

The Group has prepared financial statements that comply with IFRS applicable as at 30 April 2020, together with the comparative period data for the year ended 30 April 2019.

In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 May 2018.

The disclosures required by IFRS 1 *First-time Adoption of IFRS* explaining the principal adjustments made by the Group in restating Danish GAAP financial statements are provided below:

Group reconciliation	As at 1 May 2018 (date of transition to IFRS)			For the year ended 30 April 2019	As at 30 April 2019		
	TDKK Assets	TDKK Liabilities	TDKK Equity		TDKK Profit for the year	TDKK Assets	TDKK Liabilities
According to the Danish Financial Statement act	183.364	24.547	158.817	74.951	295.738	60.516	235.222
<i>IFRS-adjustments:</i>							
Reversal of amortisations on goodwill	0	0	0	729	729	0	729
Recognition of leasing in accordance with IFRS 16	49.101	49.101	0	-1.608	49.659	51.267	-1.608
Total adjustments	49.101	49.101	0	-879	50.388	51.267	-879
According to IFRS	232.465	73.648	158.817	74.072	346.126	111.783	234.343
Exchange differences on translation of foreign operations				1.454			
Total comprehensive income for the period				75.526			

There was no material impact on the cash flow statement in the adoption of IFRS except for recognition of leases and classification of cash pool described below.

Notes to the reconciliation from Danish GAAP to IFRS

Reversal of amortisations on goodwill

According to Danish GAAP, goodwill is amortised in the income statement over its useful life. According to IFRS, goodwill is not subject to amortisation. Goodwill is tested for impairment on an annual basis following the transition to IFRS.

Leases in accordance with IFRS 16

As a result of the transition to IFRS per 1 May 2018, Ellab Group has adopted IFRS 16 at 1 May 2018. The effect at 1 May 2018 is recognition of a right-of-use asset and corresponding lease liability. The effect on the profit for the year relates to depreciation of the right-of-use asset and accrued interest on the lease liability. In the cash flow statement, lease payments were presented in cash flow from operating activities under Danish GAAP. Under IFRS, the principal element of lease payments are presented in cash flows from financing activities, whereas the interest element is presented as cash flows from operating activities. For the consolidated financial statements ending 30 April 2020, the principle element of lease payments amounted to TDKK 2.145 which thus has increased the cash flows from operating activities under IFRS compared to the cash flows previously presented under Danish GAAP.

Classification of cash pool arrangement in the cash flow statement

In accordance with Danish GAAP, cash pool arrangements were classified as cash and cash equivalents in the cash flow statements at 30 April 2018 and 30 April 2019. Under IFRS, criteria for classification as cash and cash equivalents in the cash flow statement are not met. The cash flow statement for the comparative year has been restated and the cash pool amounting to TDKK 29.095 at 30 April 2018 and TDKK 61.861 at 30 April 2019 are presented as cash flow from investing activities in the cash flow statement.

Notes

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 May 2018.

IFRS 16 has been implemented in accordance with the modified retrospective approach as of 1 May 2018. The following exemptions have been applied on transition:

- Low value assets and lease contracts with a contract term of 12 months or less have not been recognised.
- The assessment date for classification of contracts as leases is the implementation date.
- A single discount rate has been applied to a portfolio of leases with reasonable similar characteristics.
- When determining the lease term if the contract contains option to extend or terminate, hindsight has been used.
- The incremental borrowing rate at the implementation date has been used in the measurement of the lease liability.
- Initial direct costs has been excluded in the measurement of the right-of-use asset.

Income Statement - Parent

	Notes	1 May 2019 to 30 April 2020 TDKK	1 May 2018 to 30 April 2019 TDKK
Revenue	2	210.940	172.339
Cost of production	3, 4	(56.971)	(49.468)
Gross profit		153.969	122.871
Distribution costs	3, 4	(17.344)	(13.248)
Development costs	3, 4	(15.304)	(13.703)
Administration costs	3, 4	(5.020)	(15.912)
Profit/loss before special items		116.301	80.008
Special items	5	(1.259)	(1.801)
Profit/loss before net financials		115.042	78.207
Income from investments in subsidiaries	11	(1.405)	9.364
Financial income	6	8.677	9.090
Financial expenses	7	(5.971)	(1.633)
Profit/loss before tax		116.342	95.028
Income tax expense	8	(26.025)	(18.798)
Profit/loss for the year		90.317	76.230

Statement of Comprehensive Income - Parent

	1 May 2019 to 30 April 2020 TDKK	1 May 2018 to 30 April 2019 TDKK
Profit for the period	90.317	76.230
Other comprehensive income <i>Items that will be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	959	1.454
Other comprehensive income for the period, net of tax	959	1.454
Total comprehensive income for the period	91.276	77.684

Balance Sheet - Parent

		30 April 2020	30 April 2019	1 May 2018
	Notes	TDKK	TDKK	TDKK
Intangible assets	9	8.607	5.954	3.450
Property, plant and equipment	10	5.145	4.881	5.612
Right-of-use assets	13	24.048	26.453	28.858
Other receivables		1.720	1.690	1.637
Deferred tax assets	12	1.706	2.618	2.030
Investments in subsidiaries	11	189.962	68.807	19.122
Total non-current assets		231.188	110.403	60.709
Inventories	14	16.910	14.051	14.030
Trade receivables	15	6.343	4.034	5.274
Receivables from group enterprises		103.797	108.454	67.782
Other receivables		1.192	2.378	435
Prepayments		414	257	781
Cash and cash equivalents		0	60.490	54.622
Total current assets		128.657	189.664	142.924
Total assets		359.845	300.067	203.633

Balance Sheet - Parent

	Note	30 April 2020 TDKK	30 April 2019 TDKK	1 May 2018 TDKK
Share capital	16	15.000	15.000	15.000
Reserve for net revaluation under the equity method		12.256	23.230	13.249
Reserve for development projects		5.823	3.925	2.212
Retained earnings		148.522	80.346	128.356
Proposed dividend		40.000	114.000	0
Total equity		221.601	236.501	158.817
Lease liabilities	13	22.700	25.118	25.948
Warranty provisions		250	0	0
Total non-current liabilities		22.950	25.118	25.948
Borrowings	18	31.746	716	854
Trade payables		6.072	4.232	2.389
Lease liabilities	13	2.969	2.183	2.182
Payables to group enterprises		28.686	0	0
Income tax payables		22.891	17.203	5.503
Other payables		22.244	14.114	7.940
Deferred revenue		686	0	0
Total current liabilities		115.294	38.448	18.868
Total liabilities		138.244	63.566	44.816
Total equity and liabilities		359.845	300.067	203.633

Statement of Changes in Equity - Parent

	Share capital	Reserve for net revaluation under the equity method	Reserve for development projects	Retained earnings	Proposed dividend	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 May 2019	15.000	23.230	3.925	80.346	114.000	236.501
Profit for the year	0	(11.933)	0	62.250	40.000	90.317
Development costs for the year	0	0	2.825	(2.825)	0	0
Depreciation, amortisation and impairment for the year	0	0	(927)	927	0	0
Other comprehensive income	0	959	0	0	0	959
Total comprehensive income for the period	0	(10.974)	1.898	60.352	40.000	91.277
Contributions of equity	0	0	0	32.824	0	32.824
Dividend paid and payable					(114.000)	0
Extraordinary dividend paid and payable	0	0	0	(25.000)	0	(25.000)
Total transactions with owners in their capacity as owners	0	0	0	7.824	(114.000)	(106.176)
Equity at 30 April 2020	15.000	12.256	5.823	148.522	40.000	221.601

For information on dividend for the year, please see Consolidated Statement of Changes in Equity.

Equity at 1 May 2018	15.000	13.249	2.212	128.356	0	158.817
Profit for the year	0	11.522	0	(49.292)	114.000	76.230
Development costs for the year	0	0	2.572	(2.572)	0	0
Depreciation, amortisation and impairment for the year	0	0	(859)	859	0	0
Dividend from group enterprises	0	(2.995)	0	2.995	0	0
Other comprehensive income	0	1.454	0	0	0	1.454
Total comprehensive income for the period	15.000	23.230	3.925	80.346	114.000	236.501
Total transactions with owners in their capacity as owners	0	0	0	0	0	0
Equity at 30 April 2019	15.000	23.230	3.925	80.346	114.000	236.501

For information on dividend for the year, please see Consolidated Statement of Changes in Equity.

Cash Flow Statement - Parent

	Notes	2019/20 TDKK	2018/19 TDKK
Profit/loss for the year		90.317	76.230
Adjustments	24	27.803	15.537
Changes in net working capital	25	(3.725)	12.448
Interests received		8.677	9.089
Interests paid		(5.971)	(283)
Income taxes paid		(17.965)	(7.672)
Net cash flow from operating activities		99.136	105.349
Purchase of intangible assets	10	(2.653)	(2.502)
Purchase of property, plant and equipment	11	(265)	(324)
Payment for acquisition and capital increase in subsidiaries		(122.788)	(35.607)
Loans to related parties and repayment		61.861	(61.861)
Net cash flow from investing activities		(63.845)	(100.294)
Repayment of borrowings		(10.876)	0
Raising of loan		0	0
Principal elements of lease payments	13	(2.910)	(2.182)
Dividend received		9.714	2.995
Dividend paid		(123.455)	0
Cash flow from financing activities		(127.528)	813
Net cash flow for the year		(92.236)	5.868
Cash and cash equivalents, beginning of the year		60.490	54.622
Cash and cash equivalents at end of the year		(31.746)	60.490
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		0	60.490
Borrowings		(31.746)	0
Cash and cash equivalents at end of the year		(31.746)	60.490

Notes

1. Accounting policies
2. Revenue from contracts with customers
3. Staff costs
4. Amortisation, depreciation and impairment losses
5. Special items
6. Financial income
7. Financial expenses
8. Tax on profit for the year
9. Intangible assets
10. Property, plant and equipment
11. Investments in subsidiaries
12. Deferred tax
13. Leases
14. Inventories
15. Trade receivables
16. Share capital
17. Financial risk management
18. Capital management
19. Commitments and contingent liabilities
20. Fee to auditors
21. Changes in liabilities arising from financing activities
22. Related parties
23. Events after the balance sheet date
24. Cash flow statement - adjustments
25. Changes in net working capital
26. First time adoption of IFRS

Notes

1. Accounting policies

The financial statements of the parent have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements applying to entities of reporting class C. The Parent Company Financial Statements for 2019 are presented in Danish kroner (TDKK), which is considered the functional currency of the company's activities.

The accounting policies are the same as for the consolidated financial statements with the following exceptions. For a detailed specification of the parent's accounting policies, please see note 1 of the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured using the equity method.

Under the equity method, the investments in subsidiaries are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the parent's share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment.

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

The aggregate of the Company's share of profit or loss of an subsidiary is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests of the subsidiary.

An impairment test of an investment is conducted if an event or a change in conditions indicate that the carrying value of the investment is not recoverable. The measurements of the investments require estimates based on various factors, such as the expectations to future cash flows. If the parent has a legal or constructive obligation to cover a negative net asset value of a subsidiary, this obligation is recognised by means of a provision.

Critical accounting estimates and judgements

For a description of critical accounting estimates and judgements, please see note 2 of the consolidated financial statements.

Notes

2. Revenue from contracts with customers

The Group derives revenue from the following major business lines.

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
Sale of equipment	210.240	171.939
Validation service contracts	700	400
	210.940	172.339

Revenue is recognised as follows:

At a point in time	210.240	171.939
Over time	700	400
	210.940	172.339

3. Employee costs

	TDKK	TDKK
Wages and salaries	47.795	34.999
Defined contribution plans	3.041	2.544
Other social security costs	827	200
	51.663	37.743

Wages and Salaries, pensions and other social security expenses are recognised in the following items:

Cost of production	21.135	17.801
Distribution expenses	10.854	7.356
Development expenses	15.527	11.662
Administrative expenses	4.147	924
	51.663	37.743

Average number of employees	92	77
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Key Management Compensation

Key Management consists of Executive Board and Board of Directors. The compensation paid or payables to key management for employee services is shown below:

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
<i>Executive Board:</i>		
Wages and salaries and Board Fee	4.462	3.421
Defined contribution plans	296	286
Other social security costs	1	1
Total compensation of key management personnel	4.759	3.708

With reference to section 98b of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is disclosed in total.

Notes

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	2.440	2.292
Amortisation on intangible assets	1.217	1.101
Depreciation on right-of-use assets	2.405	2.405
Depreciation and amortisation	6.062	5.798
Depreciation, amortisation and impairment losses are recognised in the following items:		
Cost of production	741	556
Distribution expenses	234	205
Development expenses	1.280	1.182
Administrative expenses	3.807	3.855
	6.062	5.798
5. Special items	TDKK	TDKK
Other	1.259	1.801
	1.259	1.801
6. Financial income	TDKK	TDKK
Foreign exchange rate gains	4.238	2.771
Interest received from group companies	2.722	6.314
Other financial income	1.717	5
	8.677	9.090
7. Financial expenses	TDKK	TDKK
Foreign exchange rate losses	3.963	184
Interest expense on lease liabilities	1.279	1.353
Other financial expenses	729	96
	5.971	1.633
8. Tax on profit for the year	TDKK	TDKK
<i>Current tax:</i>		
Current tax on profits for the year	25.187	19.382
Current tax on profits for previous years	(75)	0
Deferred tax on profit for the year	913	953
	26.025	20.335
Calculated 22.0% tax on profit for the year before income tax	25.438	20.906
Tax effects of:		
Non-deductible expenses	986	259
Adjustment of tax relating to previous years	75	0
Non-taxable income from investments in subsidiaries	(473)	(355)
	588	(97)
Effective tax rate	23%	21%

Notes

	Patents and trademarks TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
9. Intangible assets				
<i>Cost:</i>				
At 1 May 2019	306	16.208	3.079	19.593
Additions during the year	247	0	3.622	3.869
Transfers for the year	0	1.065	(1.065)	0
At 30 April 2020	553	17.273	5.636	23.462
<i>Accumulated amortisation and impairment:</i>				
At 1 May 2019	0	13.639	0	13.639
Amortisation for the year	28	1.189	0	1.217
At 30 April 2020	28	14.828	0	14.856
Carrying amount 30 April 2020	526	2.445	5.636	8.607

Development projects in progress and completed development projects relates to development of the Group's products. Completed development projects are amortised over 3 years. Remaining useful life for completed development projects are 1-3 years.

Amortisation on intangible assets are included as "Amortisations on intangible assets" in note 4. Depreciation, amortisation and impairment losses. Amortisations on completed development projects are recognised as "Development expenses". Amortisations on other intangible assets are recognised as "Distribution expenses".

Research and development costs expensed during the year amount to TDKK 15.304.

	Patents and trademarks TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
<i>Cost:</i>				
At 1 May 2018	0	13.059	2.929	15.988
Merger and acquisition of business	0	0	0	0
Exchange difference	0	0	0	0
Transfers for the year	0	3.149	(3.149)	0
At 30 April 2019	306	16.208	3.079	19.593
<i>Accumulated amortisation and impairment:</i>				
At 1 May 2018	0	12.538	0	12.538
Exchange difference	0	0	0	0
At 30 April 2019	0	13.639	0	13.639
Carrying amount 30 April 2019	306	2.569	3.079	5.954

Development projects in progress and completed development projects relates to development of the Group's products. Completed development projects are amortised over 3 years. Remaining useful life for completed development projects are 1-3 years.

Amortisation on intangible assets are included as "Amortisations on intangible assets" in note 4. Depreciation, amortisation and impairment losses. Amortisations on completed development projects are recognised as "Development expenses". Amortisations on other intangible assets are recognised as "Distribution expenses".

Research and development costs expensed during the year amount to TDKK 13.703.

Notes

10. Property, plant and equipment	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
<i>Cost:</i>				
At 1 May 2019	4.346	12.597	2.662	19.605
Additions during the year	1.132	2.116	0	3.248
Disposals during the year	0	(892)	0	(892)
At 30 April 2020	5.478	13.821	2.662	21.961
<i>Accumulated amortisation and impairment:</i>				
At 1 May 2019	3.392	8.862	2.470	14.724
Amortisation for the year	590	1.776	74	2.440
Amortisation of sold assets during the year	0	(348)	0	(348)
At 30 April 2020	3.982	10.290	2.544	16.816
Carrying amount 30 April 2020	1.496	3.531	118	5.145

	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
<i>Cost:</i>				
At 1 May 2018	4.013	12.502	2.525	19.040
Additions during the year	333	745	137	1.215
Disposals during the year	0	(650)	0	(650)
At 30 April 2019	4.346	12.597	2.662	19.605
<i>Accumulated amortisation and impairment:</i>				
At 1 May 2018	2.943	8.092	2.391	13.426
Amortisation for the year	449	1.764	79	2.292
Amortisation of sold assets during the year	0	(994)	0	(994)
At 30 April 2019	3.392	8.862	2.470	14.724
Carrying amount 30 April 2019	954	3.735	192	4.881

Notes

	30 April 2020	30 April 2019
	TDKK	TDKK
11. Investment in subsidiaries		
<i>Cost:</i>		
At 1 May 2019	43.928	5.077
Additions during the year	135.116	38.851
At 30 April 2020	179.044	43.928
<i>Accumulated amortisation and impairment:</i>		
At 1 May 2019	21.078	13.249
Exchange adjustment	959	1.451
Net profit for the year	(1.405)	9.364
Dividend to the parent company	(9.714)	(2.995)
Other adjustments	0	9
At 30 April 2020	10.918	21.078
Equity investments with negative net asset value amortised over receivables	0	3.801
Carrying amount 30 April 2020	189.962	68.807

Reference is made to note 28 in the consolidated financial statements for a overview of subsidiaries.

Notes

	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
Deferred tax at 1 May	2.618	2.030
Deferred tax recognised in the statement of profit or loss	(913)	588
Deferred tax at 30 April	1.705	2.618

Deferred tax relates to:	TDKK	TDKK
Intangible assets	1.778	1.243
Property, plant and equipment	(118)	(91)
Right-of-use assets	(5.647)	(5.820)
Inventories	219	(3.392)
Trade receivables	(22)	35
Payables	0	(600)
Lease liabilities	5.460	6.006
Provisions	(55)	0
Other	91	0
Tax loss carry forwards	0	0
Transferred to deferred tax asset	(1.705)	2.618
	0	0
Of which presented as deferred tax assets	1.705	2.618
Of which presented as deferred tax liabilities	0	0
	1.705	2.618

Deferred tax assets are recognised as it is probable that sufficient taxable income will be available in the future against which the temporary differences can be utilised.

13. Leases

The Group has recognised the following amounts relating to leases:

Right-of-use assets	TDKK	TDKK
Properties	24.048	26.453
	24.048	26.453

Lease liabilities	TDKK	TDKK
Current	2.969	2.183
Non-current	22.700	25.118
	25.669	27.301

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

Depreciation charge of right-of-use assets	TDKK	TDKK
Properties	2.405	2.405
	2.405	2.405

Interest expense (included in financial expenses)	1.279	1.353
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The total cash outflow for leases in 2019/20 was TDKK 2.910 (2018/19: TDKK 2.182).

The Company leases properties. Contracts are typically made for fixed periods up to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options or periods after termination options are included in the lease term if the lease is reasonably certain to be extended or not terminated based on the Group's strategy and other relevant factors such as significant leasehold improvements.

Notes

	30 April 2020	30 April 2019
	TDKK	TDKK
14. Inventories		
Raw materials and consumables	10.352	9.913
Finished goods and goods for resale	6.558	10.579
	16.910	20.492

The following are included in "Costs of production":

Inventories recognised as an expense	39.516	28.548
Write-downs of inventories to net realisable value	2.111	2.920

	TDKK	TDKK
15. Trade receivables		
Trade receivables before provision for bad debts	6.443	4.134
Less provision for impairment of trade receivables	(100)	(100)
Trade receivables net	6.343	4.034

Trade receivables are amounts due from customers for subscriptions sold in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

	30 April 2020	30 April 2019
	TDKK	TDKK
Movement on the Group's provision for impairment of trade receivables are as follows:		
Opening balances	(100)	(100)
Increase in loss allowance recognised in profit or loss during the year	(100)	(100)
Unused amount reversed	100	100
Provision for impairment of trade receivables	(100)	(100)

16. Share capital

	30 April 2020		30 April 2019	
	Number of shares	Nominal value (TDKK)	Number of shares	Nominal value (TDKK)
<i>The share capital comprise:</i>				
A shares	15.000	15.000	15.000	15.000
Share capital	15.000	15.000	15.000	15.000

Each share has a nominal value of DKK 1000.

All shares carry same rights and preferences.

Notes

17. Financial risk management

For a description of the parent's Financial Risk Management, please see note 18 for the Group. In addition to the Financial Risk Management of the Group, Ellab A/S is exposed to the following risks.

Foreign currency risk

As a result of the Group's international operating activities, Ellab A/S is exposed to fluctuations in foreign exchange rates. Ellab A/S' exchange rate exposure is primarily related to USD, EUR and GBP as a major part of the company's sales to internal sales entities are invoiced in those currencies. Due to the Danish fixed exchange rate policy against EUR, exchange rates EUR against DKK is not considered an exposure.

Sensitivity:

The Company is primarily exposed to changes in USD, GBP and EUR. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and GBP denominated financial instruments. A 5% increase and decrease in the year-end rate in the following currencies versus DKK would impact the Company's profit as follows:

	Impact on profit before tax	
	1 May 2019 to 30 April 2020	1 May 2018 to 30 April 2019
	TDKK	TDKK
DKK/USD exchange rate - increase 5%	4.164	3.260
DKK/USD exchange rate - decrease 5%	-4.164	-3.260
DKK/GBP exchange rate - increase 5%	444	562
DKK/GBP exchange rate - decrease 5%	-444	-562

The foreign exchange sensitivity analysis comprises effects from the company's revenue in the foreign currencies stated above. The sensitivity analysis is based on the assumption that all other variables and exposures remain constant.

Credit risk

The Company has significant intercompany receivables related to ordinary business activities. The Company has not historically experienced loss on subsidiaries and does not expect loss in the future. The credit loss is therefore estimated to TDKK 0 (2018/19: TDKK 0).

Maturity analysis

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
Non-derivatives	TDKK	TDKK	TDKK	TDKK	TDKK
As at 30 April 2020					
Borrowings	31.746	31.746	0	0	31.746
Lease liabilities	25.669	2.969	12.480	17.057	32.506
Trade payables	6.072	6.072	0	0	6.072
Group payables	28.686	29.143	0	0	29.143
	92.172	69.929	12.480	17.057	99.466
As at 30 April 2019					
Borrowings	716	716	0	0	716
Lease liabilities	27.301	2.183	12.235	20.270	34.688
Trade payables	4.232	4.232	0	0	4.232
	32.249	7.131	12.235	20.270	39.636

Notes

Financial assets and liabilities per measurement category	30 April 2020	30 April 2019
	TDKK	TDKK
Financial assets		
Financial assets at amortised cost:		
Trade receivables	6.343	4.034
Receivables from Group	103.797	108.454
Cash and cash equivalents	0	60.490
	110.141	172.978
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	31.746	716
Lease liabilities	25.669	27.301
Trade payables	6.072	4.232
Payables to Group	28.686	0
	92.172	32.249

The carrying value of financial assets and liabilities is, in all materiality, equal to fair value.

18. Capital management

For disclosure on capital management, reference is made to note 20 of the consolidated financial statements.

19. Commitments and contingent liabilities

Charges and security

Shares in the parent and in Ellab Inc., Ellab GmbH, Ellab UK Limited, The IMC Group (International) Limited, IMC International Holdings Limited, Hanwell Solutions Limited Have been pledged as security for credit institutions of the parent company Kelvin BidCo A/S. The shares are recognized at booked value of 39.881 T. DKK. In 2018/19 shares in Ellab Inc. and Ellab GmbH were placed as security for security for credit institutions of the parent company Saballe BidCo ApS of 25.208 TDKK.

The Group has placed assets in the above subsidiaries as security for credit institutions of the parent company Kelvin BidCo A/S.

Contingent liabilities

The danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Kelvin HoldCo A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability

The Group is not involved in any lawsuits which are expected to have a material effect on the Financial position of the Company or the Group

20. Fee to auditors	1 May 2019 to	1 May 2018 to
	30 April 2020	30 April 2019
	TDKK	TDKK
Audit fee to PwC	180	189
Non-audit services	211	54
	391	243

Notes

21. Changes in liabilities arising from financing activities

This section sets out an analysis of liabilities arising from financing activities and the movements in each of the periods presented.

	1 May 2019	Financing cash flows	Additions	Other changes	30 April 2020
	TDKK	TDKK	TDKK	TDKK	TDKK
Current borrowings	716	-11.592	42.622	0	31.746
Lease liabilities	27.301	-2.910	0	1.278	25.669
Total liabilities from financing activities	28.017	-14.502	42.622	1.278	57.415

	1 May 2018	Financing cash flows	Additions	Other changes	30 April 2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Current borrowings	854	-854	716	0	716
Lease liabilities	28.130	-2.183	0	1.354	27.301
Total liabilities from financing activities	28.984	-3.037	716	1.354	28.017

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings.

22. Related parties

For related parties disclosure, reference is made to note 24 in the consolidated financial statements. Details for transactions between Ellab A/S and subsidiaries are provided in the following.

Significant transactions between Ellab A/S and subsidiaries

During the year, subsidiaries purchased goods and services from Ellab A/S in the course of ordinary business activities.

Receivables from group enterprises amounting to TDKK 103.797 (2018/19: TDKK 108.454) relates to purchase of goods and services from the subsidiaries to Ellab A/S in the course of ordinary business activities. Interest is accrued on a monthly basis. The receivables are expected to be repaid in cash.

Loan from parent company of TDKK 13.000 (2018/19: TDKK 0) with an interest rate of 4 % and accrued interest amounting to TDKK 78. The loan is repayable upon 5 business days written notice and is expected to be repaid in cash.

Declared dividend of TDKK 139.000 (2018/19: TDKK 0) to parent company of which unpaid dividend amounts to TDKK 15.623 (2018/19: TDKK 0).

Declared ordinary dividend of TDKK 40.000 (2018/19: TDKK 114.000).

23. Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes

24. Cash flow statement - adjustments

	30 April 2020	30 April 2019
	TDKK	TDKK
Financial income	-8.677	-9.090
Financial expenses	5.971	1.633
Depreciation, amortisation and impairment losses	6.062	5.798
Tax on profit/loss for the year	26.025	20.335
Share of subsidiaries	1.405	-9.364
Other adjustments	-2.983	6.225
	27.803	15.537

25. Changes in net working capital

	30 April 2020	30 April 2019
	TDKK	TDKK
Change in inventories	-2.859	-21
Change in trade and group receivables	-41.230	22.429
Change in prepayments	0	-1.943
Change in trade and group payables	28.618	0
Change in other payables	11.746	-8.017
	-3.725	12.448

Notes

26. First time adoption of IFRS

These financial statements for the year ended 30 April 2020 are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 30 April 2019, the Company prepared its financial statements in accordance with The Danish Financial Statements Act ('Danish GAAP')

The Company has prepared financial statements that comply with IFRS applicable as at 30 April 2020, together with the comparative period data for the year ended 30 April 2019.

In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 May 2018.

The disclosures required by IFRS 1 *First-time Adoption of IFRS* explaining the principal adjustments made by the Company in restating Danish GAAP financial statements are provided below:

Company reconciliation	As at 1 May 2018 (date of transition to IFRS)			For the year ended 30 April 2019	As at 30 April 2019		
	TDKK	TDKK	TDKK		TDKK	TDKK	TDKK
	Assets	Liabilities	Equity	TDKK Profit for the year	Assets	Liabilities	Equity
According to the Danish Financial Statement act	174.775	15.958	158.817	74.951	271.487	36.265	235.222
<i>IFRS-adjustments:</i>							
Reversal of amortisations on goodwill	0	0	0	729	729	0	729
Recognition of transaction costs as cost of investments in subsidiaries	0	0	0	2.158	2.158	0	2.158
Recognition of leasing in accordance with IFRS 16	28.858	28.858	0	-848	26.453	27.301	-848
Recognition of leasing in accordance with IFRS 16 in subsidiaries	0	0	0	-760	-760	0	-760
Total adjustments	28.858	28.858	0	1.279	28.580	27.301	1.279
According to IFRS	203.633	44.816	158.817	76.230	300.067	63.566	236.501
Exchange differences on translation of foreign operations				1.454			
Total comprehensive income for the period				77.684			

There was no material impact on the cash flow statement in the adoption of IFRS except for leases as described below.

Notes to the reconciliation from Danish GAAP to IFRS

Reversal of amortisations on goodwill

According to Danish GAAP, goodwill is amortised in the income statement over its useful life. According to IFRS, goodwill is not subject to amortisation. Goodwill is tested for impairment on an annual basis following the transition to IFRS.

Recognition of transaction costs as cost on investments of subsidiaries

According to Danish GAAP, transaction costs are expensed as incurred. According to IFRS, transaction costs are included in the cost of investments in subsidiaries.

Notes

Leases in accordance with IFRS 16

As a result of the transition to IFRS per 1 May 2018, the Company has adopted IFRS 16 at 1 May 2018. The effect at 1 May 2018 is recognition of a right-of-use asset and corresponding lease liability. The effect on the profit for the year relates to depreciation of the right-of-use asset and accrued interest on the lease liability. In the cash flow statement, lease payments were presented in cash flow from operating activities under Danish GAAP. Under IFRS, the principal element of lease payments are presented in cash flows from financing activities, whereas the interest element is presented as cash flows from operating activities.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Parent has applied the following exemptions:

IFRS 16 has been implemented in accordance with the modified retrospective approach as of 1 May 2018. The following exemptions have been applied on transition:

- The assessment date for classification of contracts as leases is the implementation date.
- When determining the lease term if the contract contains option to extend or terminate, hindsight has been used.
- The incremental borrowing rate at the implementation date has been used in the measurement of the lease liability.
- Initial direct costs has been excluded in the measurement of the right-of-use asset.