Ellab A/S

Trollesmindealle 25, DK-3400 Hillerød
CVR No. 20 89 69 49

Annual report for
1 May 2020 - 30 April 2021

The Annual Report was presented and adopted at the Annual General Meeting of the Company on:
24 August 2021

Chairman
Jacob Bryde Christensen

Contents

Management's Statement

The Executive Board and Board of Directors have discussed and approved the Annual Report of Ellab A/S for the financial year 1 May 2020 - 30 April 2021.

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 2021 of the Group and Parent and of the results of the the Group and Parent's operations and cash flows for Ellab A/S for the financial year 1 May 2020 - 30 April 2021.

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, 24 August 2021

Executive Board

Olof Ludvig Enlund

Lars Normand Hansen

Jacob Bryde Christensen

Board of Directors

Peter Krogh
Chairman

Bo Harald Peter Risberg

Anna Karolina Levander

Sarah Newbitt

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 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 May 2020 to 30 April 2021 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 2020 to 30 April 2021 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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, 24 August 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Aslund Pedersen	Daniel Nielsen
State Authorised Public Accountant	State Authorised Public Accountant
mne17120	mne45105

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 2020 - 30 April 2021
Municipality of reg. office:	Hillerød, Denmark

Board of directors
Peter Krog, Chairman
Bo Risberg, Vice Chairman
Anna Karolina Levander
Sarah Newbitt
Rikke Kjær Nielsen

Executive Board
Olof Ludvig Enlund
Lars Normand Hansen
Jacob Bryde Christensen

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 field 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.

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 in the facility in Hillerød, Denmark and production, assembly, quality inspection of Monitoring Systems takes place in the facility in Letchwoth, United Kingdom.

Development in the year

During the year Ellab has invested further in direct markets in Nordics. In February 2021, the Company acquired the Danish based company P.E.C. (Denmark) A/S, to expand field service and consulting activities in Nordics. P.E.C. (Denmark) A/S will be integrated and merged into Ellab A/S in 2021/22.

In 2020/21, the Group had a positive sales trend and continued to follow the Group's strategy for organic growth, supported by significant investments in product & software development, as well as global and local commercial market activities.

The expansion in the DACH region continued during the year and in March 2021 Ellab announced establishment of Ellab Austria GmbH, a company specialized in thermal qualification and validation services.

Revenue increased 26% to DKK 497.2m including acquisitions. Measured in constant currency the growth would have been 29%. Revenue has been somewhat impacted by Covid-19 slow down and travel restrictions, but the company expect to get back to normal Growth rates after the Pandemic.

The income statement for the Group for 2020/21 shows a profit from operating activities of DKK 167.8m before special items (2019/20 DKK 126.8m) and profit for the year of DKK 97.0m (2019/20 DKK 85.7m).
Profit from operating activities and profit for the year are impacted by Special items of DKK 9.7m (2019/20 DKK 10.4m).

The balance sheet at 30 April 2021 of the Company shows equity of DKK 268.6m (2019/20 DKK 214.8m). Total assets amount to DKK 516.5m (2019/20 DKK 449.2m).

Cash flow from operating activities was positive by DKK 150.6m for 2020/21 (2019/20 positive by DKK 105.7m). Cash flow from investing activities amounted to negative DKK 64.1m (2019/20 negative 40.5m) and Free cash flow amounted to DKK 32.7m net off acquired cash (2019/20 negative DKK 29.7m). Cash flow is impacted by dividend paid DKK 12.4m (2019/20 DKK 123.5m) and acquisition of subsidiaries DKK 34.3m (2019/20 DKK 77.9m).

Expectations from last year and development for the coming year.

The development in 2020/21 has been impacted by Covid-19 and travel restrictions which have had some impact on revenue. Despite the Covid-19 impact and negative impact from USD and GBP earnings are at the expected level which the Company consider very satisfactory.

The current activities of the group continue in 2021/22, and the management expects continued market development, and the Company expects to continue to increase market activity and innovation of new products.

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 the products and processes within both Equipment and Field Services.

Management's Review

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.

Intellectual properties

Due to a growing organization and market presence, and in order to strategically harvest the benefits of such growth, the operating model of Ellab has naturally evolved to a more centralized operating model over time, with a number of key functions being performed centrally and key strategic and operational decisions taken centrally by the Company for the global organization.

Ellab A/S is generally the legal and economic owner of the Group's intangible property rights. This ownership is aligned to and supported by the fact that Ellab A/S also initiates, manages, finances, oversees and controls all research and development activities within the Group.

Based on the review of the legacy transfer pricing setup, with the economic realities of how the business is operated and the significant benefits being provided to the subsidiaries the company has implemented a new transfer pricing model and the Group has transitioned to a transfer pricing principal model with Ellab A/S operating as Principal and Ellab A/S's subsidiaries operating their sales functions on a limited risk-basis.

Sustainability

Ellab provide several sustainable benefits to customers such as improving efficiencies and ensuring quality and safety and help customers optimize their processes. Our Sustainability policies include Anti-Corruption, Supplier Code of Conduct, Employee Code of Conduct, Privacy Policy and Environmental Policy.

Ethics, anti-corruption and human rights

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. Whoever Ellab may deal with, and wherever Ellab may operate, Ellab is committed to doing so lawfully, ethically and with integrity. Ellab request and demand decent and proper conduct of business from company associates involved in trade with Ellab. Ellab is of the conviction that it is of unquestionable mutual interest, that existing rules and conventions are always adhered to. To trade with Ellab the supplier must of course adhere to all international conventions and national legislation, which are applicable to the country where the work or service is carried out.

Diversity

At the Management level in Ellab Group, our target is to have a balanced management composition and for the time being the mix at management level is 60% woman and 40% men in the Board of Directors and 38% woman and 62% men when including Executive Board. At present the underrepresented gender represent 32% of all employees in the Ellab Group.

On average Ellab Group had 370 employees in 2020/21 (268 in 2019/20).

Employee satisfaction

In order to preserve the Group's ability to be the leading supplier of Validation and Monitoring Solutions it is crucial that the Group in the future can attract and retain competent and motivated employees, including engineers. Considerable efforts are used to create an internal environment, which makes this possible. In addition, focus on employee satisfaction is crucial. The Group measure Employees Satisfaction and the target is to have a net score (eNPS) of above 50. Both in 202/21 and 2019/20 the score has been well above 50.

The results achieved are to a high extent the result of dedicated effort and constructive attitude from all the employees and all employees are thanked for their excellent efforts.

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).

The production facilities in Denmark and UK are mainly assembly facilities with very limited water and electricity usage and low waste from production that impacts environment.

Management's Review

Other policies
Our Sustainability policy guarantees equal rights and opportunities for all employees regardless of race, gender, religion, age, ethnicity, sex and sexual orientation. Personal privacy is respected; discrimination and verbal or psychological harassment is not tolerated. We choose the best person for all positions in our organization based on merit and what that person can bring to the role.

In addition to our sustainability policy Ellab Group has established a whistleblowing system. It enables internal, as well as external stakeholders, to raise concerns around discrimination anonymously if they feel it is not possible to raise issues through normal channels.

The Ellab Group has set realistic targets for the above CSR initiatives and will work towards these targets and will continue to work for improvement. The development in 2020/21 with-in the above areas has been satisfactory.

Audit Committee
The Board of Directors has established an Audit Committee. The purpose of this Committee is to overview the processes for reporting, internal controls, risk assessment and cooperation with the independent auditor. The Audit Committee has meeting 4-5 times a year.

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 2021 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 on 30 April 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2020/21 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.

Ownership

In September 2019 EQT Mid Market Europe GP B.V., acting in its capacity as general partner of EQT Mid Market Europe Limited Partnership ("EQT") acquired Ellab Group. EQT are members of the organization for venture capital and private equity (DVCA).

Financial Highlights

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

	2020/21 TDKK	2019/20 TDKK	2018/19 TDKK	2017/18* TDKK	2016/17* TDKK
Key figures					
Income statement					
Revenue	497.171	395.526	273.862	204.114	195.221
Gross profit/loss	326.329	265.941	196.940	148.908	144.118
Operating profit/loss	158.153	116.352	93.001	74.857	63.335
Net financials	-10.924	-726	6.147	-3.320	-8
Profit/loss for the year	97.014	85.694	74.072	53.166	49.934
Balance Sheet					
Balance sheet total	516.540	449.198	346.127	183.364	144.522
Equity	268.581	214.820	234.343	158.817	106.982
Cash flows					
From investment in property, plant and equipment	-21.792	-19.869	-9.675	-11.189	-7.408
Number of employees	370	268	174	141	121
Ratios					
EBITDA	192.594	142.034	108.696	82.634	67.887
Adjusted EBITDA	202.281	152.480	116.609	89.031	84.852
Solvency ratio	52,0%	47,8%	67,7%	86,6%	74,0%
Return on equity	40,1%	38,2%	38,1%	40,0%	60,9%

As of 1 May 2018, accounting policies were changed to IFRS. The figures for 2018/19, 2019/20 and 2020/21 are presented in accordance with IFRS.

*The comparative figures for 2017/18 and 2016/17 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 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Revenue	3	497.171	395.526
Cost of production	4, 5	(170.841)	(129.584)
Gross profit		**326.329**	**265.941**
Distribution costs	4, 5	(110.357)	(95.962)
Development costs	4, 5	(21.084)	(18.342)
Administration costs	4, 5	(27.047)	(24.839)
Profit/loss before special items		**167.841**	**126.798**
Special items	6	(9.688)	(10.446)
Profit/loss before net financials		**158.153**	**116.352**
Financial income	7	2.565	8.030
Financial expenses	8	(13.489)	(8.756)
Profit/loss before tax		**147.230**	**115.627**
Income tax expense	9	(50.216)	(29.933)
Profit/loss for the year		**97.014**	**85.694**

Consolidated Statement of Comprehensive Income

	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Profit for the period	**97.014**	**85.694**
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3.253)	959
Other comprehensive income for the period, net of tax	**(3.253)**	**959**
Total comprehensive income for the period	**93.761**	**86.653**

Consolidated Balance Sheet

	Notes	30 April 2021 TDKK	30 April 2020 TDKK
Intangible assets	10	181.100	153.794
Property, plant and equipment	11	39.231	36.788
Right-of-use assets	13	52.981	57.682
Other receivables		2.724	2.371
Deferred tax assets	12	529	2.476
Total non-current assets		**276.564**	**253.111**
Inventories	14	32.896	27.149
Trade receivables	15	102.394	100.122
Contract assets	16	5.593	2.144
Other receivables		2.073	1.743
Prepayments		5.438	4.545
Cash and cash equivalents		91.581	60.384
Total current assets		**239.975**	**196.087**
Total assets		**516.540**	**449.198**

Consolidated Balance Sheet

	Note	30 April 2021 TDKK	30 April 2020 TDKK
Share capital	17	15.000	15.000
Foreign currency translation reserve		(840)	2.413
Retained earnings		254.421	157.407
Proposed dividend		0	40.000
Total equity		**268.581**	**214.820**
Lease liabilities	13	47.920	52.505
Deferred tax liabilities	12	18.832	19.792
Other payables		117	118
Warranty provisions		0	250
Total non-current liabilities		**66.870**	**72.664**
Borrowings	18	0	31.313
Trade payables		13.850	14.977
Contract liabilities	16	492	1.830
Lease liabilities	13	9.535	9.318
Payables to group enterprises		56.747	28.623
Income tax payables		45.657	24.818
Other payables		49.385	48.043
Deferred revenue	16	5.423	2.793
Total current liabilities		**181.089**	**161.714**
Total liabilities		**247.958**	**234.378**
Total equity and liabilities		**516.540**	**449.198**

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 2020	17	**15.000**	**2.413**	**157.407**	**40.000**	**214.820**
Profit for the year		0	0	97.014	0	97.014
Other comprehensive income		0	(3.253)		0	(3.253)
Total comprehensive income for the period		**0**	**(3.253)**	**97.014**	**0**	**93.761**
Proposed dividend paid		0	0	0	(40.000)	(40.000)
Total transactions with owners in their capacity as owners		**0**	**0**	**0**	**(40.000)**	**(40.000)**
Equity at 30 April 2021		**15.000**	**(840)**	**254.421**	**0**	**268.581**

Dividend per share is TDKK 0.8 for dividend paid in 2020/21

	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	959
Total comprehensive income for the period		**0**	**959**	**45.694**	**40.000**	**86.653**
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.

Consolidated Cash Flow Statement

	Notes	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Profit/loss for the year		97.014	85.694
Adjustments	24	95.580	56.595
Changes in net working capital	25	3.587	(4.944)
Interests received		2.565	5.308
Interests paid		(13.489)	(10.110)
Income taxes paid		(34.623)	(26.870)
Net cash flow from operating activities		**150.634**	**105.674**
Purchase of intangible assets	10	(8.396)	(4.546)
Purchase of property, plant and equipment	11	(21.792)	(19.869)
Payment for acquisition of subsidiary	20	(34.270)	(77.906)
Loans to related parties and repayment		0	61.861
Sale of property, plant and equipment		365	0
Net cash flow from investing activities		**(64.093)**	**(40.461)**
Repayment of borrowings		(31.746)	(10.876)
Raising of loan		0	44.313
Principal elements of lease payments	13	(9.726)	(4.908)
Dividend paid		(12.399)	(123.455)
Cash flow from financing activities		**(53.871)**	**(94.927)**
Net cash flow for the year		**32.670**	**(29.714)**
Cash and cash equivalents, beginning of the year		60.384	90.069
Effects of exchange rate changes on cash and cash equivalents		(1.472)	28
Cash and cash equivalents at end of the year		**91.581**	**60.384**
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		91.581	60.384
Cash and cash equivalents at end of the year		**91.581**	**60.384**

Notes

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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 large enterprises reporting in class C.

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 field services and other related consultancy 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 field service and other consultancy services relates to consultancy services for validation and other services. Revenue is derived over time and recognised in the income statement as the services are rendered. Field service and other consultancy contracts include fixed price contracts and contracts based on hourly rates. Distinct 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 field service and other consultancy 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, is 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 stream 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 field service contracts and other consultancy 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 field service activities and other consultancy services. A contract liability is the obligation to transfer 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 technics 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.

Adoption of new and amended IFRSs

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2021 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.

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Onerous contracts - Cost of Fulfilling a Contract
- Amendments to IFRS 3 Reference to Conceptual Framework
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2

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 2020-21 and 2019-20 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 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 2020 to 30 April 2021	1 May 2019 to 30 April 2020
	TDKK	**TDKK**
Sale of equipment	372.910	345.397
Field service contracts and other consultancy services	124.261	50.129
	497.171	**395.526**

Revenue is recognised as follows:

At a point in time	372.910	345.397
Over time	124.261	50.129
	497.171	**395.526**

4. Employee costs	**TDKK**	**TDKK**
Wages and salaries	162.312	117.281
Defined contribution plans	6.693	5.107
Other social security costs	17.862	10.345
Other staff costs	4.936	0
	191.804	**132.733**

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

Cost of production	101.292	56.043
Distribution expenses	61.720	51.891
Development expenses	20.138	18.279
Administrative expenses	8.654	6.520
	191.804	**132.733**
Average number of employees	370	268

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	0	4.462
Wages and salaries	5.735	0
Board fee	625	0
Defined contribution plans	399	296
Other social security costs	4	1
Total compensation of key management personnel	**6.762**	**4.759**

With reference to section 98b of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is disclosed in total for the comparison year 1 May 2019 to 30 April 2020.

Notes

5. Depreciation, amortisation and impairment losses

	1 May 2020 to 30 April 2021	1 May 2019 to 30 April 2020
	TDKK	**TDKK**
Depreciation on property, plant and equipment	14.807	13.752
Amortisation on intangible assets	11.668	4.877
Depreciation on right-of-use assets	7.965	7.076
Depreciation, amortisation and impairment losses	**34.440**	**25.705**
Depreciation, amortisation and impairment losses are recognised in the following items:		
Cost of production	9.870	8.564
Distribution expenses	16.580	10.744
Development expenses	3.535	1.358
Administrative expenses	4.456	5.038
	34.440	**25.705**

6. Special items	**TDKK**	**TDKK**
Acquisition cost and transfer of IP for aquired companies	2.379	4.648
Legal cost for preliminary compliance study	3.590	4.343
Other	3.719	1.455
	9.688	**10.446**

7. Financial income	**TDKK**	**TDKK**
Foreign exchange rate gains	782	4.645
Interest received from group companies	0	2.722
Other financial income	1.783	663
	2.565	**8.030**

8. Financial expenses	**TDKK**	**TDKK**
Foreign exchange rate losses	6.708	4.270
Interest payed to group companies	523	0
Interest expense on lease liabilities	2.912	2.800
Other financial expenses	3.346	1.686
	13.489	**8.756**

Notes

9. Tax on profit for the year

	1 May 2020 to 30 April 2021	1 May 2019 to 30 April 2020
	TDKK	TDKK
Current tax:		
Current tax on profits for the year	53.441	29.715
Current tax on profits for previous years	(497)	(75)
Deferred tax on profit for the year	(7.058)	292
Deferred tax on profit for previous years	4.329	0
	50.216	**29.933**
Calculated 22.0% tax on profit for the year before income tax	**32.391**	**25.438**
Tax effects of:		
Differences in the tax rates in foreign subsidiaries relative to 22%	(6.323)	856
Transfer of IP at a differentiated corporate tax rate	12.175	0
Taxable losses not recognised	102	0
Non-deductible expenses	131	1.349
Adjustment of tax relating to previous years	3.504	356
Income utilised against previous years taxable losses not recognised	0	(219)
Additional deductions for specific expenses	(698)	0
Intercompany eliminations without tax impact	1.763	0
Income tax on IP transfer	8.155	0
Other	(984)	2.152
	17.826	**4.494**
Effective tax rate	**34%**	**26%**

Notes

10. Intangible assets	Goodwill TDKK	Patents and trademarks TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost:							
At 1 May 2020	**50.307**	**553**	**50.362**	**49.288**	**18.197**	**5.636**	**174.344**
Additions during the year	14.754	996	10.905	5.982	853	6.547	40.037
Acquisition of business	0	0	0	0	0	0	0
Disposals during the year	0	0	0	0	0	0	0
Transfers for the year	0	(918)	0	0	8.617	(8.617)	(918)
Exchange difference	(3)	0	(1)	1	0	0	(3)
At 30 April 2021	**65.058**	**631**	**61.266**	**55.271**	**27.667**	**3.566**	**213.460**
Accumulated amortisation and impairment:							
At 1 May 2020	**0**	**28**	**4.220**	**1.395**	**14.907**	**0**	**20.552**
Amortisation for the year	0	40	5.700	2.464	3.464	0	11.668
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	99	29	11	0	140
At 30 April 2021	**0**	**68**	**10.019**	**3.888**	**18.382**	**0**	**32.360**
Carrying amount 30 April 2021	**65.058**	**563**	**51.247**	**51.383**	**9.285**	**3.566**	**181.100**

Additions during the year relates to the acquisition of P.E.C. Denmark A/S in 2020/21. Acquired technology relates to established systems and procedures while acquired customers and distributors relates to the existing network of customers that will expand the group's current markets and business activities in Denmark.

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

Goodwill is not amortised but tested for impairment at least once a year. The category for customers and distributors is amortised over 5 - 10 years while technology is amortised over 20 years. Remaining usefull life for customers and distributors is 3-10 years while remaining usefull life for technology is 18-20 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 usefull life for completed development projects are 1-3 years.

Amortisation on intangible assets is 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 21,084.

	Goodwill TDKK	Patents and trademarks TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost:							
At 1 May 2019	**21.867**	**306**	**5.324**	**2.451**	**16.208**	**3.079**	**49.235**
Acquisition of business	0	247	0	0	677	3.622	4.546
Additions during the year	28.859	0	45.035	46.837	249	0	120.980
Disposals during the year	(419)	0	0	0	0	0	(419)
Exchange difference	0	0	0	0	1.065	(1.065)	0
Transfers for the year	0	0	3	0	(2)	0	1
At 30 April 2020	**50.307**	**553**	**50.362**	**49.288**	**18.197**	**5.636**	**174.343**
Accumulated amortisation and impairment:							
At 1 May 2019	**0**	**0**	**919**	**40**	**13.639**	**0**	**14.598**
Amortisation for the year	0	28	3.301	1.355	1.268	0	5.952
Impairment 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**	**4.220**	**1.395**	**14.907**	**0**	**20.550**
Carrying amount 30 April 2020	**50.307**	**525**	**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.

Notes

Goodwill is not amortised but tested for impairment at least once a year. The category for customers and distributors is amortised over 5 - 10 years while technology is amortised over 20 years. Remaining usefull life for customers and distributors is 4-10 years while remaining usefull 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 usefull life for completed development projects are 1-3 years.

Amortisation on intangible assets is 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.

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 usufull life is required, the Group estimates the recoverable amount of the asset. Goodwill, customers and distributors and technology primarily relates to the acquisitions in 2019/20 and 2020/21 detailed above.

Result of the annual impairment test
The carrying amount of goodwill, TDKK 65.058, relating to the acquisition of FasInternational Sarl, Italy in 2018/19, Hanwell Group, United Kingdom, Instrument Technology Limited, Ireland, Adsano Group, Germany and Switzerland, and Argideen Science Limited, Ireland, in 2019/20 and P.E.C. Denmark A/S, Denmark, in 2020/21 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 due to the fact that it is not practicably possible to separate the revenue streams into smaller cash generating units and cash inflows are largely dependent on cash inflows from other groups of assets.

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 2021 are based on budgets for 2021/22 and business plans and projections for 2022/23 to 2030/31 for the combined business activities considered as one CGU. Revenue is expected to increase annually by 17 % from 2021/22 to 2024/25 followed by an annually growth of 5 % from 2025/26 to 2030/31. The long-term growth rate in the terminal period from 2030/31 is estimated to 1%. Growth is mainly expected in North America, the DACH region, United Kingdom, Ireland and France where the Group expects to expand activities relating to sale of equipment and further develop field service and other consultancy 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 % based on the cost of debt related to external financing of bank loan for the acquisitions and cost of equity based on the rate of return.

The assumptions used in the impairment test at 30 April 2020 were in all materiality in accordance with the impairment test at 30 April 2021 for key assumptions relating to growth and discount rate. For the period ending 30 April 2020, the business plans is based on an expected revenue increase annually by 15 % from 2019/20 to 2024/25 followed by an anually 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
Cost:					
At 1 May 2020	**1.705**	**5.747**	**80.437**	**3.246**	**91.135**
Additions during the year	0	509	19.169	2.114	21.792
Disposals during the year	0	0	(10.399)	0	(10.399)
Transfers for the year	0	0	1.878	1.370	3.248
Exchange difference	(5)	(2)	335	6	334
At 30 April 2021	**1.700**	**6.254**	**91.420**	**6.736**	**106.110**
Accumulated amortisation and impairment:					
At 1 May 2020	**14**	**3.678**	**48.008**	**2.647**	**54.347**
Amortisation for the year	43	638	13.786	340	14.807
Amortisation of sold assets during the year	0	0	(3.505)	0	(3.505)
Transfers for the year	0	0	(142)	1.370	1.228
Exchange difference	0	(2)	4	0	2
At 30 April 2021	**57**	**4.314**	**58.151**	**4.357**	**66.879**
Carrying amount 30 April 2021	**1.643**	**1.940**	**33.269**	**2.379**	**39.231**

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost:					
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**
Accumulated amortisation and impairment:					
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**

Notes

12. Deferred tax

	30 April 2021 TDKK	30 April 2020 TDKK
Deferred tax at 1 May	(17.316)	990
Deferred tax reccognised in the statement of profit or loss	2.728	292
Additions relating to acquisition of subsidiaries	(3.716)	(18.598)
Deferred tax at 30 April	**(18.303)**	**(17.316)**

Deferred tax relates to:	**TDKK**	**TDKK**
Intangible assets	(18.166)	(17.194)
Property, plant and equipment	(777)	453
Right-of-use assets	(4.987)	(5.630)
Inventories	(229)	(634)
Trade receivables	190	(22)
Contract assets	(263)	54
Lease liabilities	5.473	5.460
Provisions	0	(55)
Other	25	91
Tax loss carry forwards	432	162
	(18.303)	**(17.316)**
Of which presented as deferred tax assets	529	2.476
Of which presented as deferred tax liabilities	(18.832)	(19.792)
	(18.303)	**(17.316)**

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 of DKK 1,323k (2019/20: DKK 168k), 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	50.242	56.427
Cars and other leases	2.739	1.255
	52.981	**57.682**
Lease liabilities		
Current	9.535	8.573
Non-current	47.920	52.505
	57.456	**61.078**

Additions to the right-of-use assets during the financial year ending 30 April 2021 were TDKK 3.969 (2019/20: TDKK 15.463).

Notes

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

	1 May 2020 to 30 April 2021	1 May 2019 to 30 April 2020
Depreciation charge of right-of-use assets	**TDKK**	**TDKK**
Properties	6.898	6.463
Cars and other leases	1.067	613
	7.965	**7.076**
Interest expense (included in financial expenses)	2.912	2.800
Expense relating to short-term leases (included in other operating expenses)	10	183
Expense relating to leases of low value assets that are not short-term leases (included in other operating expenses)	122	0

The total cash outflow for leases in 2020/21 was TDKK 9.726 (2019/20: TDKK 7.891).

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.

14. Inventories

	30 April 2021	30 April 2020
	TDKK	**TDKK**
Raw materials and consumables	15.091	10.376
Finished goods and goods for resale	17.805	16.773
	32.896	**27.149**

The following are included in "Costs of production":

Inventories recognised as an expense	48.575	50.801
Write-downs of inventories to net realisable value	1.718	2.111

15. Trade receivables

	TDKK	TDKK
Trade receivables before provision for bad debts	103.972	101.094
Less provision for impairment of trade receivables	(1.578)	(972)
Trade receivables net	**102.394**	**100.122**

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.

Notes

Movement on the Group's provision for impairment of trade receivables are as follows:	30 April 2021 TDKK	30 April 2020 TDKK
Opening balances	(972)	(528)
Increase in loss allowance recognised in profit or loss during the year	(1.578)	(972)
Unused amount reversed	972	528
Provision for impairment of trade receivables	**(1.578)**	**(972)**

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

16. Contract balances

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

	TDKK	TDKK
Trade receivables	102.394	100.122
Contract assets	5.593	2.144
Contract liabilities	492	1.830
Deferred revenue	5.423	2.793

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

Contract assets and libilities are all related to ongoing field service and other consultancy 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 field 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 n 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 DKK 2,793.

17. Share capital

	30 April 2021		30 April 2020	
The share capital comprise:	Number of shares	Nominal value (TDKK)	Number of shares	Nominal value (TDKK)
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 1,000.

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 resultat 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 and fixed interest rate.

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.

Non-derivatives	Carrying amount TDKK	Less than 1 year TDKK	Between 1 and 5 year TDKK	More than 5 years TDKK	Total TDKK
At 30 April 2021					
Lease liabilities	57.456	9.783	32.780	27.544	70.107
Trade payables	13.850	13.850	0	0	13.850
Group payables	56.747	59.017	0	0	59.017
	128.052	**82.649**	**32.780**	**27.544**	**142.973**
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**

Financial assets and liabilities per measurement category	30 April 2021 TDKK	30 April 2020 TDKK
Financial assets		
Financial assets at amortised cost:		
Trade receivables	102.394	100.122
Cash and cash equivalents	91.581	60.384
	193.975	**160.506**
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	0	31.313
Lease liabilities	57.456	61.823
Trade payables	13.850	14.977
Payables to Group	56.747	28.623
	128.052	**136.736**

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

Notes

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 2020/21 was to maintain a net debt to EBITDA ratio below 6.9. The Group fulfilled capital management targets during 2020/21.

20. Business combinations

Acquisitions 2020/21

P.E.C.(Denmark) A/S

Ellab A/S acquired 100% of the issued share capital of P.E.C.(Denmark) A/S, a Danish company specializing in field and other consultancy services, at 5 February 2021 as a result of the Group's strategy to focus on service activities in Denmark. Details of the purchase consideration, the net assets acquired and goodwill are described in the following section.

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

	Fair value TDKK
Cash	7.681
Trade and other receivables	3.074
Other assets	42
Intangible assets: Customer and distributors	10.905
Intangible assets: Technology	5.982
Deferred tax liability relating to intangibles	-3.715
Trade payables	-1.125
Other liabilities	-3.327
Contingent liability	0
Net identifiable assets acquired	**19.517**
Goodwill	14.754
Net assets acquired	**34.270**
Less: Balances acquired	
Cash	-7.681
Investring activities	**26.590**
Of which relating to:	
Purchase consideration payable	3.427
Net outflow of cash – investing activities	**23.163**

The goodwill arising from the acquisition 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.

Notes

Purchase Consideration
The purchase consideration is DKK 34,270k, of which DKK 30,843k has been settled in cash at closing. The remaining DKK 3,427k is a contingent consideration. The contingent consideration is recognized at fair value.

Acquired receivables
The fair value of acquired trade receivables is DKK 3,074k with no loss allowance recognised in the acquisition.

Revenue and profit contribution
Acquisitions contributed revenues of TDKK 4,056k and net profit of DKK 484k to the group for the period from 5 February 2021 to 30 April 2021.

If the acquisitions had occurred on 1 May 2020, consolidated pro-forma revenue and profit for the year ended 30 April 2021 would have been DKK 509,201k and DKK 92,697k 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 2020, together with the consequential tax effects.

Acquisition-related costs
Acquisition-related costs of DKK 418k 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 into 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
Investring activities	**114.988**
Of which relating to:	
Contribution of subsidiary from ultimative 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.

Notes

21. 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 and Ellab Ireland Ltd. have been pledged as security for credit institutions of the parent company Kelvin BidCo A/S. The shares are recognized at booked value of DKK 171,410k.

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 has been involved in an ongoing preliminary compliance study since 2019/20 expected to be ended in 2021/22. 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 2020 to 30 April 2021** **TDKK**	**1 May 2019 to 30 April 2020** **TDKK**
Audit fee to PwC	750	434
Audit fee to other auditors	533	599
Other assurance engagements	105	0
Tax advisory services	616	61
Non-audit services	344	587
	2.348	**1.681**

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 2020	Financing cash flows	Additions	Changes in foreign exchange rates	Other changes*	30 April 2021
	TDKK	**TDKK**	**TDKK**	**TDKK**	**TDKK**	**TDKK**
Current borrowings	**59.936**	-44.145	40.000	0	956	**56.747**
Lease liabilities	**61.823**	-9.726	4.508	-2.060	2.912	**57.456**
Total liabilities from financing activities	**121.759**	-53.871	44.508	-2.060	3.868	**114.203**

	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	18.424	**121.759**

*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 2020/21, DKK 43,145k in Borrowings relates to unpaid dividend to parent company.

Notes

24. Related parties

Ellab Group's ultimative 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 and EQT Mid Market Europe Fund (EQT).

Significant transactions between the Group and the ultimate parent company

Transactions with related parties:

Acquisition of services (Management fees) from parent companies amounting to DKK 8,817k (2019/20: DKK 5,498k).

Rental agreement with Ellab Properties ApS in which Ellab A/S' previous CEO until 30 April 2021 and current Chairman of the Board has significant ownership interest DKK 3,595k (2019/20 DKK 3,542k).

Loan from parent company of DKK 13,000k (2019/20: DKK 13,000k) with an interest rate of 4 % and accrued interest amounting to TDKK 601. The loan is repayable upon 5 business days written notice and is expected to be repaid in cash.

Declared dividend of DKK 0 i 2020/21 (2019/20: DKK 139,000k) to parent company. Unpaid dividend amounts to DKK 43,145k (2019/20: DKK 15,263k).

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

	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Financial income	-2.565	-8.030
Financial expenses	13.489	8.756
Depreciation, amortisation and impairment losses, including losses and gains on sales	34.440	25.705
Tax on profit/loss for the year	50.216	29.933
Other adjustmenst	0	232
	95.580	**56.595**

27. Changes in net working capital

	TDKK	TDKK
Change in inventories	-5.747	-6.657
Change in trade and group receivables	-2.273	-37.994
Change in contract assets	-3.449	-2.144
Change in other receivables	-682	-341
Change in prepayments	-893	-2.878
Change in trade and group payables	13.997	23.224
Change in contract liabilities	-1.338	1.830
Change in other payables	3.972	20.016
	3.587	**-4.944**

Notes

28. List of group companies

The Group's principal subsidiaries at 30 April 2021 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%
Ellab Italy 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%
Ellab Ireland Ltd.	Subsidiary	Ireland	100%
Argideen Science Limited	Subsidiary	Ireland	100%
Ellab AG	Subsidiary	Switzerland	100%
P.E.C. Denmark A/S	Subsidiary	Denmark	100%

Income Statement - Parent

	Notes	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Revenue	2	218.830	207.926
Cost of production	3, 4	(56.860)	(56.971)
Gross profit		**161.970**	**150.955**
Distribution costs	3, 4	(21.303)	(17.925)
Development costs	3, 4	(18.482)	(15.304)
Administration costs	3, 4	(22.622)	(18.474)
Other income		31.704	13.454
Profit/loss before special items		**131.267**	**112.706**
Special items	5	(4.620)	(1.259)
Profit/loss before net financials		**126.647**	**111.447**
Income from investments in subsidaries	11	7.661	2.189
Financial income	6	3.519	8.677
Financial expenses	7	(10.366)	(5.971)
Profit/loss before tax		**127.461**	**116.342**
Income tax expense	8	(29.369)	(26.025)
Profit/loss for the year		**98.092**	**90.317**

Statement of Comprehensive Income - Parent

	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Profit for the period	**98.092**	**90.317**
Other comprehensive income		
Items that will be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3.253)	959
Other comprehensive income for the period, net of tax	**(3.253)**	**959**
Total comprehensive income for the period	**94.839**	**91.276**

Balance Sheet - Parent

	Notes	30 April 2021 TDKK	30 April 2020 TDKK
Intangible assets	9	123.574	125.743
Property, plant and equipment	10	4.218	5.145
Right-of-use assets	13	22.667	24.048
Other receivables		1.799	1.720
Deferred tax assets	12	0	1.706
Investments in subsidiaries	11	231.418	189.962
Total non-current assets		**383.676**	**348.323**
Inventories	14	19.641	16.910
Trade receivables	15	7.128	6.343
Receivables from group enterprises		87.724	103.797
Other receivables		1.381	1.192
Prepayments		1.198	414
Cash and cash equivalents		13.673	0
Total current assets		**130.745**	**128.657**
Total assets		**514.421**	**476.981**

Balance Sheet - Parent

	Note	30 April 2021 TDKK	30 April 2020 TDKK
Share capital	16	15.000	15.000
Reserve for net revaluation under the equity method		18.104	12.256
Reserve for development projects		8.877	5.823
Retained earnings		234.459	148.522
Proposed dividend		0	40.000
Total equity		**276.440**	**221.601**
Lease liabilities	13	21.582	22.700
Deferred tax liabilities		12.956	0
Warranty provisions		0	250
Total non-current liabilities		**34.538**	**22.950**
Borrowings	18	0	31.746
Trade payables		4.870	6.072
Lease liabilities	13	3.293	2.969
Payables to group enterprises		159.370	145.822
Income tax payables		13.862	22.891
Other payables		20.918	22.244
Deferred revenue		1.129	686
Total current liabilities		**203.443**	**232.430**
Total liabilities		**237.981**	**255.380**
Total equity and liabilities		**514.421**	**476.981**

Statement of Changes in Equity - Parent

	Share capital TDKK	Reserve for net revaluation under the equity method TDKK	Reserve for development projects TDKK	Retained earnings TDKK	Proposed dividend TDKK	Total TDKK
Equity at 1 May 2020	**15.000**	**12.256**	**5.823**	**148.522**	**40.000**	**221.601**
Profit for the year	0	0	0	98.092	0	98.092
Development costs for the year	0	0	5.107	(5.107)	0	0
Depreciation, amortisation and impairment for the year	0	0	(2.052)	2.052	0	0
Other comprehensive income	0	5.848	0	(9.101)	0	(3.253)
Total comprehensive income for the period	**0**	**5.848**	**3.054**	**85.937**	**0**	**94.839**
Dividend paid and payable					(40.000)	(40.000)
Total transactions with owners in their capacity as owners	**0**	**0**	**0**	**0**	**(40.000)**	**(40.000)**
Equity at 30 April 2021	**15.000**	**18.104**	**8.877**	**234.459**	**0**	**276.440**

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

	Share capital TDKK	Reserve for net revaluation under the equity method TDKK	Reserve for development projects TDKK	Retained earnings TDKK	Proposed dividend TDKK	Total 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**	**91.276**
Contributions of equity	0	0	0	32.824	0	32.824
Dividend paid and payable	0	0	0	0	(114.000)	(114.000)
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.

Cash Flow Statement - Parent

	Notes	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Profit/loss for the year		98.092	90.317
Adjustments	24	42.892	27.803
Changes in net working capital	25	(6.826)	(3.725)
Interests received		3.519	8.677
Interests paid		(10.366)	(5.971)
Income taxes paid		(22.993)	(17.965)
Net cash flow from operating activities		**104.318**	**99.136**
Purchase of intangible assets	9	(7.478)	(2.653)
Purchase of property, plant and equipment	10	(2.772)	(265)
Payment for acquisition of subsidiaries		(34.270)	(122.788)
Loans to related parties and repayment		0	61.861
Sale of property, plant and equipment		365	0
Net cash flow from investing activities		**(44.155)**	**(63.845)**
Repayment of borrowings		0	(10.876)
Principal elements of lease payments	13	(3.161)	(2.910)
Dividend received		817	9.714
Dividend paid		(12.399)	(123.455)
Cash flow from financing activities		**(14.743)**	**(127.528)**
Net cash flow for the year		**45.419**	**(92.236)**
Cash and cash equivalents, beginning of the year		(31.746)	60.490
Cash and cash equivalents at end of the year		**13.673**	**(31.746)**
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		13.673	0
Borrowings		0	(31.746)
Cash and cash equivalents at end of the year		**13.673**	**(31.746)**

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
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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

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 large C. The Parent Company Financial Statements for 2020-2021 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.

Comparative figures

The company has performed an intragroup business transfer on intellectual property to Ellab A/S relating to goodwill, customers & distributors and technology. As a result the comparative figures have been restated.

The change in the comparative figures has had the following impact on the figures:

Total balance sheet has increased by DKK 117,136k to DKK 476,981k.

Other income

Other income includes royalty from subsidiaries.

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 2020 to 30 April 2021	1 May 2019 to 30 April 2020
	TDKK	TDKK
Sale of equipment	217.935	207.226
Field service contracts and other consultancy services	895	700
	218.830	**207.926**

Revenue is recognised as follows:

At a point in time	217.935	207.226
Over time	895	700
	218.830	**207.926**

3. Employee costs

	TDKK	TDKK
Wages and salaries	49.687	47.795
Defined contribution plans	3.499	3.041
Other social security costs	3.484	827
Other staff costs	1.268	0
	57.938	**51.663**

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

Cost of production	22.010	21.135
Distribution expenses	11.852	10.854
Development expenses	18.356	15.527
Administrative expenses	5.720	4.147
	57.938	**51.663**
Average number of employees	102	92

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	0	4.462
Wages and salaries	5.735	0
Board fee	625	0
Defined contribution plans	399	296
Other social security costs	4	1
Total compensation of key management personnel	**6.762**	**4.759**

With reference to section 98b of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is disclosed in total for the comparison year 1 May 2019 to 30 April 2020.

Notes

	1 May 2020 to 30 April 2021	1 May 2019 to 30 April 2020
4. Depreciation, amortisation and impairment losses	**TDKK**	**TDKK**
Depreciation on property, plant and equipment	2.158	2.440
Amortisation on intangible assets	9.648	4.811
Depreciation on right-of-use assets	2.531	2.405
Depreciation and amortisation	**14.337**	**9.656**
Depreciation, amortisation and impairment losses are recognised in the following items:		
Cost of production	846	741
Distribution expenses	7.347	3.829
Development expenses	2.730	1.280
Administrative expenses	3.414	3.807
	14.337	**9.656**

5. Special items	**TDKK**	**TDKK**
Other	4.620	1.259
	4.620	**1.259**

6. Financial income	**TDKK**	**TDKK**
Foreign exchange rate gains	511	4.238
Interest received from group companies	2.965	2.722
Other financial income	43	1.717
	3.519	**8.677**

7. Financial expenses	**TDKK**	**TDKK**
Foreign exchange rate losses	6.082	3.963
Interest payable to group companies	1.859	0
Interest expense on lease liabilities	1.141	1.279
Other financial expenes	1.285	729
	10.366	**5.971**

8. Tax on profit for the year	**TDKK**	**TDKK**
Current tax:		
Current tax on profits for the year	13.862	25.187
Current tax on profits for previous years	84	(75)
Deferred tax on profit for the year	11.250	913
Deferred tax on profit for previous years	4.173	0
	29.369	**26.025**
Calculated 22.0% tax on profit for the year before income tax	**28.041**	**25.438**
Tax effects of:		
Non-deductible expenses	15	986
Adjustment of tax relating to previous years	3.496	75
Non-taxable income from investments in subsidiaries	(1.685)	(473)
Additional deductions for specific expenses	(497)	0
	1.328	**588**
Effective tax rate	**23%**	**23%**

Notes

9. Intangible assets	Goodwill TDKK	Patents and trademarks TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost:							
At 1 May 2020	**28.860**	**554**	**45.033**	**46.837**	**17.273**	**5.636**	**144.193**
Additions during the year	0	78	0	0	853	6.547	7.478
Transfers for the year	0	0	0	0	8.617	(8.617)	0
At 30 April 2021	**28.860**	**632**	**45.033**	**46.837**	**26.743**	**3.566**	**151.671**
Accumulated amortisation and impairment:							
At 1 May 2020	**0**	**28**	**2.334**	**1.260**	**14.828**	**0**	**18.450**
Amortisation for the year	0	40	4.635	2.342	2.631	0	9.648
At 30 April 2021	**0**	**68**	**6.969**	**3.602**	**17.459**	**0**	**28.098**
Carrying amount 30 April 2021	**28.860**	**563**	**38.065**	**43.236**	**9.284**	**3.566**	**123.572**

Goodwill, customers and distributors and technology relate to intellectual property rights transferred to Ellab A/S as part of implementation of a new transfer pricing structure. Following the transaction, the comparison figures have been restated as if Ellab A/S acquired the assets when acquiring the subsidiaries.

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 usefull 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 DKK 18,482k.

	Goodwill TDKK	Patents and trademarks TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
Cost:							
At 1 May 2019	**0**	**306**	**0**	**0**	**16.208**	**3.079**	**19.593**
Additions during the year	28.860	247	45.033	46.837	0	3.622	124.600
Transfers for the year	0	0	0	0	1.065	(1.065)	0
At 30 April 2020	**28.860**	**554**	**45.033**	**46.837**	**17.273**	**5.636**	**144.193**
Accumulated amortisation and impairment:							
At 1 May 2020	**0**	**0**	**0**	**0**	**13.639**	**0**	**13.639**
Amortisation for the year	0	28	2.334	1.260	1.189	0	4.811
At 30 April 2020	**0**	**28**	**2.334**	**1.260**	**14.828**	**0**	**18.450**
Carrying amount 30 April 2020	**28.860**	**526**	**42.699**	**45.577**	**2.445**	**5.636**	**125.743**

Goodwill, customers and distributors and technology relates to intellectual property rights transferred to Ellab A/S following the implementation of a new transfer pricing structure for 2020/21 and relate to acquisitions in 2019/20. As a result of this, the assets have been included in the comparison figures for 2019/20 as additions during the year.

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 usefull 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.

10. Property, plant and equipment	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost:				
At 1 May 2020	**5.478**	**13.821**	**2.662**	**21.961**
Additions during the year	42	2.730	0	2.772
Disposals during the year	0	(2.485)	0	(2.485)
At 30 April 2021	**5.520**	**14.065**	**2.662**	**22.248**
Accumulated amortisation and impairment:				
At 1 May 2020	**3.982**	**10.290**	**2.544**	**16.816**
Amortisation for the year	467	1.652	39	2.158
Amortisation of sold assets during the year	0	(945)	0	(945)
At 30 April 2021	**4.449**	**10.997**	**2.583**	**18.029**
Carrying amount 30 April 2021	**1.071**	**3.068**	**79**	**4.219**

	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
Cost:				
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**
Accumulated amortisation and impairment:				
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**

Notes

11. Investment in subsidiaries

	30 April 2021 TDKK	30 April 2020 TDKK
Cost:		
At 1 May 2020	**179.044**	**43.928**
Additions during the year	34.270	135.116
At 30 April 2021	**213.314**	**179.044**
Accumulated amortisation and impairment:		
At 1 May 2020	**14.512**	**21.078**
Exchange adjustment	(3.253)	959
Net profit for the year	7.661	2.189
Dividend to the parent company	(817)	(9.714)
At 30 April 2021	**18.104**	**14.512**
Equity investments with negative net asset value amortised over receivables	0	0
Carrying amount 30 April 2021	**231.418**	**193.556**

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

Notes

12. Deferred tax

	1 May 2020 to 30 April 2021	1 May 2019 to 30 April 2020
Deferred tax at 1 May	1.705	2.618
Deferred tax reccognised in the statement of profit or loss	(15.422)	(913)
Deferred tax at 30 April	**(13.717)**	**1.705**

Deferred tax relates to:	**TDKK**	**TDKK**
Intangible assets	13.164	1.778
Property, plant and equipment	(192)	(118)
Right-of-use assets	(5.473)	(5.647)
Inventories	229	219
Trade receivables	(22)	(22)
Lease liabilities	4.987	5.460
Provisions	0	(55)
Other	1.025	91
Transferred to deferred tax asset	0	(1.705)
	13.717	**0**

Of which presented as deferred tax assets	0	1.705
Of which presented as tax relating to investments in subsidiaries	(762)	
Of which presented as deferred tax liabilities	(12.955)	0
	(13.717)	**1.705**

13. Leases

The Group has recognised the following amounts relating to leases:

Right-of-use assets	**TDKK**	**TDKK**
Properties	21.804	24.048
Cars and other leases	863	0
	22.667	**24.048**

Lease liabilities	**TDKK**	**TDKK**
Current	3.293	2.969
Non-current	21.582	22.700
	24.876	**25.669**

Additions to the right-of-use assets during the financial year ending 30 April 2021 were TDKK 972 (2019/20: TDKK 0).

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

Depreciation charge of right-of-use assets	**TDKK**	**TDKK**
Properties	2.423	2.405
Cars and other leases	109	0
	2.531	**2.405**
Interest expense (included in financial expenses)	1.141	1.279

The total cash outflow for leases in 2020/21 was TDKK 3.161 (2019/20: TDKK 2.910).

Notes

Ellab A/S 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.

14. Inventories

	30 April 2021 TDKK	30 April 2020 TDKK
Raw materials and consumables	12.030	10.352
Finished goods and goods for resale	7.611	6.558
	19.641	**16.910**

The following categories are included in "Costs of production":

Inventories recognised as an expense	36.018	39.516
Write-downs of inventories to net realisable value	2.360	2.111

15. Trade receivables

	TDKK	TDKK
Trade receivables before provision for bad debts	7.228	6.443
Less provision for impairment of trade receivables	(100)	(100)
Trade receivables net	**7.128**	**6.343**

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.

Movement on the Group's provision for impairment of trade receivables are as follows:	TDKK	TDKK
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 2021		30 April 2020	
The share capital comprise:	Number of shares	Nominal value (TDKK)	Number of shares	Nominal value (TDKK)
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, exhange rates EUR against DKK is not considered an exposure.

Sensitivy:

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 2020 to 30 April 2021	**1 May 2019 to 30 April 2020**
	TDKK	**TDKK**
DKK/USD exchange rate - increase 5%	3.669	4.164
DKK/USD exchange rate - decrease 5%	-3.669	-4.164
DKK/GBP exchange rate - increase 5%	563	444
DKK/GBP exchange rate - decrease 5%	-563	-444

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 (2019/20: 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.

Non-derivatives	**Carrying amount TDKK**	**Less than 1 year TDKK**	**Between 1 and 5 year TDKK**	**More than 5 years TDKK**	**Total TDKK**
At 30 April 2021					
Borrowings	0	0	0	0	0
Lease liabilities	24.876	3.369	13.738	13.518	30.625
Trade payables	4.870	4.870	0	0	0
Group payables	159.370	165.744	0	0	165.744
	189.116	**173.984**	**13.738**	**13.518**	**196.369**
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**

Notes

Financial assets and liabilities per measurement category	30 April 2021 TDKK	30 April 2020 TDKK
Financial assets		
Financial assets at amortised cost:		
Trade receivables	7.128	6.343
Receivables from Group	87.724	103.797
Cash and cash equivalents	13.673	0
	108.525	**110.141**
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	0	31.746
Lease liabilities	24.876	25.669
Trade payables	4.870	6.072
Payables to Group	159.370	28.686
	189.116	**92.172**

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 and Ellab Ireland Ltd. have been pledged as security for credit institutions of the parent company Kelvin BidCo A/S. The shares are recognized at booked value of DKK 171,410k.

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 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Audit fee to PwC	478	180
Other assurance engagements	105	0
Tax advisory services	616	0
Non-audit services	45	211
	1.244	**391**

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 2020 TDKK	Financing cash flows TDKK	Additions TDKK	Other changes TDKK	30 April 2021 TDKK
Current borrowings	31.746	-31.746	0	0	0
Lease liabilities	25.669	-3.161	972	1.396	24.876
Total liabilities from financing activities	57.415	-34.907	972	1.396	24.876

	1 May 2019 TDKK	Financing cash flows TDKK	Additions TDKK	Other changes TDKK	30 April 2020 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

*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 DKK 87,724k (2019/20: DKK 103,797k) 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.

Payables to group entreprises amounting to DKK 102,622k (2019/20: DKK 117,139k) relates to transfer of intellectual property rights from subsidiaries to Ellab A/S. The comparative figures have been restated as if the transaftions were completed in the previous reporting period at the time of acquisition of the relevant subsidiaries.

Loan from parent company of DKK 13,601k (2019/20: DKK 13,000k) with an interest rate of 4 % and accrued interest amounting to DKK 601k. The loan is repayable upon 5 business days written notice and is expected to be repaid in cash.

Declared dividend for Annual Report 2019/20 of DKK 40,000k (2019/20: DKK 139,000k) to parent company of which unpaid dividend amounts to DKK 43,145k (2019/20: TDKK 15,544).

Declared ordinary dividend of DKK 0k (2019/20: DKK 40,000k).

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

	1 May 2020 to 30 April 2021 TDKK	1 May 2019 to 30 April 2020 TDKK
Financial income	-3.519	-8.677
Financial expenses	10.366	5.971
Depreciation, amortisation and impairment losse	14.337	9.656
Tax on profit/loss for the year	29.369	26.025
Share of subsidiaries	-7.661	1.405
Other adjustmenst	0	-6.577
	42.892	**27.803**

25. Changes in net working capital

	TDKK	TDKK
Change in inventories	-2.731	-2.859
Change in trade and group receivables	-785	-41.230
Change in prepayments	-783	0
Change in trade and group payables	-1.201	28.618
Change in other payables	-1.326	11.746
	-6.826	**-3.725**