

Kelvin HoldCo A/S

Trollesmindealle 25, DK-3400 Hillerød

CVR No. 39 63 10 08

Annual report for 1 May 2020 to 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

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Management's Statement

The Executive Board and Board of Directors have discussed and approved the Annual Report of Kelvin HoldCo A/S for the financial year 1 May 2020 to 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 the financial year 1 May 2020 to 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

Jacob Bryde Christensen

Lars Normand Hansen

Board of Directors

Bo Harald Peter Risberg
Chairman

Anna Karolina Levander

Sarah Katherine Newbitt

Rikke Kjær Nielsen

Peter Krogh

Independent Auditors Report

To the Shareholders of Kelvin HoldCo 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 Kelvin HoldCo 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the 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
State Authorised Public Accountant
mne17120

Daniel Nielsen
State Authorised Public Accountant
mne45105

Company Information

The Company

Kelvin HoldCo A/S
Trollesmindealle 25
DK-3400 Hillerød

Central Business Registration No:	39 63 10 08
Registered in:	Hillerød
Financial period:	1 May 2020 to 30 April 2021
Municipality of reg. office:	Hillerød, Denmark

Board of directors

Bo Risberg, Chairman
Anna Karolina Levander
Sarah Katherine Newbitt
Rikke Kjær Nielsen
Peter Krogh

Executive Board

Olof Ludvig Enlund
Jacob Bryde Christensen
Lars Normand Hansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Milnersvej 43
DK-3400 Hillerød

Management's Review

Key activities

Kelvin HoldCo A/S ("the Company") is the ultimate parent company of The Group, a leading supplier of Validation and Monitoring Solutions. 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

The Group 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 Letchworth, United Kingdom.

Development in the year

During the year the Group has invested further in direct markets in Nordics. In February 2021, the Group 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 the Group announced establishment of Ellab Austria GmbH, a company specialized in thermal qualification and field services.

Revenue was DKK 497.2m (2019/20 DKK 257.0m) including acquisitions. Revenue has been somewhat impacted by Covid-19 slow down and travel restrictions, but the Group 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 109.3m (2019/20 DKK 1.0m) before special items and profit for the year of DKK 53.4m (2019/20 DKK -42.5m).

Profit from operating activities and profit for the year are impacted by Special items of DKK 10.2m (2019/20 DKK 39.2m). Most one-off expenses are related to acquisitions.

For a description of the comparison figures in the P&L, reference is made to the separate section "Comparison figures in note 1.

The balance sheet at 30 April 2021 of the Company shows equity of DKK 1,567.2m (2019/20 DKK 1,507.5m). Total assets amount to DKK 2,658.1m (2019/20 DKK 2,638.7m).

Cash flow from operating activities was positive by DKK 119.0m for 2020/21. Cash flow from investing activities amounted to negative DKK 53.0m. Cash flow is impacted by acquisition of subsidiaries of DKK 23.2m.

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 the Group is exposed to risks inherent in international activities, including currency risks and interest rate risks.

The risks are described in detail in the notes to the consolidated financial statements.

Management's Review

Research and development

The Group continuously develops the products and processes within both Equipment and Field Services.

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

The Group 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

The Group 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 The Group may deal with, and wherever the Group may operate, The Group is committed to doing so lawfully, ethically and with integrity. The Group request and demand decent and proper conduct of business from company associates involved in trade with Ellab. The Group is of the conviction that it is of unquestionable mutual interest, that existing rules and conventions are always adhered to. To trade with the Group 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.

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 the 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 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 at 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

The Group is described by the following financial highlights:

	2020/21 12 months TDKK	2019/20 16 months TDKK	2018 7 months TDKK
Kelvin HoldCo A/S			
Key figures			
Income statement			
Revenue	497.171	256.978	0
Gross profit/loss	326.329	170.402	0
Operating profit/loss	109.341	1.035	0
Net financials	-17.115	-37.813	0
Net profit/loss for the year	53.381	-42.467	-12
Balance Sheet			
Balance sheet total	2.658.071	2.638.726	50
Equity	1.567.218	1.507.500	38
Cash flows			
From investment in property, plant and equipment	-21.792	-17.898	0
Number of employees	373	270	0
Ratios			
EBITDA	192.677	63.826	-
Adjusted EBITDA	202.866	103.040	-
Solvency ratio	59,0%	57,1%	0,0%
Return on equity	3,5%	-5,6%	N/A

The Group was established on 11 June 2018, and the financial year 2018 only covers the period 11 June to 31 December 2018 (7 months).

The comparison year 2019/20 covers the period 1 January 2019 - 30 April 2020 (16 months).

Through the subsidiary Kelvin BidCo A/S, the Company acquired Saballe TopCo ApS, the owner of Ellab A/S, on 26 September 2019. Hence the figures in the income statement for 2019/20 do not cover a full 12 months owner period.

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

		1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	Notes	TDKK	TDKK
Revenue	3	497.171	256.978
Cost of production	4, 5	(170.841)	(86.575)
Gross profit		326.329	170.402
Distribution costs	4, 5	(159.253)	(103.515)
Development costs	4, 5	(21.084)	(10.770)
Administration costs	4, 5	(26.462)	(15.869)
Profit/loss before special items		119.531	40.249
Special items	6	(10.190)	(39.214)
Profit/loss before net financials		109.341	1.035
Financial income	7	29.002	12.158
Financial expenses	8	(46.117)	(49.971)
Profit/loss before tax		92.226	(36.778)
Income tax expense	9	(38.844)	(5.689)
Profit/loss for the year		53.381	(42.467)

Consolidated Statement of Comprehensive Income

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
Profit for the period	53.381	(42.467)
Other comprehensive income		
<i>Items that will be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(3.228)	194
Other comprehensive income for the period, net of tax	(3.228)	194
Total comprehensive income for the period	50.154	(42.274)

Consolidated Balance Sheet

	Notes	30 April 2021 TDKK	30 April 2020 TDKK
Intangible assets	10	2.304.637	2.326.189
Property, plant and equipment	11	39.231	36.787
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		2.400.102	2.425.506
Inventories	14	32.896	27.149
Trade receivables	15	102.394	100.122
Contract assets	15	5.593	2.144
Other receivables		3.811	4.381
Prepayments		5.438	4.628
Cash and cash equivalents		107.837	74.797
Total current assets		257.970	213.220
Total assets		2.658.071	2.638.726
	Note	30 April 2021 TDKK	30 April 2020 TDKK
Share capital	17	155.466	154.904
Foreign currency translation reserve		(3.034)	194
Retained earnings		1.414.787	1.352.403
Total equity		1.567.218	1.507.501
Borrowings	18	694.887	718.146
Lease liabilities	13	47.920	52.505
Deferred tax liabilities	12	216.942	228.659
Other payables		3.442	5.503
Warranty provisions		0	250
Total non-current liabilities		963.191	1.005.063
Borrowings	18	0	31.313
Trade payables		13.850	14.977
Contract liabilities	16	492	1.830
Lease liabilities	13	9.535	9.318
Income tax payables		44.177	17.486
Other payables		54.185	48.446
Deferred revenue	15	5.423	2.793
Total current liabilities		127.662	126.162
Total liabilities		1.090.853	1.131.226
Total equity and liabilities		2.658.071	2.638.726

Consolidated Statement of Changes in Equity

	Notes	Share capital TDKK	Share premium TDKK	Foreign currency translation reserve TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 May 2020	17	154.904	0	194	1.352.403	1.507.501
Profit for the year		0	0	0	53.381	53.381
Other comprehensive income		0	0	(3.228)	0	(3.228)
Total comprehensive income for the period		0	0	(3.228)	53.381	50.154
Capital increase		562	9.438	0	0	10.000
Transferred from share premium		0	(9.438)	0	9.438	
Acquisition of treasury shares		0	0	0	(8.290)	(8.290)
Disposal of treasury shares		0	0	0	7.854	7.854
Total transactions with owners in their capacity as owners		562	0	0	9.003	9.564
Equity at 30 April 2021		155.466	0	(3.034)	1.414.787	1.567.218
	Notes	Share capital TDKK	Share premium TDKK	Foreign currency translation reserve TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January 2019	17	50	0	0	(12)	38
Profit for the year		0	0	0	(42.467)	(42.467)
Other comprehensive income		0	0	194	0	194
Total comprehensive income for the period		0	0	194	(42.467)	(42.274)
Capital increase		154.899	1.394.882	0	0	1.549.781
Transferred from share premium		0	(1.394.882)	0	1.394.882	
Capital reduction		(45)	0	0	0	(45)
Total transactions with owners in their capacity as owners		154.854	0	0	1.394.882	1.549.736
Equity at 30 April 2020		154.904	0	194	1.352.403	1.507.501

Consolidated Cash Flow Statement

		1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	Notes	TDKK	TDKK
Profit/loss for the year		53.381	(42.467)
Adjustments	27	142.235	101.465
Changes in net working capital	28	(8.218)	(67.259)
Interests received		2.565	296
Interests paid		(43.673)	(25.405)
Income taxes paid		(27.317)	(24.633)
Net cash flow from operating activities		118.973	(58.002)
Purchase of intangible assets	10	(8.396)	(2.942)
Purchase of property, plant and equipment	11	(21.792)	(17.898)
Payment for acquisition of subsidiary, net of cash acquired	21	(23.163)	(1.755.990)
Sale of property, plant and equipment		365	0
Net cash flow from investing activities		(52.986)	(1.776.830)
Repayment of loans		(31.313)	(384.500)
Raising of loans		0	748.813
Principal elements of lease payments	13	(9.726)	(4.496)
Acquisition of treasury shares		(8.290)	0
Disposal of treasury shares		7.854	
Cash capital increase		10.000	1.549.786
Cash flow from financing activities		(31.475)	1.909.603
Net cash flow for the year		34.513	74.771
Cash and cash equivalents, beginning of the year		74.797	50
Effects of exchange rate changes on cash and cash equivalents		(1.472)	(25)
Cash and cash equivalents at end of the year		107.837	74.797
Cash and cash equivalents comprise the following:			
Cash at bank and in hand		107.837	74.797
Cash and cash equivalents at end of the year		107.837	74.797

Notes

1. Accounting policies
2. Critical accounting estimates and judgements
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5. Amortisation, depreciation and impairment losses
6. Special items
7. Financial income
8. Financial expenses
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Notes

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.

The annual report has been prepared under the historical cost convention, except for derivative financial instruments that are measured at fair value. 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.

Comparison figures

The comparison period 2019/20 covers the period 1 January 2019 - 30 April 2020 (16 months).

Through the subsidiary Kelvin BidCo A/S, the Company acquired Saballe TopCo ApS, the owner of Ellab A/S, on 26 September 2019. Hence the figures in the income statement for 2019/20 do not cover a full 12 months owner period.

Consequently, the figures in the financial statements are not directly comparable.

Basis of consolidation

The consolidated financial statements include the parent company, Kelvin HoldCo 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, the Group applies the practical expedient in IFRS 15, whereby revenue is recognised in the amount to which the Group has a right to invoice, as this corresponds directly with the value of the completed services.

Cost of production

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

Distribution costs

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

Notes

Development costs

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

Administrative costs

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

Other operating income and expenses

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

Special items

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

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

Financial income and expenses

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

Income tax

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

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

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

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

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

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

Notes

Intangible assets

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the total revenue 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
Brand	20 years
Customers and distributors	5-20 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.

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.

Treasury shares

Cost of acquisition and consideration received are recognised directly in equity as retained earnings. Gains and losses on sale are thus recognised directly in equity.

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.

Derivative financial instruments

Derivative financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Fair values of derivative financial instruments are calculated on the basis of observable data applying generally accepted valuation methods.

Changes in the fair values of derivative financial instruments entered into for the purpose of hedging cash flow which do not qualify for hedge accounting Gains and losses on derivative financial instruments are recognised as they arise in financial income and expense.

Notes

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.

Provisions

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

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

Fair value estimation

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

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

Cash flow statement

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

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

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

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

Key Figures

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

Financial highlights

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

Adjusted EBITDA

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

Notes

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

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 January 2019 to 30 April 2020
	TDKK	TDKK
Sale of equipment	372.910	223.995
Field service contracts and other consultancy services	124.261	32.983
	497.171	256.978

Revenue is recognised as follows:

At a point in time	372.910	223.995
Over time	124.261	32.983
	497.171	256.978

4. Employee costs

	TDKK	TDKK
Wages and salaries	169.859	72.121
Defined contribution plans	6.771	3.210
Other social security costs	18.209	4.557
Other staff costs	4.940	0
	199.778	79.888

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

Cost of production	101.292	32.117
Distribution expenses	61.720	32.494
Development expenses	20.138	10.940
Administrative expenses	16.628	4.337
	199.778	79.888

Average number of employees	373	270
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Key Management Compensation

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

	TDKK	TDKK
Wages and salaries and Board fee	0	2.655
Wages and salaries	5.735	0
Board fee	625	0
Defined contribution plans	399	170
Other social security costs	4	1
Total compensation of key management personnel	6.762	2.826

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 January 2019 to 30 April 2020.

Notes

5. Depreciation, amortisation and impairment losses

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
Depreciation on property, plant and equipment	14.807	8.420
Amortisation on intangible assets	60.564	50.244
Depreciation on right-of-use assets	7.965	4.128
Depreciation, amortisation and impairment losses	83.336	62.792

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

Cost of production	9.870	6.057
Distribution expenses	65.475	52.945
Development expenses	3.535	848
Administrative expenses	4.456	2.942
	83.336	62.792

6. Special items

	TDKK	TDKK
Acquisition cost and transfer of IP for acquired companies	2.881	35.071
Legal cost for preliminary compliance study	3.590	2.703
Other	3.719	1.440
	10.190	39.214

7. Financial income

	TDKK	TDKK
Foreign exchange rate gains	26.650	10.965
Other financial income	2.353	1.193
	29.002	12.158

8. Financial expenses

	TDKK	TDKK
Foreign exchange rate losses	6.708	12.650
Interest expense on lease liabilities	2.912	1.633
Other financial expenses	36.497	35.688
	46.117	49.971

Notes

9. Tax on profit for the year

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
<i>Current tax:</i>		
Current tax on profits for the year	52.897	(5.275)
Current tax on profits for previous years	(567)	0
Deferred tax on profit for the year	(17.815)	10.964
Deferred tax on profit for previous years	4.329	0
	38.844	5.689
Calculated 22.0% tax on profit for the year before income tax	20.290	(8.091)
Tax effects of:		
Differences in the tax rates in foreign subsidiaries relative to 22%	(6.323)	499
Transfer of IP at a differentiated corporate tax rate	12.175	0
Taxable losses not recognised	102	0
Non-deductible expenses	131	7.576
Adjustment of tax relating to previous years	3.504	0
Additional deductions for specific expenses	(698)	0
Intercompany eliminations without tax impact	1.763	0
Unrecognised deferred tax assets	8.155	2.925
Other	(255)	2.780
	18.554	13.780
Effective tax rate	42%	-15%

Notes

	Goodwill TDKK	Patents and trademarks TDKK	Brand TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
10. Intangible assets								
<i>Cost:</i>								
At 1 May 2020	1.273.312	543	85.937	677.983	310.191	4.075	5.636	2.357.677
Additions during the year	0	996	0	0	0	853	6.547	8.396
Acquisition of business	14.754	0	0	10.905	5.982	0	0	31.641
Disposals during the year	0	0	0	0	0	0	0	0
Transfers for the year	0	(918)	0	0	0	8.617	(8.617)	(918)
Exchange difference	(1)	0	0	(6)	1	0	0	(6)
At 30 April 2021	1.288.065	621	85.937	688.882	316.174	13.545	3.566	2.396.790
<i>Accumulated amortisation and impairment:</i>								
At 1 May 2020	0	17	2.506	19.723	8.448	794	0	31.488
Amortisation for the year	0	40	4.297	37.225	15.538	3.464	0	60.564
Impairment for the year	0	0	0	0	0	0	0	0
Transfers for the year	0	0	0	0	0	0	0	0
Exchange difference	0	0	0	99	0	2	0	101
At 30 April 2021	0	57	6.803	57.047	23.986	4.260	0	92.153
Carrying amount 30 April 2021	1.288.065	564	79.134	631.835	292.188	9.285	3.566	2.304.637

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. Brand is amortised over 20 years and customers and distributors is amortised over 5 - 20 years while technology is amortised over 20 years. Remaining useful life for brand is 19 years and for customers and distributors 4-19 years while remaining useful life for technology is 19-20 years.

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

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

Research and development costs expensed during the year amount to TDKK 21.084.

	Goodwill TDKK	Patents and trademarks TDKK	Brand TDKK	Customers and distributors TDKK	Technology TDKK	Completed development projects TDKK	Development projects in progress TDKK	Total TDKK
10. Intangible assets								
<i>Cost:</i>								
At 1 January 2019	0	0	0	0	0	0	0	0
Additions during the year	0	248	0	0	0	677	2.017	2.942
Acquisition of business	1.273.312	295	85.937	677.983	310.191	2.333	4.684	2.354.735
Disposals during the year	0	0	0	0	0	0	0	0
Transfers for the year	0	0	0	0	0	1.065	(1.065)	0
Exchange difference	0	0	0	0	0	0	0	0
At 30 April 2020	1.273.312	543	85.937	677.983	310.191	4.075	5.636	2.357.677
<i>Accumulated amortisation and impairment:</i>								
At 1 January 2019	0	0	0	0	0	0	0	0
Amortisation for the year	0	17	2.506	19.723	8.448	794	0	31.488
Impairment for the year	0	0	0	0	0	0	0	0
Transfers for the year	0	0	0	0	0	0	0	0
Exchange difference	0	0	0	0	0	0	0	0
At 30 April 2020	0	17	2.506	19.723	8.448	794	0	31.488
Carrying amount 30 April 2020	1.273.312	526	83.431	658.260	301.743	3.281	5.636	2.326.189

Goodwill, brand, customers and distributors and technology relates to the acquisition of Ellab Group through the subsidiary, Kelvin BidCo A/S, Fas Italy, Hanwell Group, United Kingdom, Instrument Technology Limited, Ireland, Adsano Group, Germany and Switzerland, and Argideen Science Limited, Ireland, in 2019/20. Acquired technology relates to established systems and procedures while acquired customers and distributors relates to the existing network of customers and distributors that will expand the group's current markets. Acquired brand value relates to the purchase of the Ellab brand in September 2019.

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

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

Notes

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

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

Research and development costs expensed during the year amount to TDKK 10.770.

Impairment tests

The Group continuously assesses whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of goodwill and other assets with indefinite useful life is required, the Group estimates the recoverable amount of the asset. Goodwill, customers and distributors and technology relates to the acquisitions in 2019/20 and 2020/21 detailed above.

Result of the annual impairment test

The carrying amount of goodwill, TDKK 1.288.063, relating to the acquisition of FasInternational Sarl, Italy in 2018/19, Ellab A/S, 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.

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

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

Development projects in progress

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

Notes

11. Property, plant and equipment

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Total TDKK
<i>Cost:</i>					
At 1 May 2020	1.705	2.689	40.348	702	45.444
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	3.196	51.331	4.192	60.419
<i>Accumulated amortisation and impairment:</i>					
At 1 May 2020	14	620	7.919	103	8.656
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	1.256	18.062	1.813	21.188
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
<i>Cost:</i>					
At 1 January 2019	0	0	0	0	0
Additions during the year	0	812	16.703	383	17.898
Acquisition of business	1.705	1.878	23.106	320	27.009
Disposals during the year	0	0	(265)	0	(265)
Transfers for the year	0	0	0	0	0
Exchange difference	0	(1)	804	(1)	802
At 30 April 2020	1.705	2.689	40.348	702	45.444
<i>Accumulated amortisation and impairment:</i>					
At 1 January 2019	0	0	0	0	0
Amortisation for the year	14	620	7.683	103	8.420
Amortisation of sold assets during the year	0	0	(265)	0	(265)
Transfers for the year	0	0	0	0	0
Exchange difference	0	0	501	0	501
At 30 April 2020	14	620	7.919	103	8.656
Carrying amount 30 April 2020	1.691	2.069	32.429	599	36.787

Notes

12. Deferred tax

	30 April 2021	30 April 2020
	TDKK	TDKK
Deferred tax at 1 May	(226.183)	0
Deferred tax recognised in the statement of profit or loss	13.485	10.964
Additions relating to acquisition of subsidiaries	(3.716)	(237.147)
Deferred tax at 30 April	(216.413)	(226.183)
Deferred tax relates to:	TDKK	TDKK
Intangible assets	(216.277)	(226.061)
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
	(216.413)	(226.183)
Of which presented as deferred tax assets	529	2.476
Of which presented as deferred tax liabilities	(216.942)	(228.658)
	(216.413)	(226.183)

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	TDKK	TDKK
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 4.536).

Notes

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

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
Depreciation charge of right-of-use assets		
Properties	6.898	3.770
Cars and other leases	1.067	358
	7.965	4.128
Interest expense (included in financial expenses)	2.912	1.633
Expense relating to short-term leases (included in other operating expenses)	10	107
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 4.559).

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

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

	30 April 2021	30 April 2020
	TDKK	TDKK
14. Inventories		
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	24.514
Write-downs of inventories to net realisable value	1.718	2.111

	TDKK	TDKK
15. Trade receivables		
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 19. Financial risk management.

Movement on the Group's provision for impairment of trade receivables are as follows:	TDKK	TDKK
Opening balances	(972)	0
Increase in loss allowance recognised in profit or loss during the year	(1.578)	(972)
Unused amount reversed	972	0
Provision for impairment of trade receivables	(1.578)	(972)

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

Notes

16. Contract balances

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

	30 April 2021	30 April 2020
	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 liabilities are all related to ongoing field 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 in the Profit and Loss in the next financial year.

Revenue recognised in the reporting period that was included in deferred revenue at the beginning of the period is TDKK 2.793.

17. Share capital and treasury shares

<i>The share capital comprise:</i>	30 April 2021		30 April 2020	
	Number of shares	Nominal value (TDKK)	Number of shares	Nominal value (TDKK)
A shares	138.739.895	138.740	138.364.871	138.365
B shares	16.725.765	16.726	16.539.176	16.539
Share capital	155.465.660	155.466	154.904.047	154.904

All shares have a nominal value of DKK 1. Each A share and each B share shall carry 1 vote.

The A shares carry a preferential right to the amount paid plus an annual return of 10%. The remaining earnings will be distributed among the holders of B shares.

<i>Changes in share capital</i>	30 April 2021		30 April 2020	
	A shares	B shares	A shares	B shares
Opening balance	138.365	16.539	50	0
Capital reduction	0	0	-45	0
Capital increase	375	187	138.360	16.539
Share capital	138.740	16.726	138.365	16.539

Treasury shares

Kelvin HoldCo acquired 734,292 treasury shares of DKK 1, of which 659,941 A shares and 74,351 B shares, nominal at a value of TDKK 74 equal to 0.5 % of the share capital. The acquisition price for the shares was TDKK 8,290.

The shares were acquired in connection with a change in ownership.

483,154 treasury shares of nominal DKK 1, of which 422,092 A shares and 61,062 B shares, have been sold at a value of TDKK 7,854,

The Company owns 251,138 treasury shares at the balance sheet date, of which 237,849 A shares and 13,289 B shares, equal to 0.2% of the share capital.

Notes

18. Borrowings

Borrowings are comprised of acquisition related loans as well as credit facilities to fund the ongoing operations.

	Interest rate	Effective interest rate	Currency	Maturity	Carrying amount TDKK
Loan from credit institution	Fixed	3,59%	DKK	26 September 2026	490.000
Loan from credit institution	Variable	4,79%	USD	26 September 2026	221.244

19. 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.

As a result of the Group's international operating activities, the Group is exposed to fluctuations in foreign exchange rates. The Group has assessed the risks related to foreign exchange rate as normal. The Group's exchange rate exposure is primarily related to USD, EUR and GBP as a major part of the Group's sales are invoiced in those currencies. The Group handle 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.

The Group has entered into interest-bearing long-term loan agreements in USD.

Sensitivity:

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

	Impact on profit before tax	
	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
DKK/USD exchange rate - increase 5%	-11.062	-12.374
DKK/USD exchange rate - decrease 5%	11.062	12.374

The foreign exchange sensitivity analysis comprises effects from the group's loan in foreign currencies.

The Group does not hedge foreign currency risk. The sensitivity analysis is based on financial instruments recognized at 30 April 2021 in the balance sheet and the assumption that all other variables and exposures remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's main interest rate risk arises from long-term debt with variable rates, which exposes the group to cash flow interest rate risk. The risk is considered normal for the Group and is managed by derivatives such as interest rate swaps for debt with variable interest rates. At 30 April 2021, the Group has hedged 50 % of the Groups long-term debt carrying variable interest rates.

The fair value of interest rate swaps is TDKK 3.324 at 30 April 2021 (2019/20: TDKK 5.386), which is recognised as Other Payables. The maturity of derivatives is 31 October 2022. The group does not use hedge accounting for accounting purposes. Therefore, the fair value movement on the hedging instruments are recognised in the income statement.

Notes

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.

Maturity analysis

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

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

	Carrying amount	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
Non-derivatives	TDKK	TDKK	TDKK	TDKK	TDKK
As at 30 April 2021					
Borrowings	694.887	30.183	120.732	786.663	937.578
Lease liabilities	57.456	9.783	32.780	27.544	70.107
Trade payables	14.977	14.977	0	0	14.977
	767.320	54.943	153.512	814.207	1.022.662
Derivatives					
Interest rate swaps	3.324	0	3.324	0	3.324
	3.324	0	3.324	0	3.324
	Carrying amount	Less than 1 year	Between 1 and 5 year	More than 5 years	Total
Non-derivatives	TDKK	TDKK	TDKK	TDKK	TDKK
As at 30 April 2020					
Borrowings	718.146	65.972	138.731	786.663	991.366
Lease liabilities	61.823	9.318	32.158	35.537	77.013
Trade payables	14.977	14.977	0	0	14.977
	794.946	90.267	170.889	822.200	1.083.356
Derivatives					
Interest rate swaps	5.386	0	5.386	0	5.386
	5.386	0	5.386	0	5.386

Notes

Financial assets and liabilities per measurement category	30 April 2021	30 April 2020
	TDKK	TDKK
Financial assets		
Financial assets at amortised cost:		
Trade receivables	102.394	100.122
Contract assets	5.593	2.144
Cash and cash	107.837	74.797
	215.824	177.062
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	694.887	749.459
Lease liabilities	57.456	61.823
Trade payables	13.850	14.977
	766.193	826.259
Liabilities at fair value:		
Derivative financial instruments	3.324	5.386
	3.324	5.386

Financial assets and liabilities measured at fair value relate to derivatives. Calculation of fair value of these derivatives is based on valuation techniques and observable inputs such as interest rates, currency rates etc.

20. 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. 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.

Notes

21. 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
Net identifiable assets acquired	19.517
Goodwill	14.754
Net assets acquired	34.270
Less: Balances acquired	
Cash	-7.681
Investing 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.

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:

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

Saballe TopCo ApS

On 26 September 2019, Kelvin HoldCo A/S acquired 100% of the issued share capital of Saballe TopCo ApS through its subsidiary. Saballe TopCo Group owns 100% of the issued share capital of Ellab Group, a leading supplier of Validation and Monitoring Solutions. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fair value
	TDKK
Cash	30.016
Trade receivables	70.470
Inventories	31.305
Plant and equipment	20.842
Right-of-use assets	57.274
Other receivables	3.809
Deferred tax asset	1.630
Prepayments	4.417
Intangible assets: Development projects	7.102
Intangible assets: Customer and distributors	644.225
Intangible assets: Brand	85.937
Intangible assets: Technology	286.456
Intangible assets: Order backlog	18.308
Deferred tax liability relating to intangibles	-227.684
Borrowings	-348.493
Lease liabilities	-58.695
Trade payables	-14.153
Other liabilities	-3.410
Income tax payable	-19.473
Other liabilities	-25.221
Net identifiable assets acquired	564.661
Goodwill	1.250.008
Net assets acquired	1.814.669
Less: Balances acquired	
Cash	-30.016
Investing activities	1.784.653
Of which relating to:	
Reinvesting sellers	113.726
Net outflow of cash – investing activities	1.670.927

Goodwill of TDKK 1.250.008 arising from the acquisition is attributable to know-how and profitability of Group. The goodwill recognized is not deductible for income tax purposes.

Notes

Purchase Consideration

Of the total purchase consideration of TDKK 1.814.669, TDKK 113.826 is related to reinvesting sellers. The remaining purchase consideration has been settled in cash.

Acquired receivables

The fair value of acquired trade receivables is TDKK 70.470 with no loss allowance recognised in the acquisition.

Revenue and profit contribution

Acquisition contributed revenues of TDKK 256.978 and net loss of TDKK 43.479 to the group for the period from 26 September 2019 to 30 April 2020.

If the acquisitions had occurred on 1 May 2019 covering a 12 months period, consolidated pro-forma revenue and loss for the year ended 30 April 2020 would have been TDKK 464.554 and TDKK 28.697 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 31.201 are included in Special Items in the statement of profit or loss and in operating cash flows in the statement of cash flows.

22. Commitments and contingent liabilities

Charges and security

Shares in the subsidiaries Kelvin BidCo A/S, Saballe TopCo ApS, Ellab A/S, 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 Group has placed assets in its subsidiaries as security with Kelvin BidCo's credit institutions.

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. 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.

	1 May 2020 to 30 April 2021 TDKK	1 May 2020 to 30 April 2021 TDKK
23. Fee to auditors		
Audit fee to PwC	905	343
Audit fee to other auditors	533	61
Other assurance engagements	105	0
Tax advisory services	616	36
Non-audit services	344	342
	<u>2.503</u>	<u>782</u>

Notes

24. 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.

	30 April 2020	Financing cash flows	Additions	Changes in foreign exchange rates	Other changes*	30 April 2021
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Borrowings	749.459	-31.313	0	-26.232	2.973	694.887
Lease liabilities	61.823	-9.726	4.508	-2.060	2.912	57.456
Total liabilities from financing activities	811.282	-41.039	4.508	-28.292	5.885	752.344

	1 January 2019	Financing cash flows	Additions	Changes in foreign exchange rates	Other changes*	30 April 2020
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Borrowings	0	-384.500	1.133.313	646	0	749.459
Lease liabilities	0	-4.496	64.685	0	1.634	61.823
Total liabilities from financing activities	0	-388.996	1.197.998	0	0	811.282

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.

Notes

25. Related parties

Kelvin HoldCo Group's parent is: EQT Mid Market Europe

Transactions with key management personnel and the ultimate parent

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

Significant transactions between related parties

Transactions with related parties:

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

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.

26. Events after the balance sheet date

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

27. Cash flow statement - adjustments

	30 April 2021	30 April 2020
	TDKK	TDKK
Financial income	-29.002	-12.158
Financial expenses	46.117	49.971
Depreciation, amortisation and impairment losses, including losses and gains on sales	83.336	62.792
Tax on profit/loss for the year	38.844	5.689
Other adjustmentst	2.940	-4.829
	142.235	101.465

28. Changes in net working capital

	TDKK	TDKK
Change in inventories	-5.747	-27.149
Change in trade receivables	-2.273	-100.122
Change in contract assets	-3.449	-2.144
Change in other receivables	217	-6.752
Change in prepayments	-809	-4.628
Change in trade payables	-1.127	14.977
Change in contract liabilities	-1.338	1.830
Change in other payables	6.308	56.730
	-8.218	-67.259

Notes

29. List of group companies

The Group's principal subsidiaries at 30 April 2021 are set out below:

	Type	Place of incorporation	Ownership interest
Kelvin BidCo A/S	Subsidiary	Denmark	100%
Saballe TopCo ApS	Subsidiary	Denmark	100%
Ellab A/S	Subsidiary	Denmark	100%
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

		1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	Notes	TDKK	TDKK
Administration costs		(114)	(61)
Profit/loss before net financials		(114)	(61)
Financial income	1	523	79
Financial expenses	2	(4)	(2)
Profit/loss before tax		406	16
Income tax expense	3	(89)	(1)
Profit/loss for the year		317	15

Statement of Comprehensive Income - Parent

		1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
		TDKK	TDKK
Profit for the period		317	15
<i>Other comprehensive income</i>			
<i>Items that will be subsequently reclassified to profit or loss</i>			
Other comprehensive income for the period, net of tax		0	0
Total comprehensive income for the period		317	15

Balance Sheet - Parent

	<u>Notes</u>	<u>30 April 2021</u> <u>TDKK</u>	<u>30 April 2020</u> <u>TDKK</u>
Investments in subsidiaries	5	1.528.700	1.528.700
Total non-current assets		1.528.700	1.528.700
Receivables from group enterprises		23.601	13.078
Corporation tax receivable from group enterprises		13.365	12.739
Cash and cash equivalents		8.243	8.047
Total current assets		45.210	33.864
Total assets		1.573.910	1.562.564

	<u>Note</u>	<u>30 April 2021</u> <u>TDKK</u>	<u>30 April 2020</u> <u>TDKK</u>
Share capital	6	155.466	154.904
Retained earnings		1.404.205	1.394.885
Total equity		1.559.671	1.549.789
Trade payables		63	35
Income tax payables		10.749	12.740
Other payables		3.428	0
Total current liabilities		14.240	12.775
Total liabilities		14.240	12.775
Total equity and liabilities		1.573.910	1.562.564

Statement of Changes in Equity - Parent

	Share capital TDKK	Share premium TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 May 2020	154.904	0	1.394.885	1.549.789
Profit for the year	0	0	317	317
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	317	317
Capital increase	562	9.438	0	10.000
Transferred from share premium	0	(9.438)	9.438	0
Acquisition of treasury shares	0	0	(8.290)	(8.290)
Disposal of treasury shares	0	0	7.854	7.854
Total transactions with owners in their capacity as owners	562	0	9.003	9.565
Equity at 30 April 2021	155.466	0	1.404.205	1.559.671
Equity at 1 January 2019	50	0	(12)	38
Profit for the year	0	0	15	15
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	15	15
Capital increase	154.899	1.394.882	0	1.549.781
Transferred from share premium	0	(1.394.882)	1.394.882	0
Capital reduction	(45)	0	0	(45)
Total transactions with owners in their capacity as owners	154.854	0	1.394.882	1.549.736
Equity at 30 April 2020	154.904	0	1.394.885	1.549.789

Cash Flow Statement - Parent

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
Notes	TDKK	TDKK
Profit/loss for the year	317	15
Adjustments	13 (430)	(76)
Changes in net working capital	14 3.456	24
Interests paid	(5)	(2)
Income taxes paid	(2.705)	0
Net cash flow from operating activities	632	(39)
Payment for acquisition and capital increase in subsidiaries	0	(1.386.026)
Loans to related parties and repayment	(10.000)	(13.000)
Net cash flow from investing activities	(10.000)	(1.399.026)
Acquisition of treasury shares	(8.290)	0
Disposal of treasury shares	7.854	0
Cash capital increase	10.000	1.407.112
Cash flow from financing activities	9.564	1.407.112
Net cash flow for the year	197	8.047
Cash and cash equivalents, beginning of the year	8.047	0
Cash and cash equivalents at end of the year	8.243	8.047
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	8.243	8.047
Cash and cash equivalents at end of the year	8.243	8.047

Notes

1. Accounting policies
2. Financial income
3. Financial expenses
4. Tax on profit for the year
5. Investments in subsidiaries
6. Share capital
7. Financial risk management
8. Capital management
9. Commitments and contingent liabilities
10. Fee to auditors
11. Related parties
12. Events after the balance sheet date
13. Cash flow statement - adjustments
14. 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 large enterprises reporting in class C. The Parent Company Financial Statements for 2020/21 are presented in Danish kroner (TDKK), which is considered the functional currency of the company's activities.

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Critical accounting estimates and judgements

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

Notes

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
2. Financial income		
Interest received from group companies	523	79
	523	79
3. Financial expenses		
Other financial expenses	4	2
	4	2
4. Tax on profit for the year		
<i>Current tax:</i>		
Current tax on profits for the year	89	1
	89	1
Calculated 22.0% tax on profit for the year before income tax	89	4
Tax effects of:		
Adjustment of tax relating to previous years	0	(3)
	0	(3)
Effective tax rate	22%	6%

Notes

	30 April 2021	30 April 2020
	TDKK	TDKK
5. Investment in subsidiaries		
<i>Cost:</i>		
At 1 May	1.528.700	50
Additions during the year	0	1.528.650
At 30 April	1.528.700	1.528.700
Carrying amount 30 April	1.528.700	1.528.700

Reference is made to note 29 in the consolidated financial statements for an overview of subsidiaries.

6. Share capital

For a specification of the share capital of the Parent, reference is made to note 16 of the consolidated financial statements.

7. Financial risk management

The activity of the Parent is limited, and the main financial risk that the company is exposed to is credit risk.

Credit risk

The Parent's primary credit exposure is related to group receivables. The Company has significant intercompany receivables related to loan to group companies. The credit loss is estimated to TDKK 0.

	30 April 2021	30 April 2020
	TDKK	TDKK
Financial assets and liabilities per measurement category		
Financial assets		
Financial assets at amortised cost:		
Receivables from Group	23.601	13.078
Cash and cash equivalents	8.243	8.047
	31.845	21.125
Financial liabilities		
Liabilities at amortised cost:		
Trade payables	63	35
	63	35

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

Notes

8. Capital management

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

9. Commitments and contingent liabilities

Charges and security

Shares in the subsidiaries Kelvin BidCo A/S, Saballe TopCo ApS, Ellab A/S, 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 Group has placed assets in its subsidiaries as security with the Kelvin BidCo's credit institutions.

Contingent liabilities

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

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

10. Fee to auditors

Audit fee to PwC

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
	113	61
	113	61

11. Related parties

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

Significant transactions between Kelvin HoldCo A/S and subsidiaries

Loans from Kelvin HoldCo A/S to subsidiaries of DKK 23,601k (2019/20: DKK 13,000k) with an interest rate of 4 % and accrued interest amounting to DKK 601k. The loans are repayable upon 5 business days written notice and is expected to be repaid in cash.

12. Events after the balance sheet date

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

13. Cash flow statement - adjustments

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
Financial income	-523	-79
Financial expenses	4	2
	-430	-76

14. Changes in net working capital

	1 May 2020 to 30 April 2021	1 January 2019 to 30 April 2020
	TDKK	TDKK
Change in trade payables and other payables	3.456	24
	3.456	24