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Labflex Holding ApS

Hjortevej 3
7800 Skive
Central Business Registration
No 37128112

Annual report 2017

The Annual General Meeting adopted the annual report on 05.07.2018

Chairman of the General Meeting

Name: Stig Blicher Rasmussen

Contents

Entity details

Entity
Labflex Holding ApS
Hjortevej 3
7800 Skive

Central Business Registration No (CVR): 37128112
Registered in: Skive
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Lars Foghsgaard, Chairman
Ivar Malte Foghsgaard
Johan Caspar Foghsgaard

Executive Board
Lars Foghsgaard

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Labflex Holding ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 05.07.2018

Executive Board

Lars Foghsgaard

Board of Directors

Lars Foghsgaard Chairman	Ivar Malte Foghsgaard	Johan Caspar Foghsgaard

Independent auditor's report

To the shareholders of Labflex Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Labflex Holding ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Material uncertainty related to going concern

Without modifying our opinion, we refer to Management's description of uncertainties related to the groups continued operations (going concern) in note 1. The continued operations are dependent on Management maintaining the available credit facilities as well as a positive outcome of the upcoming stakeholder negotiations.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and parents financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Entity’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 consolidated financial statements and the parent 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 Entity’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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

Independent auditor's report

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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 05.07.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Torben Skov
State Authorised Public Accountant
Identification No (MNE) mne19689

Management commentary

	2017 DKK'000	2015/16 DKK'000
Financial highlights		
Key figures		
Gross profit	7.974	16.616
Operating profit/loss	(63.905)	(92.150)
Net financials	(7.915)	(6.577)
Profit/loss for the year	(75.993)	(107.791)
Profit/loss for the year excl minority interests	(75.993)	(107.791)
Total assets	129.861	181.223
Investments in property, plant and equipment	222	20.359
Equity	(52.589)	(17.855)
Equity excl minority interests	(45.378)	(17.855)
Net interest-bearing debt	(105.012)	(92.091)
Cash flows from (used in) operating activities	(55.140)	(27.368)
Cash flows from (used in) investing activities	(1.344)	(124.726)
Cash flows from (used in) financing activities	62.473	137.341
Average numbers of employees	113	133
Ratios		
Equity ratio (%)	(34,9)	(9,9)

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The purpose of the company is to own shares in Labflex A/S and other related operations.

Development in activities and finances

The Group’s net profit before tax reached DKK -71,820k against DKK -98,727k in 2016.

Like 2016 the first 7 months of 2017 were a challenging period - primarily related to the final completion and handover of three major projects that for a number of reasons have been a challenge to execute and finalize. After completion of these problematic projects management have seen significant improvement in the profit margin for our projects and the project gross margins for the last 5 months in 2017 are back to a normal and solid level – almost twice as large as the weighted project gross margin for 2016. A number of the improvement initiatives that were mentioned in the annual report for 2016 have been implemented during 2017. These initiatives have primarily been addressing improvement in production and logistics as well as improvements in tools and methods concerning the project execution.

The above mentioned issues are the primary drivers behind the negative result for 2017 that seen from an overall perspective is unsatisfactory. On the other hand it is important to mention that the operational result for 2017 is in line with the forecast made by the beginning of 2017. It is also worth noticing that there has been significant improvement in the results during 2017. The EBITDA result for the period August – December was signicantly improved compare to first half year. This steady improvement of the operational resultat has continued in 2018. This underline that the defined turnaround plan implemented in beginning of 2017 is being executed as planned and will continue to be implemented and finalised during 2018.

A central part of the financial turnaround plan has focused on reducing capacity cost significantly. That process has primarily resulted in two rounds og layoffs and a significant reduction in the number of employees.

Uncertainty relating to recognition and measurement

In the preparation of the annual report, accounting estimates and judgements were made in accordance with statutory provisions and Danish law - see the description under Accounting Policies. The estimates are based on assumptions which management considers realistic, sound and defensible.

Future plans are based on expectations of market development, strategic initiatives, analysis of the operation and structural measures as well as historical results. The assumptions and estimates prepared for the long-term development of the market and the related expectations of both the Company's and the Group's development are inherently subject to uncertainty.

Outlook

A further positive development is expected in the coming year, but it is at the same time important to state that in line with the turnaround plan from start of 2017, and as stated in the management commentary for 2017, year 2018 will be a year with focus on stabilizing the business. The focus in this period will be on building the right structure and organizational base for the future business and the expected long term

Management commentary

growth development. Fllowing the significant reduction of the capacity cost during second half 2017 and spring 2018 the total cost is now in balance with the projected turnover for 2018 and 2019.

During 2018, as it was also the case in 2017, the geographical focus will primarily be on the Danish and Norwegian market as well as on United Kingdom and global key accounts– where management see some very interesting leads, a good order conversion rate and a strong basic order back-log.

The focus will continuously be on improving cross-functional processes and a balanced approach that should target a strong pipeline and excellent project execution through satisfied customers and happy employees which also will be leading to improvements in the financial position over the coming years.

Particular risks

The Group's activities create exposure to a variety of financial risks. These risks include market risk (such as foreign exchange risk and interest rate risk), credit risk and liquidity risk that will affect the Group's net result and/or equity.

The parent company manages the Group's financial risks centrally and coordinates the Group's cash management. The Group pursues a policy of having a low risk profile implying that foreign currency, interest rate and credit risks that arise from commercial activities are controlled.

Liquidity risk results from the Group's potential inability to meet the obligation associated with its financial liabilities, e.g. paying its suppliers and setting finance lease obligations. The Group's liquidity is managed by the parent company.

The Group's liquidity situation based on bank credit lines is satisfactory.

Management refer to note 1, where material uncertainties relating to the Group's continued operations (going concern) are described. It is Management's assessment, that the prerequisites for the continued operations are achievable.

Special risks

The Group is, to this date, not engaged in any legal actions, hence no provisions have been made in this respect.

The Group has signed insurance to cover generally occurring risks regarding assets and interruptions**.**

Environmental performance

The environment has become a central topic on the Group's agenda. The Group runs its business with the highest possible respect for environmental matters with regard to own production as well as the products sold.

The use of polluting auxiliary substances in the production process is very limited.

Management commentary

Research and development activities

The Group develops new products and maintains its design continuosly.

Based on assesments of the specific development activities, development costs are regulary espensed in the income statement.

Consolidated income statement for 2017

	Notes	2017 DKK'000	2015/16 DKK'000
Gross profit	4, 5	**7.974**	**16.616**
Distribution costs	4, 5	(17.942)	(25.270)
Administrative expenses	4, 5	(53.937)	(83.496)
Operating profit/loss		**(63.905)**	**(92.150)**
Other financial income		478	162
Financial expenses from group enterprises		(867)	0
Other financial expenses		(7.526)	(6.739)
Profit/loss before tax		**(71.820)**	**(98.727)**
Tax on profit/loss for the year	6	(4.173)	(9.064)
Profit/loss for the year	7	**(75.993)**	**(107.791)**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2015/16 DKK'000
Completed development projects		638	24
Acquired intangible assets		0	2.635
Acquired patents		79	70
Goodwill		50.197	75.255
Development projects in progress		0	802
Intangible assets	8	**50.914**	**78.786**
Plant and machinery		8.272	9.975
Other fixtures and fittings, tools and equipment		969	1.845
Leasehold improvements		4.409	4.869
Property, plant and equipment	9	**13.650**	**16.689**
Deposits		1.666	1.602
Deferred tax	11	0	4.500
Fixed asset investments	10	**1.666**	**6.102**
Fixed assets		**66.230**	**101.577**
Raw materials and consumables		3.230	6.319
Work in progress		1.558	2.269
Manufactured goods and goods for resale		2.881	2.712
Inventories		**7.669**	**11.300**
Trade receivables		29.803	24.897
Contract work in progress	12	15.977	35.460
Other receivables		1.325	3.885
Joint taxation contribution receivable		357	0
Prepayments	13	1.229	911
Receivables		**48.691**	**65.153**
Cash		**7.271**	**3.193**
Current assets		**63.631**	**79.646**
Assets		**129.861**	**181.223**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2015/16 DKK'000
Contributed capital		11.126	9.003
Retained earnings		(56.504)	(26.858)
Equity attributable to the Parent's owners		**(45.378)**	**(17.855)**
Share of equity attributable to minority interests		**(7.211)**	**0**
Equity		**(52.589)**	**(17.855)**
Other provisions	14	2.538	3.385
Provisions		**2.538**	**3.385**
Subordinate loan capital	15	30.044	47.361
Bank loans		90.000	70.000
Finance lease liabilities		5.161	6.098
Non-current liabilities other than provisions	16	**125.205**	**123.459**
Current portion of long-term liabilities other than provisions	16	1.087	1.212
Bank loans		16.035	17.946
Prepayments received from customers		3.365	166
Trade payables		11.443	38.585
Payables to group enterprises		12.946	66
Income tax payable		57	28
Other payables		9.774	14.231
Current liabilities other than provisions		**54.707**	**72.234**
Liabilities other than provisions		**179.912**	**195.693**
Equity and liabilities		**129.861**	**181.223**

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Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Share of equity attributable to minority interests DKK'000
Equity beginning of year	9.003	0	(26.858)	0
Increase of capital	2.123	29.278	0	9.618
Transferred from share premium	0	(29.278)	29.278	0
Exchange rate adjustments	0	0	240	0
Other entries on equity	0	0	16.829	(16.829)
Profit/loss for the year	0	0	(75.993)	0
Equity end of year	**11.126**	**0**	**(56.504)**	**(7.211)**

	Total DKK'000
Equity beginning of year	(17.855)
Increase of capital	41.019
Transferred from share premium	0
Exchange rate adjustments	240
Other entries on equity	0
Profit/loss for the year	(75.993)
Equity end of year	**(52.589)**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2015/16 DKK'000
Operating profit/loss		(63.905)	(92.150)
Amortisation, depreciation and impairment losses		32.190	54.376
Other provisions		(847)	2.285
Working capital changes	17	(12.852)	14.698
Cash flow from ordinary operating activities		**(45.414)**	**(20.791)**
Financial income received		143	162
Financial income paid		(9.841)	(6.739)
Income taxes refunded/(paid)		(28)	0
Cash flows from operating activities		**(55.140)**	**(27.368)**
Acquisition etc of intangible assets		(1.067)	(3.516)
Acquisition etc of property, plant and equipment		(222)	(4.118)
Sale of property, plant and equipment		8	2.499
Acquisition of fixed asset investments		(68)	0
Sale of fixed asset investments		5	0
Acquisition of enterprises		0	(119.591)
Cash flows from investing activities		**(1.344)**	**(124.726)**
Loans raised		20.000	70.000
Repayments of loans etc		0	(19.186)
Incurrence of debt to group enterprises		12.125	3.199
Incurrence of debt to associates		0	31.133
Reduction of lease commitments		(1.062)	0
Cash increase of capital		31.410	52.195
Cash flows from financing activities		**62.473**	**137.341**
Increase/decrease in cash and cash equivalents		**5.989**	**(14.753)**
Cash and cash equivalents beginning of year		(14.753)	0
Cash and cash equivalents end of year		**(8.764)**	**(14.753)**

	Notes	2017 DKK'000	2015/16 DKK'000
Cash and cash equivalents at year-end are composed of:			
Cash		7.271	3.193
Short-term debt to banks		(16.035)	(17.946)
Cash and cash equivalents end of year		**(8.764)**	**(14.753)**

Notes to consolidated financial statements

1. Going concern

Following the losses for 2016 and 2017, which in part are caused by a number of large, unprofitable projects as well as impairment losses on goodwill and unusual write-downs, the groups equity is negative.

As per May 2018, the group currently exceeds the budgeted revenue and the operating profit is in line with budget. Management expect 2018 will finish according to budget.

Management is working on reestablishing a positive equity. The current plan includes a turn-around and a two-step debt conversion, as well as negotiations with key stakeholders in order to improve the equity and solvency ratio. The last of the debt conversions was completed and registered in February 2018 and have increased the group equity by DKK 41m. Negotiations with key stakeholders are planned and confirmed to commence in the fall of 2018.

The current credit lines are sufficient to cover the expected cash needs for the group during the turn-around period.

The group does not currently meet the covenants set by the bank, however Management has obtained a confirmation ensuring that the bank will maintain the engagement despite the expected breach of covenants. The terms of the engagement are negotiated annually.

It is a material prerequisite, that Management is able to ensure continued credit facilities, finance the coming years operational activities and a positive outcome of the upcoming stakeholder negotiations has to be obtained to increase the equity and improve the solvency ratio.

In the unexpected event, that Management is unable to achieve this, there is a risk that the group will be unable to continue its operations.

2. Events after the balance sheet date

First part of a plan for conversion of owner debt to equity has been implemented in december 2017 and the second part of the conversion were completed in February 2018. Each conversion amounts to DKK 41m.

Other than this, no significant events, which affect the financial statement for 2017, have occurred after the balance sheet date.

3. Uncertainty relating to recognition and measurement

Goodwill is measured at cost less write-offs, when the recoverable amount is less than carrying amount. The recoverable amount is calculated as the higher of net sales price and the value in use.

Notes to consolidated financial statements

When calculating value in use, Management has extracted the estimated cash flows from the approved budgets and projections for the budget years 2018 – 2022. In addition to these estimates, Management has calculated a terminal period by projecting the final budget year using expected macroeconomics growth rates.

The turnaround process implemented beginning of 2017 will continue in 2018 and the progression is in accordance with the agreed plans. As per May 2018, the group currently exceeds the budgeted revenue and the operating profit is in line with budget. Based on this, it is Management's opinion, that the currently booked goodwill is not impaired.

The primary uncertainties relate to budget fulfillment. Other uncertainties relate to cost of capital (WACC) as well as growth and profit rates in the terminal period. Management has highlighted key figures and volatilities below.

		Volatility (change in value / change in rate)	
Key figure	**Applied rate %**	**+ 0,5 point mDKK**	**- 0,5 point mDKK**
WACC	11,45	(6,6)	7,3
Growth in terminal period	2,00	1,0	(1,0)
EBITDA-margin in terminal period	10,00	5,8	(5,3)

The applied assumptions are based on Management's best estimate of the growth and earnings. It is Management's expectations, that the long term growth rate does not exceed the marked rated as a whole.

Management notes, that should the expectations not be met, there is a significant risk, that goodwill would be impaired.

	2017 DKK'000	**2015/16 DKK'000**
4. Staff costs		
Wages and salaries	46.231	72.377
Pension costs	3.934	5.654
Other social security costs	211	306
Other staff costs	322	450
	50.698	**78.787**
Average number of employees	**113**	**133**

Notes to consolidated financial statements

	Remuneration of management 2017 DKK'000	Remuneration of management 2015/16 DKK'000
Total amount for management categories	3.844	3.928
	3.844	**3.928**

Referring to S. 98b of the Danish Financial Statements Act, the distribution of remuneration between the Executive Board and the Board of Directors has not been disclosed.

	2017 DKK'000	2015/16 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	8.562	25.459
Impairment losses on intangible assets	20.377	27.580
Depreciation on property, plant and equipment	3.219	3.698
Profit/loss from sale of intangible assets and property, plant and equipment	32	(2.361)
	32.190	**54.376**

	2017 DKK'000	2015/16 DKK'000
6. Tax on profit/loss for the year		
Current tax	(32)	28
Change in deferred tax	4.499	9.036
Adjustment concerning previous years	300	0
Refund in joint taxation arrangement	(594)	0
	4.173	**9.064**

	2017 DKK'000	2015/16 DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	(75.993)	(107.791)
	(75.993)	**(107.791)**

Notes to consolidated financial statements

8. Intangible assets	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Goodwill DKK'000
Cost beginning of year	808	2.635	79	128.246
Transfers	802	0	0	0
Additions	0	1.042	25	0
Cost end of year	**1.610**	**3.677**	**104**	**128.246**
Amortisation and impairment losses beginning of year	(784)	0	(9)	(52.991)
Impairment losses for the year	0	(3.677)	0	(16.700)
Amortisation for the year	(188)	0	(16)	(8.358)
Amortisation and impairment losses end of year	**(972)**	**(3.677)**	**(25)**	**(78.049)**
Carrying amount end of year	**638**	**0**	**79**	**50.197**

8. Intangible assets	Develop-ment projects in progress DKK'000
Cost beginning of year	802
Transfers	(802)
Additions	0
Cost end of year	**0**
Amortisation and impairment losses beginning of year	0
Impairment losses for the year	0
Amortisation for the year	0
Amortisation and impairment losses end of year	**0**
Carrying amount end of year	**0**

Development projects

The addition on development projects in progress relates to development of new products, which are intended to supplement and replace part of the current portfolio of Lab-equipment.

Management has decided to write down capitalised costs of DKK 3,677k relating to the development of a new ERP system.

Notes to consolidated financial statements

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
9. Property, plant and equipment			
Cost beginning of year	37.880	22.644	5.373
Additions	72	73	77
Disposals	(18.044)	(50)	0
Cost end of year	**19.908**	**22.667**	**5.450**
Depreciation and impairment losses beginning of year	(27.905)	(20.799)	(504)
Depreciation for the year	(1.735)	(949)	(537)
Reversal regarding disposals	18.004	50	0
Depreciation and impairment losses end of year	**(11.636)**	**(21.698)**	**(1.041)**
Carrying amount end of year	**8.272**	**969**	**4.409**
Recognised assets not owned by entity	**5.841**	**-**	**-**

	Deposits DKK'000	Deferred tax DKK'000
10. Fixed asset investments		
Cost beginning of year	1.602	12.535
Additions	69	0
Disposals	(5)	0
Cost end of year	**1.666**	**12.535**
Impairment losses beginning of year	0	(8.035)
Impairment losses for the year	0	(4.500)
Impairment losses end of year	**0**	**(12.535)**
Carrying amount end of year	**1.666**	**0**

Notes to consolidated financial statements

	2017 DKK'000	2015/16 DKK'000
11. Deferred tax		
Intangible assets	0	24
Property, plant and equipment	0	3.021
Receivables	0	7
Provisions	0	744
Other taxable temporary differences	0	704
	0	**4.500**

Changes during the year	
Beginning of year	4.500
Recognised in the income statement	(4.500)
End of year	**0**

On a general basis of prudence, the deferred tax asset is fully written down.

	2017 DKK'000	2015/16 DKK'000
12. Contract work in progress		
Contract work in progress	196.926	201.752
Progress billings regarding contract work in progress	(180.949)	(166.292)
	15.977	**35.460**

Prepayments by customers for the year recognised in liabilities by DKK 3,332k (2016: DKK 166k) have been set off against progress billings.

13. Prepayments

Prepayments comprise incurred cost relating to subsequent financial years. Prepayments are measured at cost.

14. Other provisions

Other provisions comprise costs for guarantees provided.

15. Subordinate loan capital

Subordinate loan capital consists of debt relating debt where the subsequent owner of the company has agreed to declare the debt subordinate to other creditors. The subordination expires in February 2018 when the second part of the conversion to equity were completed.

Notes to consolidated financial statements

	Due within 12 months 2017 DKK'000	Due within 12 months 2015/16 DKK'000	Due after more than 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
16. Liabilities other than provisions				
Subordinate loan capital	0	0	30.044	0
Bank loans	0	0	90.000	26.250
Finance lease liabilities	1.087	1.212	5.161	0
	1.087	**1.212**	**125.205**	**26.250**

	2017 DKK'000	2015/16 DKK'000
17. Change in working capital		
Increase/decrease in inventories	3.631	(6.648)
Increase/decrease in receivables	16.819	54.240
Increase/decrease in trade payables etc	(33.302)	(32.894)
	(12.852)	**14.698**

	2017 DKK'000	2015/16 DKK'000
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**24.168**	**29.698**
Liabilities under rental agreements or leases with group enterprises until expiry	**21.192**	**23.547**

	2017 DKK'000	2015/16 DKK'000
19. Contingent liabilities		
Recourse and non-recourse guarantee commitments	37.295	35.168
Contingent liabilities in total	**37.295**	**35.168**

The company has provided guarantees commitments relating to advance payment guarantees and performance bonds.

The Group subsidiary, Labflex A/S has submitted a letter of support to Labflex Ltd. Labflex A/S confirms its willingness to support Labflex Ltd. to the effect that Labflex Ltd. is able to settle its liabilities as they fall due and so that Labflex A/S will not require payment for the amount owed to it until June 2019. The support is limited til DKK 3,000k.

20. Assets charged and collateral

The Group has issued a company pledge of DKK 25,000k (2016: DKK 25,000k) as security for debt to bank. The security comprises inventories and un-secured claims relating to the sale of goods and services as well

Notes to consolidated financial statements

as goodwill, etc. The company pledge is carrying amount of mortgaged assets is DKK 51,839k (2016: DKK 71.657k).

The company has provided a guarantee for Labflex A/S as security for all debt to the bank. (maximum DKK 82.500k).

21. Transactions with related parties

In the financial year, the Group has only had related party transactions that are concluded on an arm’s length basis.

22. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Lars Foghsgaard Holding ApS, Gentofte, CVR-Nr. 33143341
Click here to enter text.

	Registered in	Corpo-rate form	Equity inte-rest %	Equity DKK'000	Profit/loss DKK'000
23. Subsidiaries					
Labflex A/S	Aarhus, Denmark	A/S	80,2	(36.326)	(47.512)
Labflex Ltd	Derbyshire, UK	Ltd.	80,2	(4.327)	(4.831)
Labflex Export ApS	Denmark, Aarhus	ApS	80,2	3.566	104
Labflex Inc	North Carolina, USA	Inc	80,2	(3.222)	(2.795)

Parent income statement for 2017

	Notes	2017 DKK'000	2015/16 DKK'000
Gross profit		**0**	**0**
Administrative expenses	4	(677)	(3.247)
Operating profit/loss		**(677)**	**(3.247)**
Income from investments in group enterprises		(65.705)	(102.571)
Other financial income		1.681	333
Other financial expenses		(4.490)	(2.306)
Profit/loss before tax		**(69.191)**	**(107.791)**
Tax on profit/loss for the year		63	0
Profit/loss for the year	5	**(69.128)**	**(107.791)**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2015/16 DKK'000
Investments in group enterprises		11.116	61.931
Fixed asset investments	6	**11.116**	**61.931**
Fixed assets		**11.116**	**61.931**
Receivables from group enterprises		14.513	0
Other receivables		609	464
Joint taxation contribution receivable		63	0
Receivables		**15.185**	**464**
Current assets		**15.185**	**464**
Assets		**26.301**	**62.395**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2015/16 DKK'000
Contributed capital		11.126	9.003
Retained earnings		(66.468)	(26.858)
Equity		**(55.342)**	**(17.855)**
Subordinate loan capital	7	30.044	28.683
Bank loans		50.000	50.000
Non-current liabilities other than provisions	8	**80.044**	**78.683**
Bank loans		378	346
Other payables		1.221	1.221
Current liabilities other than provisions		**1.599**	**1.567**
Liabilities other than provisions		**81.643**	**80.250**
Equity and liabilities		**26.301**	**62.395**

Going concern	1
Events after the balance sheet date	2
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Contingent liabilities	9
Assets charged and collateral	10
Related parties with controlling interest	11
Transactions with related parties	12

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Share premium DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	9.003	0	(26.858)	(17.855)
Increase of capital	2.123	29.278	0	31.401
Transferred from share premium	0	(29.278)	29.278	0
Exchange rate adjustments	0	0	240	240
Profit/loss for the year	0	0	(69.128)	(69.128)
Equity end of year	**11.126**	**0**	**(66.468)**	**(55.342)**

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Notes to parent financial statements

1. Going concern

Following the losses for 2016 and 2017, which in part are caused by a number of large, unprofitable projects as well as impairment losses on goodwill and unusual write-downs, the groups equity is negative.

As per May 2018, the group currently exceeds the budgeted revenue and the operating profit is in line with budget. Management expect 2018 will finish according to budget.

Management is working on reestablishing a positive equity. The current plan includes a turn-around and a two-step debt conversion, as well as negotiations with key stakeholders in order to improve the equity and solvency ratio. The last of the debt conversions was completed and registered in February 2018 and have increased the group equity by DKK 31,4m. Negotiations with key stakeholders are planned and confirmed to commence in the fall of 2018.

The current credit lines are sufficient to cover the expected cash needs for the group during the turn-around period.

The group does not currently meet the covenants set by the bank, however Management has obtained a confirmation ensuring that the bank will maintain the engagement despite the expected breach of covenants. The terms of the engagement are negotiated annually.

It is a material prerequisite, that Management is able to ensure continued credit facilities, finance the coming years operational activities and a positive outcome of the upcoming stakeholder negotiations has to be obtained to increase the equity and improve the solvency ratio.

In the unexpected event, that Management is unable to achieve this, there is a risk that the group will be unable to continue its operations.

2. Events after the balance sheet date

First part of a plan for conversion of owner debt to equity has been implemented in december 2017 and the second part of the conversion were completed in February 2018. Each conversion amounts to DKK 31,4m.

Other than this, no significant events, which affect the financial statement for 2017, have occurred after the balance sheet date.

3. Uncertainty relating to recognition and measurement

Goodwill is measured at cost less write-offs, when the recoverable amount is less than carrying amount. The recoverable amount is calculated as the higher of net sales price and the value in use.

Notes to parent financial statements

When calculating value in use, Management has extracted the estimated cash flows from the approved budgets and projections for the budget years 2018 – 2022. In addition to these estimates, Management has calculated a terminal period by projecting the final budget year using expected macroeconomics growth rates.

The turnaround process implemented beginning of 2017 will continue in 2018 and the progression is in accordance with the agreed plans. As per May 2018, the group currently exceeds the budgeted revenue and the operating profit is in line with budget. Based on this, it is Management's opinion, that the currently booked goodwill is not impaired.

The primary uncertainties relate to budget fulfillment. Other uncertainties relate to cost of capital (WACC) as well as growth and profit rates in the terminal period. Management has highlighted key figures and volatilities below.

		Volatility (change in value / change in rate)	
Key figure	**Applied rate %**	**+ 0,5 point mDKK**	**- 0,5 point mDKK**
WACC	11,45	(6,6)	7,3
Growth in terminal period	2,00	1,0	(1,0)
EBITDA-margin in terminal period	10,00	5,8	(5,3)

The applied assumptions are based on Management's best estimate of the growth and earnings. It is Management's expectations, that the long term growth rate does not exceed the marked rated as a whole.

Management notes, that should the expectations not be met, there is a significant risk, that goodwill would be impaired.

	2017 DKK'000	**2015/16 DKK'000**
4. Staff costs		
Wages and salaries	0	1.102
Pension costs	0	84
Other social security costs	0	3
Other staff costs	0	217
	0	**1.406**
Average number of employees	**0**	**1**

Notes to parent financial statements

Referring to S. 98b of the Danish Financial Statements Act, the distribution of remuneration of Management has not been disclosed.

	2017 DKK'000	2015/16 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	(69.128)	(107.791)
	(69.128)	**(107.791)**

	Investments in group enterprises DKK'000
6. Fixed asset investments	
Cost beginning of year	164.592
Additions	14.650
Cost end of year	**179.242**
Impairment losses beginning of year	(102.661)
Disposals on divestments etc	6.865
Exchange rate adjustments	240
Amortisation of goodwill	(8.358)
Impairment losses on goodwill	(16.700)
Share of profit/loss for the year	(47.512)
Impairment losses end of year	**(168.126)**
Carrying amount end of year	**11.116**

Non-amortised value of goodwill at 31.12.2017 amounts to DKK 40,233k.

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

7. Subordinate loan capital

Subordinate loan capital consists of debt relating debt where the subsequent owner of the company has agreed to declare the debt subordinate to other creditors. The subordination expires in February 2018 when the second part of the conversion to equity were completed.

	Outstanding after 5 years DKK'000
8. Liabilities other than provisions	
Bank loans	6.250
	6.250

Notes to parent financial statements

	2017 DKK'000	2015/16 DKK'000
9. Contingent liabilities		
Recourse and non-recourse guarantee commitments	37.295	35.168
Contingent liabilities in total	**37.295**	**35.168**

At 10 November 2015, Labflex Holding ApS serves as an administration company for the joined taxed companies, Labflex A/S and Labflex Export ApS. According to the joint taxation provisions of the Danish Companies Act, the Entity is therefore liable from 10 November 2015 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies and from 10 November 2015 subject to joint and several liability for income taxes that may be incumbent on the jointly taxed companies.

10. Assets charged and collateral

The Parent has provided a guarantee for the subsidiaries' bank debt. The bank debt in subsidiaries amounts to DKK 82,500k in 2017. Furthermore, the Parent has provided a guarantee for Labflex A/S as security for the OTC framework (a maximum of DKK 50,000k).

Moreover, the Company has provided security for all the Parent's and Labflex A/S' debt to the bank upon the company's investments in Labflex A/S . The carrying amount of mortgaged investments at 31.12.2017 is DKK 11,116k.

11. Related parties with controlling interest

Related parties with a controlling interest in Labflex Holding ApS and the Group are as follows:

- Until 9 February 2017 Credo Invest Nr 9 AS, Oslo, Norway was the ultimate holding company of the Group, which had a controlling interest given its voting rights at the higher level of the Group.

- At 10 February 2017 Lars Foghsgaard Holding ApS, Denmark, is the ultimate holding company of the Group, and from thereon has a controlling interest given its voting rights at the higher level of the Group.

- The Executive Board and the Board of Directors of Labflex Holding ApS.

12. Transactions with related parties

In the financial year, the Company has only had related party transactions that are concluded on an arm's length basis.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting policies

The Company's annual report has been presented in accordance with the provisions og the Danish Financial Statements Act governing reporting class C enterprises (medium). Previously, the annual report was presented in accordance with the provisions governing reporting class C (large).

The change only affects the extent of the disclosure in the notes to the financial statements and thus has no impact on recognition and measurement of the items in the financial statements.

Thus, profit, balance sheet total and equity are unchanged.

Material uncertainty related to recognition and measurement

Goodwill is measured at cost less write-offs, when the recoverable amount is less than carrying amount. The recoverable amount is calculated as the higher of net sales price and the value in use.

When calculating value in use, the primary uncertainties relate to budget fulfillment. Other uncertainies relate to cost of capital (WACC) as well as growth and profitrates in the terminal period.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. En-terprises

Accounting policies

in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On con-solidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as fi-nancial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, production costs and other operating income.

Accounting policies

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Accounting policies

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot

Accounting policies

be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments. The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

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

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot

Accounting policies

be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, con¬sumables, direct labour costs and indirect production costs.

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

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Accounting policies

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, loss on contract work in progress, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Accounting policies

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

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

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

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

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

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

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Lars Foghsgaard
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