Deloitte.

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
0900 København C

Phone
Fax
www.deloitte.dk

Labflex Holding ApS
True Møllevej 5
8381 Tilst
Central Business Registration
No 37128112

Annual report 2015/16

The Annual General Meeting adopted the annual report on 14.06.2017

Chairman of the General Meeting

Ulrik E. Fink

Name: Ulrik Eriksen Fink

Contents

Entity details

Entity

Labflex Holding ApS
True Møllevej 5
8381 Tilst

Central Business Registration No: 37128112
Registered in: Aarhus
Financial year: 01.10.2015 - 31.12.2016

Phone: 87472700
Fax: 87472701

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 01.10.2015 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.10.2015 - 31.12.2016.

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.

København, 14.06.2017

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 01.10.2015 - 31.12.2016, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2016 - 31.12.2016 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.

Emphasis of matter regarding circumstances in the consolidated financial statements and the parent financial statements

We refer to note 3, where Management has decribed the material accounting estimates and volatilities relating to valuation and impairment of goodwill. As the preconditions relating to the valuation are based on internal and external estimated for the budget- and terminal period, a high degree of unceartainty relates to the valuation of goodwill. We have not modified our conclusion regarding this point.

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 the parent 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.

København, 14.06.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Torben Skov
State Authorised Public Accountant

Management commentary

	2015/16 DKK'000
Financial highlights	
Key figures	
Revenue	265.514
Gross profit/loss	16.616
Operating profit/loss	(92.150)
Net financials	(6.577)
Profit/loss for the year	(107.791)
Total assets	181.223
Investments in property, plant and equipment	20.359
Equity	(17.855)
Average invested capital incl goodwill	9.926
Interest bearing debt, net	(92.091)
Cash flows from (used in) operating activities	(27.368)
Cash flows from (used in) investing activities	(124.726)
Cash flows from (used in) financing activities	137.341
Employees in average	133
Ratios	
Gross margin (%)	6,3
Net margin (%)	(40,6)
Return on invested capital incl goodwill (%)	(394,0)
Revenue invested capital incl goodwill	26,7
Equity ratio (%)	(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	Ratios
Gross margin (%)	Gross profit/loss x 100 / Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on invested capital incl goodwill (%)	EBITA x 100 / Average invested capital incl goodwill	The return generated by the entity on the investors' funds.
Revenue/Invested capital incl goodwill	Revenue / Average invested capital incl goodwill	Turnover rate of capital employed by the entity.
Equity ratio (%)	Equity x 100 / Total assets	The financial strength of the entity.

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as operating profit plus the year's amortisation of and impairment losses relating to intangible assets including goodwill.

Invested capital including goodwill is defined as net working capital plus the carrying amount of property, plant and equipment and intangible assets as well as accumulated amortisation of intangible assets including goodwill, and less other provisions and long-term operating liabilities. Accumulated impairment losses relating to goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Income taxes receivable and payable as well as cash are not included in net working capital.

Management commentary

Primary activities
The purpose of the company is to own shares in Labflex A/S and other related operations. In the financial year, the activity consisted exclusively in purchasing and managing the shares in Labflex A/S.

Development in activities and finances
The Group's net loss before tax amounts to (108)m DKK.

Year 2016 was negatively impacted by an unusual large proportion of postponed and cancelled projects. More than 25% of the order book was negatively influenced in the budget year (2016); with limited chance for Labflex to mitigate or win new orders within the budget year. Eg. the very large fume hood project at the Niels Bohr institute, Copenhagen was cancelled due to changes in the user needs and technical specifications meaning that the project had to be re-tendered in relation to the tender regulatives. Labflex is though still remaining a supplier on other parts of the Niels Bohr project.

In addition to this, the year 2016 was a very challenging year - primarily related to the completion of three major projects. Internal reviews facilitated by external consultants have identified several improvement areas related to establishing sound and valid project execution principles as well as needed improvement initiatives.

The above mentioned issues are the primary drivers behind the very negative result for 2016 that is clearly unsatisfactory. At the end of the financial year, the total assets amounted to DKK 181 m, while the company's equity was DKK (18) m. The owner has agreed to declare the debt subordinate to other creditors amounted to 47 m. The majority of the subordinate loan capital combined with new capital injection in 2017 will be converted to equity during the forthcoming months. The aim of the conversion is to reestablish the equity and underlines the owners continued thrust in a Labflex A/S and that the new strategy will create the right foundation for a long term sustainable business.

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
In the beginning of 2017 the minority shareholder and former owner of Labflex; the Foghsgaard family was offered the opportunity to purchase the full ownership of Labflex. This was executed in February 2017 with the ambition to build a long term sustainable business focusing on selected core markets and key accounts. The family has previously had success with such strategy in Labflex where the strong Labflex brand, significant know-how and broad product line are key enablers to success.

The financial ambitions in the coming years have been adjusted to the 2016 result in order to ensure a controlled turn around in 2017 and stabilization of the business in 2018. With the change of ownership

Management commentary

sufficient funds and Bank facilities are in place to pursue this strategy. Positive development is expected in the coming year, however, 2017 is regarded as a turnaround year and 2018 will be a year with focus on stabilizing the business. The focus in this period will be on building the right base for the future business and the expected long-term growth.

During 2017 the geographical focus will be on the Danish and Norwegian market as well as on United Kingdom and global key accounts– where Labflex sees some very interesting leads and a good order conversion rate. Eg. the British market is growing fast and Labflex is benefitting from a strong brand position and market relevant quality products.

During the first half of 2017 Labflex has signed a number of significant projects within the "university and hospital segment" e.g. "Frederiksberg Campus", "Horsens nye nord", "DTU 202 and "AU Foulum-C22". In addition to this a positive dialogue is ongoing with some of our key pharma accounts concerning large international projects that are planned for execution in 2017/2018.

Internally in 2017 the focus will be on cross-functional processes and a balanced approach that should target a strong pipeline and excellent project execution resulting in satisfied customers and happy employees as well as a stronger financial position over the coming years.

Particular risks
Financial Risk
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 and secured.

To minimize exposure to these risks, the Group enters into a variety of financial instruments and generally seeks to apply hedging to minimize volatility in profit and loss – primarily forward contracts and interest rate swaps are used to reduce the existing operating risks and anticipated financial risks.

As a significant part of the Group's activities take place outside Denmark and in currencies other than DKK, results, cash flows and equity are affected by exchange rate fluctuations in a number of currencies, in particular EUR, GBP, NOK, USD and CHF.

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 is satisfactory. The external financing primarily represents variable rate bank-loan and fixed-rate mortgage debt, whereas the unused regular credit facilities have been negotiated with variable rates.

Management commentary

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.

Research and development activities

The Group develops new products and maintains its designs continuously.

Based on assessment of the specific development activities, development costs are regularly expensed in the income statement.

Consolidated income statement for 2015/16

	Notes	2015/16 DKK'000
Revenue	4	265.514
Production costs	6, 7	(248.898)
Gross profit/loss		**16.616**
Distribution costs	6, 7	(25.270)
Administrative costs	5, 6, 7	(83.496)
Operating profit/loss		**(92.150)**
Other financial income		162
Other financial expenses		(6.739)
Profit/loss before tax		**(98.727)**
Tax on profit/loss for the year	8	(9.064)
Profit/loss for the year	9	**(107.791)**

Consolidated balance sheet at 31.12.2016

	Notes	2015/16 DKK'000
Completed development projects		24
Acquired intangible assets		2.635
Acquired patents		70
Goodwill		75.255
Development projects in progress		802
Intangible assets	10	**78.786**
Plant and machinery		9.975
Other fixtures and fittings, tools and equipment		1.845
Leasehold improvements		4.869
Property, plant and equipment	11	**16.689**
Other receivables		1.602
Deferred tax	13	4.500
Fixed asset investments	12	**6.102**
Fixed assets		**101.577**
Raw materials and consumables		6.319
Work in progress		2.269
Manufactured goods and goods for resale		2.712
Inventories		**11.300**
Trade receivables		24.897
Contract work in progress	14	35.460
Other receivables		3.885
Prepayments		911
Receivables		**65.153**
Cash		**3.193**
Current assets		**79.646**
Assets		**181.223**

Consolidated balance sheet at 31.12.2016

	Notes	2015/16 DKK'000
Contributed capital		9.003
Retained earnings		(26.858)
Equity		**(17.855)**
Other provisions		3.385
Provisions		**3.385**
Subordinate loan capital	15	47.361
Bank loans		70.000
Finance lease liabilities		6.098
Non-current liabilities other than provisions	16	**123.459**
Current portion of long-term liabilities other than provisions	16	1.212
Bank loans		17.946
Prepayments received from customers		166
Trade payables		38.585
Payables to group enterprises		66
Income tax payable		28
Other payables		14.231
Current liabilities other than provisions		**72.234**
Liabilities other than provisions		**195.693**
Equity and liabilities		**181.223**
Going concern	1	
Events after the balance sheet date	2	
Uncertainty relating to recognition and measurement	3	
Unrecognised rental and lease commitments	18	
Contingent liabilities	19	
Mortgages and securities	20	
Subsidiaries	21	

Consolidated statement of changes in equity for 2015/16

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Contributed upon formation	50	0	50
Increase of capital	9.003	81.023	90.026
Decrease of capital	(50)	0	(50)
Exchange rate adjustments	0	8	8
Other equity postings	0	(126)	(126)
Tax of equity postings	0	28	28
Profit/loss for the year	0	(107.791)	(107.791)
Equity end of year	**9.003**	**(26.858)**	**(17.855)**

Consolidated cash flow statement for 2015/16

	Notes	2015/16 DKK'000
Operating profit/loss		(92.150)
Amortisation, depreciation and impairment losses		54.376
Other provisions		2.285
Working capital changes	17	14.698
Cash flow from ordinary operating activities		**(20.791)**
Financial income received		162
Financial income paid		(6.739)
Cash flows from operating activities		**(27.368)**
Acquisition etc of intangible assets		(3.516)
Acquisition etc of property, plant and equipment		(4.118)
Sale of property, plant and equipment		2.499
Acquisition of enterprises		(119.591)
Cash flows from investing activities		**(124.726)**
Loans raised		70.000
Instalments on loans etc		(19.186)
Incurrence of debt to group enterprises		3.199
Incurrence of debt to associates		31.133
Cash increase of capital		52.195
Cash flows from financing activities		**137.341**
Increase/decrease in cash and cash equivalents		**(14.753)**
Cash and cash equivalents end of year		**(14.753)**
Cash and cash equivalents at year-end are composed of:		
Cash		3.193
Short-term debt to banks		(17.946)
Cash and cash equivalents end of year		**(14.753)**

Notes to consolidated financial statements

1. Going concern

Management is actively working on improving the Groups cash and capital reserves. As a result of the unsatisfactory loss for 2016 and the subsequently negative equity at 31.12.2016, Management is implementing a number of operational initiatives while simultaneously working to increase the Company's cash and capital reserves during the spring of 2017. At present, the initiatives are proceeding according to plan.

In order to secure the cash and capital reserves, a conversion of debt is planned during the forthcoming months, which will restore the equity of the company. Similarly the bank has agreed to prolong and extend the available credit lines.

Management is continuously preparing cash budgets, which are showing that the Groups cash and capital reserves are sufficient to continue the Groups operations in 2017. It is Managements opinion, that the mentioned budgets and initiatives are realistic and achievable, and thus that the Group is able to continue its operations. On this basis the annual report is prepared in accordance with the going concern assumption.

2. Events after the balance sheet date

After the balance sheet date the shareholders have replaced, and simultaneously the credit lines of the group have been extended. The event is considered positive with respect to the restoration of equity and the support of the ongoing turn around.

Other than this, no significant events, which affect the financial statement for 2016, 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.

When calculating value in use, Management has extracted the estimated cash flows from the approved budgets and projections for the budget years 2017 - 2021. In addition to these estimates, Management has calculated a terminal period by projecting the final budget year using expected macroeconomics growth rates.

The budgetted cash flows have been estimated under the assumption, that the 23 initiatives relating to 4 must-win battles, which are to be completed in 2017 and 2018, will be implemented. The fulfillment of these are a key element realising the estimated cash flows, and the implementation is proceeding according to plan.

The primary uncertainties relate to budget fulfillment, especially during the turn around period. Other uncertainies relate to cost of capital (WACC) as well as growth and profitrates in the terminal period. Management has highlighted key figures and volatilities below.

Notes to consolidated financial statements

Key figure	Applied rate %	Volatility (change in value / change in rate) + 0,5 point mDKK	- 0,5 point mDKK
WACC	13,02	(5,8)	6,3
Growth in terminal period	2,00	3,5	(3,2)
EBITDA in terminal period	8,00	7,5	(7,5)

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 will be impaired.

	2015/16 DKK'000
4. Revenue	
Denmark	191.749
Other EU-countries	21.896
Other countries outside EU	13.138
North America	38.515
Other countries	216
	265.514

	2015/16 DKK'000
5. Fees to the auditor appointed by the Annual General Meeting	
Statutory audit services	258
Other assurance engagements	8
Tax services	103
Other services	114
	483

Notes to consolidated financial statements

	2015/16 DKK'000
6. Staff costs	
Wages and salaries	72.377
Pension costs	5.654
Other social security costs	306
Other staff costs	450
	78.787
Average number of employees	**133**

	Remuneration of management 2015/16 DKK'000
Total amount for management categories	3.928
	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.

	2015/16 DKK'000
7. Depreciation, amortisation and impairment losses	
Amortisation of intangible assets	25.459
Impairment losses relating to intangible assets	27.580
Depreciation on property, plant and equipment	3.698
Profit/loss from sale of intangible assets and property, plant and equipment	(2.361)
	54.376

	2015/16 DKK'000
8. Tax on profit/loss for the year	
Tax on current year taxable income	28
Change in deferred tax for the year	9.036
	9.064

	2015/16 DKK'000
9. Proposed distribution of profit/loss	
Retained earnings	(107.791)
	(107.791)

Notes to consolidated financial statements

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Goodwill DKK'000
10. Intangible assets				
Addition through business combinations etc	91	0	0	128.246
Transfers	(28)	0	0	0
Additions	0	2.635	79	0
Cost end of year	**63**	**2.635**	**79**	**128.246**
Impairment losses for the year	0	0	0	(27.580)
Amortisation for the year	(39)	0	(9)	(25.411)
Amortisation and impairment losses end of year	**(39)**	**0**	**(9)**	**(52.991)**
Carrying amount end of year	**24**	**2.635**	**70**	**75.255**

	Develop-ment projects in progress DKK'000
10. Intangible assets	
Addition through business combinations etc	0
Transfers	0
Additions	802
Cost end of year	**802**
Impairment losses for the year	0
Amortisation for the year	0
Amortisation and impairment losses end of year	**0**
Carrying amount end of year	**802**

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.

Notes to consolidated financial statements

11. Property, plant and equipment	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Addition through business combinations etc	11.310	2.504	2.427
Transfers	28	0	0
Additions	531	650	2.937
Disposals	(22)	0	0
Cost end of year	**11.847**	**3.154**	**5.364**
Depreciation for the year	(1.894)	(1.309)	(495)
Reversal regarding disposals	22	0	0
Depreciation and impairment losses end of the year	**(1.872)**	**(1.309)**	**(495)**
Carrying amount end of year	**9.975**	**1.845**	**4.869**
Recognised assets not owned by entity	**7.070**	**-**	**-**

12. Fixed asset investments	Other receivables DKK'000	Deferred tax DKK'000
Addition through business combinations etc	1.676	13.536
Disposals	(74)	0
Cost end of year	**1.602**	**13.536**
Impairment losses for the year	0	(9.036)
Impairment losses end of year	**0**	**(9.036)**
Carrying amount end of year	**1.602**	**4.500**

The Group has capitalised deferred tax assets at 4,5m DKK. The deferred tax asset is based primarily on deductible tax differences and tax losses carried forward.

Referring to note 3 the budgeted earnings for 2017 – 2021 are based on management expects to incur tax costs, which can be offset in the current tax assets, and thus warrant the capitalised values.

Notes to consolidated financial statements

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

Changes during the year	
Beginning of year	13.536
Recognised in the income statement	(9.036)
End of year	**4.500**

	2015/16 DKK'000
14. Contract work in progress	
Contract work in progress	201.752
Progress billings regarding contract work in progress	(166.292)
	35.460

Prepayments by customers for the year recognised in liabilities by DKK 166k have been set off against progress billings.

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 May 2018.

	Instalments within 12 months 2015/16 DKK'000	Instalments beyond 12 months 2015/16 DKK'000	Outstanding after 5 years DKK'000
16. Liabilities other than provisions			
Subordinate loan capital	0	47.361	0
Mortgage debts	0	0	0
Bank loans	0	70.000	17.750
Finance lease liabilities	1.212	6.098	912
	1.212	**123.459**	**18.662**

Notes to consolidated financial statements

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

	2015/16 DKK'000
18. Unrecognised rental and lease commitments	
Hereof liabilities under rental or lease agreements until maturity in total	**29.698**

	2015/16 DKK'000
19. Contingent liabilities	
Recourse and non-recourse guarantee commitments	35.168
Contingent liabilities in total	**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 March 2018.

20. Mortgages and securities

The Group has issued a company pledge of 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 as goodwill, etc. The company pledge is carrying amount of mortgaged assets is DKK 71.657k.

The Group has provided a guarantee for Labflex A/S as security for the OTC framework (a maximum of DKK 50,000k).

Notes to consolidated financial statements

21. Subsidiaries	Registered in	Corporate form	Equity interest %
Labflex A/S	Aarhus, Denmark	A/S	100,0
Labflex Ltd	Derbyshire, UK	Ltd.	100,0
Labflex Norway AS	Oslo, Norway	AS	100,0
Labflex Inc	North Carolina, USA	Inc	100,0
Labflex Export ApS	Denmark, Aarhus	ApS	100,0

Parent income statement for 2015/16

	Notes	2015/16 DKK'000
Administrative costs	4	(3.247)
Operating profit/loss		**(3.247)**
Income from investments in group enterprises		(102.571)
Other financial income from group enterprises		333
Other financial expenses		(2.306)
Profit/loss for the year	5	**(107.791)**

Parent balance sheet at 31.12.2016

	Notes	2015/16 DKK'000
Investments in group enterprises		61.931
Fixed asset investments	6	**61.931**
Fixed assets		**61.931**
Other receivables		464
Receivables		**464**
Current assets		**464**
Assets		**62.395**

Parent balance sheet at 31.12.2016

	Notes	2015/16 DKK'000
Contributed capital		9.003
Retained earnings		(26.858)
Equity		**(17.855)**
Subordinate loan capital	7	28.683
Bank loans		50.000
Non-current liabilities other than provisions	8	**78.683**
Bank loans		346
Other payables		1.221
Current liabilities other than provisions		**1.567**
Liabilities other than provisions		**80.250**
Equity and liabilities		**62.395**
Going concern	1	
Events after the balance sheet date	2	
Uncertainty relating to recognition and measurement	3	
Unrecognised rental and lease commitments	9	
Contingent liabilities	10	
Mortgages and securities	11	
Related parties with controlling interest	12	

Parent statement of changes in equity for 2015/16

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Contributed upon formation	50	0	50
Increase of capital	9.003	81.023	90.026
Decrease of capital	(50)	0	(50)
Exchange rate adjustments	0	8	8
Other equity postings	0	(126)	(126)
Tax of equity postings	0	28	28
Profit/loss for the year	0	(107.791)	(107.791)
Equity end of year	**9.003**	**(26.858)**	**(17.855)**

Notes to parent financial statements

1. Going concern
Management is actively working on improving the Groups cash and capital reserves. As a result of the unsatisfactory loss for 2016 and the subsequently negative equity at 31.12.2016, Management is im-plementing a number of operational initiatives while simultaneously working to increase the Company's cash and capital reserves during the spring of 2017. At present, the initiatives are proceeding according to plan.

In order to secure the cash and capital reserves, a conversion of debt is planned during the forthcom-ing months, which will restore the equity of the company. Similarly the bank has agreed to prolong and extend the available credit lines.

Management is continuously preparing cash budgets, which are showing that the Groups cash and capi-tal reserves are sufficient to continue the Groups operations in 2017. It is Managements opinion, that the men-tioned budgets and initiatives are realistic and achievable, and thus that the Group is able to con-tinue its operations. On this basis the annual report is prepared in accordance with the going concern assumption.

2. Events after the balance sheet date
After the balance sheet date the shareholders have replaced, and simultaneously the credit lines of the group have been extended. The event is considered positive with respect to the restoration of equity and the support of the ongoing turn around.

Other than this, no significant events, which affect the financial statement for 2016, have occurred after the balance sheet date.

3. Uncertainty relating to recognition and measurement
Goodwill relating to investments in subsidiaries is presented as part of the balance sheet item and is meas-ured 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, Management has extracted the estimated cash flows from the approved budg-ets and projections for the budget years 2017 - 2021. In addition to these estimates, Management has calculated a terminal period by projecting the final budget year using expected macroeconomics growth rates.

The budgetted cash flows have been estimated under the assumption, that the 23 initiatives relating to 4 must-win battles, which are to be completed in 2017 and 2018, will be implemented. The fulfillment of these are a key element realising the estimated cash flows, and the implementation is proceeding according to plan.

Notes to parent financial statements

The primary uncertainties relate to budget fulfillment, especially during the turn around period. Other uncertainies relate to cost of capital (WACC) as well as growth and profitrates in the terminal period. Management has highlighted key figures and volatilities below.

		Volatility	
	Applied rate	(change in value / change in rate)	
		+ 0,5 point	- 0,5 point
Key figure	**%**	**mDKK**	**mDKK**
WACC	13,02	(5,8)	6,3
Growth in terminal period	2,00	3,5	(3,2)
EBITDA in terminal period	8,00	7,5	(7,5)

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 will be impaired.

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

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

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

Notes to parent financial statements

	Investments in group enterprises DKK'000
6. Fixed asset investments	
Addition through business combinations etc	142.196
Transfers	22.396
Cost end of year	**164.592**
Adjustments on equity	(90)
Amortisation of goodwill	(25.411)
Impairment losses relating to goodwill	(27.580)
Share of profit/loss for the year	(49.580)
Impairment losses end of year	**(102.661)**
Carrying amount end of year	**61.931**
Goodwill or negative goodwill recognized during the financial year	**128.246**

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 May 2018.

	Outstanding after 5 years DKK'000
8. Liabilities other than provisions	
Bank loans	17.750
	17.750

	2015/16 DKK'000
9. Unrecognised rental and lease commitments	
Hereof liabilities under rental or lease agreements until maturity in total	**26.919**

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

Notes to parent financial statements

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.

11. Mortgages and securities

The Parent has provided a guarantee for the subsidiaries' bank debt. The bank debt in subsidiaries amounts to DKK 37.600 in 2016. Furthermore, the Parent has provided a guarantee for Labflex A/S as security for the OTC framework (a maximum of DKK 50,000k).

The shares in the subsidiaries are secured on all the Parent's and subsidiaries' bank debt. The carrying amount of the shares amounts to DKK 1,096k.

12. 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.

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).

The Company was established on 1 October 2015, and so these financial statements are the Company's first financial statements.

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 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

Accounting policies

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

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

Accounting policies

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 costs

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.

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.

Accounting policies

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 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.

Accounting policies

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 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.

Accounting policies

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

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.

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.

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

Accounting policies

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.

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.

Accounting policies

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.