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Labflex A/S

True Møllevej 5 8381 Tilst Central Business Registration No 55220212

Annual report 2016

The Annual General Meeting adopted the annual report on 14.06.2017

Chairman of the General Meeting

Mbrih E. Fish

Name: Ulrik Eriksen Fink

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Entity details

Entity

Labflex A/S True Møllevej 5 8381 Tilst

Central Business Registration No: 55220212

Registered in: Aarhus

Financial year: 01.01.2016 - 31.12.2016

Phone: 87472700 Fax: 87472701

Board of Directors

Lars Foghsgaard, Chairman Ivar Malte Foghsgaard Kim Rasmussen Johan Caspar Foghsgaard

Executive Board

Ulrik Eriksen Fink

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 A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the consolidated financial statements and parent financial statements of Labflex A/S 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 01.01.2016 - 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.

Tilst, 14.06.2017

Executive Board

Ulrik Eriksen Fink

Board of Directors

Lars Foghsgaard

Chairman

Ivar Malte Foghsgaard

Johan Caspar Foghsgaard

Kim Rasmussen

Independent auditor's report

To the shareholders of Labflex A/S Opinion

We have audited the consolidated financial statements and the parent financial statements of Labflex A/S for the financial year 01.01.2016 - 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 01.01.2016 - 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.

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.

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 exits. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

Independent auditor's report

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 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.

Independent auditor's report

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 Lusiness Registration No: 33963556

Torben Skoy State Authorised Public Accountant

_	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	212.661	440.951	390.034	218.001	193.441
Gross profit/loss	7.882	91.975	95.475	55.173	38.321
Operating profit/loss	(40.431)	24.337	35.657	8.319	(2.771)
Net financials	(4.297)	(5.663)	(2.524)	(4.060)	(2.693)
Profit/loss for the year	(52.676)	11.810	24.787	23	(4.930)
Total assets	105.969	163.496	199.444	147.679	129.091
Investments in property, plant and equipment	4.118	14.568	4.349	711	1.503
Equity incl minority interests	(13.322)	17.048	78.648	53.853	53.647
Average invested capital incl goodwill	17.731	21.973	42.449	54.091	61.269
Interest bearing debt, net	(41.745)	(10.332)	28.339	27.810	33.332
Cash flows from (used in) operating activities	(34.287)	38.459	57.175	5.386	8.715
Cash flows from (used in) investing activities	(7.634)	(20.476)	(1.041)	(196)	(1.677)
Cash flows from (used in) financing activities	6.301	(48.964)	(10.628)	(9.564)	(745)
Employees in average	132	171	151	130	122
Ratios					
Gross margin (%)	3,7	20,9	24,5	25,3	19,8
Net margin (%) Return on invested capital	(24,8)	2,7	6,4	0,0	(2,5)
incl goodwill (%) Revenue invested capital	(227,8)	110,9	84,1	18,4	(4,5)
incl goodwill	12,0	20,1	9,2	4,0	3,2
Financial gearing (%)	*	(0,6)	0,4	0,5	0,6
Return on equity (%)	(2.827,5)	24,7	37,4	0,0	8,8
Solvency ratio	(13,6)	10,4	39,4	36,5	41,6

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

Ratios
Gross margin (%)
Net margin (%)
Return on invested capital incl goodwill (%)
Revenue/Invested capital incl goodwill
Financial gearing
Return on equity (%)
Solvency ratio

Calculation formula Gross profit/loss x 100

Gross profit/loss x 100 Revenue

Profit/loss for the year x 100 Revenue

 $\frac{\text{EBITA x } 100}{\text{Average invested capital incl goodwill}}$

<u>Revenue</u>
Average invested capital incl goodwill
<u>Interest bearing debt, net</u>
Equity incl minority interests

<u>Profit/loss for the year x 100</u> Average equity incl minority interests

Equity x 100 Total assets

Datios

The entity's operating gearing.

The entity's operating profitability.

The return generated by the entity on the investors' funds.

Turnover rate of capital employed by the entity.

The entity's financial gearing.

The entity's return on capital invested in the entity by the owners.

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.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

Primary activities

Labflex is a turnkey solution provider of furnishings and other products to laboratories, hospitals and the educational sector. Our core activities are design and engineering, production, installation and after sales service supported by sales, marketing and project management.

Local sales, marketing and project management have been taking place through subsidiaries in several markets.

Development in activities and finances

The Group's net loss before tax reached DKK (44.728)k against a profit of DKK 18.674k in 2015.

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 106 m, while the company's equity was DKK (13) m. The owner has agreed to declare the debt subordinate to other creditors amounted to 19 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

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Management commentary

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 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 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 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.

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The Group's liquidity situation is satisfactory. The external financing primarily represents variable rate bankloan and fixed-rate mortgage debt, whereas the unused regular credit facilities have been negotiated with variable rates.

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.

Statutory report on corporate social responsibility

Currently, Labflex has not yet designed or implemented specific policies for the pursuit of social responsibility, including policies for environmental protection, climate change and human rights.

Diversity in management

The Board of Labflex considers that its members should be assessed based on their competences and skills, yet it has also recognized the benefits of a diverse Board of Directors in respect of business knowledge, culture, international experience and gender. Today, the Board of Directors consists of five men (100%) and no women (0%).

The group's policy and ambition is to have one woman (17%) out of six members in the board by the end of 2018, and two women (33%) out of six in the board by the end of 2020. However, the key criteria for nomination of candidates will be to seek competent Board members being also able to add value to the Labflex Group Strategy and business control. The Group policy and the defined targets are evaluated every year at the general meeting. When nominating new members to the board in 2016, the most competent candidates were found to be men, which is why the target has not yet been met.

With regard to the Group's other management levels, Labflex also wishes to enhance diversity. On this basis, Group policy encourages both men and women to apply for vacant positions in the Group, and men and women are guaranteed the same rights and conditions upon hiring and during their employment.

The Group expects to increase the proportion of the underrepresented gender in the other management levels through policies and initiatives. In the quest to increase the proportion of women in management, we will choose the woman if we have two equally qualified candidates of different gender. Also, the management team has particular focus on the elaboration of career plans for female employees.

The Group's work with diversity in the management levels started up during 2016, but already now we can see a more balanced mixture than previously. The total management team in Labflex today consist of 12 people – where 4 are women. The group's target will be to reach at least 40 percentage on this parameter by the end of 2018

Consolidated income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Revenue	3	212.661	440.951
Production costs	5, 6	(204.779)	(348.976)
Gross profit/loss		7.882	91.975
Distribution costs	5, 6	(23.183)	(39.879)
Administrative costs	4, 5, 6	(25.130)	(27.759)
Operating profit/loss		(40.431)	24.337
In come from investments in annual actions		0	(6.100)
Income from investments in group enterprises		0	(6.180)
Other financial income		19	2.556
Financial expenses from group enterprises		(333)	0
Other financial expenses		(3.983)	(2.039)
Profit/loss before tax		(44.728)	18.674
Tax on profit/loss for the year	7	(7.948)	(6.864)
Profit/loss for the year	8	(52.676)	11.810

Consolidated balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Completed development projects		24	60
Acquired intangible assets		2.635	0
Acquired patents		70	0
Development projects in progress		802	0
Intangible assets	9	3.531	60
Plant and machinery		9.975	11.172
Other fixtures and fittings, tools and equipment		1.845	2.416
Leasehold improvements		4.869	2.426
Property, plant and equipment	10	16.689	16.014
Other receivables		1.602	1.676
Deferred tax	12	4.500	12.535
Fixed asset investments	11	6.102	14.211
			14.211
Fixed assets		26.322	30.285
Raw materials and consumables		6.319	4.185
Work in progress		2.269	4.222
Manufactured goods and goods for resale		2.712	5.154
Inventories		11.300	13.561
Trade receivables		24.897	52.423
Contract work in progress	13	35.460	26.725
Receivables from group enterprises		0	10
Other receivables		3.886	9.731
Prepayments	14	911	1.573
Receivables		65.154	90.462
Cash		3.193	29.188
Current assets		79.647	133.211
Assets		105.969	163.496

Consolidated balance sheet at 31.12.2016

	Notes_	2016 DKK'000	2015 DKK'000
Contributed capital		2.437	2.437
Retained earnings		(15.759)	14.611
Equity		(13.322)	17.048
Other provisions		3.385	631
Provisions		3.385	631
Subordinate loan capital	15	18.678	0
Bank loans		20.000	20.000
Finance lease liabilities		6.098	7.102
Non-current liabilities other than provisions	16	44.776	27.102
Company and in a file of home linkilities when the			
Current portion of long-term liabilities other than provisions	16	1.212	4.416
Bank loans		17.600	7.975
Prepayments received from customers		166	6.032
Trade payables		38.585	50.953
Payables to group enterprises		66	0
Income tax payable		28	27
Other payables		13.473	49.312
Current liabilities other than provisions		71.130	118.715
Liabilities other than provisions		115.906	145.817
Equity and liabilities		105.969	163.496
Going concern	1		
Events after the balance sheet date	2		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Mortgages and securities	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.437	14.611	17.048
Exchange rate adjustments	0	8	8
Group contributions etc	0	22.396	22.396
Other equity postings	0	(126)	(126)
Tax of equity postings	0	28	28
Profit/loss for the year	0	(52.676)	(52.676)
Equity end of year	2.437	(15.759)	(13.322)

Consolidated cash flow statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Operating profit/loss		(40.431)	24.337
Amortisation, depreciation and impairment losses		3.480	1.567
Other provisions		2.754	(403)
Working capital changes	17	4.207	12.574
Cash flow from ordinary operating activities		(29.990)	38.075
Financial income received		19	2.556
Financial income paid		(4.316)	(2.039)
Income taxes refunded/(paid)		0	(133)
Cash flows from operating activities		(34.287)	38.459
Acquisition etc of intangible assets		(985)	0
Acquisition etc of interngible assets Acquisition etc of property, plant and equipment		(6.649)	(14.568)
Sale of fixed asset investments		(0.049)	1.694
Other cash flows from investing activities		0	(7.602)
Cash flows from investing activities		(7.634)	(20.476)
dan none non investing activities		(7.034)	(20.470)
Loans raised		0	28.608
Instalments on loans etc		(3.180)	(18.973)
Incurrence of debt to associates		6.133	0
Repayment of debt to associates		(17.800)	0
Reduction of lease commitments		(1.248)	0
Cash increase of capital		22.396	0
Cash decrease of capital		0	(58.599)
Cash flows from financing activities		6.301	(48.964)
Increase/decrease in cash and cash equivalents		(35.620)	(30.981)
Cash and cash equivalents beginning of year		21.213	52.194
Cash and cash equivalents end of year		(14.407)	21.213
		-	
Cash and cash equivalents at year-end are composed of:			
Cash		3.193	29.188
Short-term debt to banks		(17.600)	(7.975)
Cash and cash equivalents end of year		(14.407)	21.213

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 of the Parent, Labflex Holding ApS, 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.

	2016 DKK'000	2015 DKK'000
3. Revenue		
Denmark	157.213	238.968
Other EU-countries	18.799	19.904
Other countries outside EU	12.143	37.282
North America	24.290	134.294
Other countries	216	10.503
	212.661	440.951

4. Administrative costs

In accordance with S. 96(3) of the Danish Financial Statements Act, the Company has omitted to prepare the note on audit fees.

	2016 DKK'000	2015 DKK'000
5. Staff costs		
Wages and salaries	60.030	80.423
Pension costs	4.881	6.294
Other social security costs	153	631
Other staff costs	153	392
	65.217	87.740
	(
Average number of employees	132	171
	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Executive Board	0	1.827
Board of Directors	0	725
Total amount for management categories	3.928	0
	3.928	2.552

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 for the year 2016.

	2016 DKK'000	2015 DKK'000
6. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	45	36
Depreciation on property, plant and equipment	3.443	3.899
Profit/loss from sale of intangible assets and property, plant and equipment	(8)	(2.367)
	3.480	1.568
	2016 DKK'000	2015 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	28	50
Change in deferred tax for the year	8.063	7.178
Adjustment concerning previous years	151	(364)
Refund in joint taxation arrangement	(294)	0
	7.948	6.864

8. Proposed distribution of p	rofit/loss		2016 DKK'000	2015 DKK'000
Retained earnings	10111/1055		(52.676)	11.810
Recalled earnings			(52.676)	
			(52.676)	11.810
	Completed develop- ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Develop- ment projects in progress DKK'000
9. Intangible assets				
Cost beginning of year	808	0	0	0
Additions	0	2.635	79	802
Cost end of year	808	2.635	79	802
Amortisation and impairment losses beginning of year	(748)	0	0	0
Amortisation for the year	(36)	0	(9)	0
Amortisation and impairment losses end of year	(784)	0	(9)	0
Carrying amount end of year	24	2.635	70	802

Development projects in progress

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

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
10. Property, plant and equipment			
Cost beginning of year	37.371	21.994	2.436
Additions	531	650	2.937
Disposals	(22)	0	0
Cost end of year	37.880	22.644	5.373
Depreciation and impairment losses beginning of the year	(26.199)	(19.578)	(10)
Depreciation for the year	(1.728)	(1.221)	(494)
Reversal regarding disposals	22	0	0
Depreciation and impairment losses end of the year	(27.905)	(20.799)	(504)
Carrying amount end of year	9.975	1.845	4.869
Recognised assets not owned by entity	7.070	-	
		Other receivables DKK'000	Deferred tax DKK'000
11. Fixed asset investments			
Cost beginning of year		1.676	12.535
Disposals		(74)	0
Cost end of year		1.602	12.535
Impairment losses for the year		0	(8.035)
Impairment losses end of year		0	(8.035)
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 temporary deductible tax differences.

Management has prepared and approved budgets and projections for the budget years 2017 – 2021, which include 23 initiatives relating to 4 must-win battles. The must-win battles, which are to be completed in 2017 and 2018, are a key element in increasing earnings.

Based on the budgeted earnings for 2017 – 2021, Management expects to incur tax costs, which can be offset in the current tax assets and thus warrant the capitalised values.

	2016 DKK'000	2015 DKK'000
12. Deferred tax		
Intangible assets	24	14
Property, plant and equipment	3.021	2.318
Inventories	0	105
Receivables	7	7
Provisions	744	129
Tax losses carried forward	0	14.893
Other taxable temporary differences	704	(4.931)
	4.500	12.535
Changes during the year		
Beginning of year	12.535	
Recognised in the income statement	(8.063)	
Recognised directly in equity	28	
End of year	4.500	
	2016	2015
	2016 DKK'000	2015 DKK'000
13. Contract work in progress		
Contract work in progress	201.752	102.740
Progress billings regarding contract work in progress	(166.292)	(76.015)
	35.460	26.725

Prepayments by customers for the year recognised in liabilities by DKK 166k (2015: DKK 6.032k) have been set off against progress billings.

14. Prepayments

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

15. Subordinate loan capital

Subordinate loan capital consists of debt to non-consolidated group entities, where the lender is subordinate to other creditors. The subordination expires in May 2018.

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000	Outstanding after 5 years DKK'000
16. Liabilities other than				
provisions Subordinate				
loan capital	0	0	18.678	0
Mortgage debts	0	3.214	0	0
Bank loans	0	0	20.000	20.000
Finance lease liabilities	1.212	1.202	6.098	912
	1.212	4.416	44.776	20.912
			2016 DKK'000	2015 DKK'000
17. Change in wo	king capital			
Increase/decrease i	n inventories		2.261	(7.020)
Increase/decrease i	n receivables		25.620	(6.348)
Increase/decrease i	n trade payables etc		(23.674)	24.087
Other changes			0	1.855
			4.207	12.574
			2016 DKK'000	
	rental and lease cor			
Herof liabilities unde until expiry	er rental agreements o	r leases with group ent	erprises 29.698	25.637
			2016 DKK'000	
19. Contingent lia	bilities			
Recourse and non-r	ecourse guarantee cor	nmitments	35.168	43.657
Contingent liabilit	ies in total		35.168	43.657

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

20. Mortgages and securities

The company has issued a company pledge of DKK 25,000k (2015: 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 (2015: DKK 92,709k).

The Group has provided a guarantee for Labflex Holding ApS as security for the OTC framework (a maximum of DKK 10,000k).

21. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Labflex Holding ApS, Tilst, CVR-nr. 37128112

	Registered in	Corpo- rate form	Equity inte- rest %
22. Subsidiaries			
Labflex Export ApS	Denmark, Aarhus	ApS	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

Parent income statement for 2016

	Notes	2016 DKK'000	2015 DKK'000
Revenue	3	192.738	360.769
Production costs	4, 5	(191.643)	(285.542)
Gross profit/loss		1.095	75.227
Distribution costs	4, 5	(23.183)	(28.552)
Administrative costs	4, 5	(17.449)	(15.633)
Operating profit/loss		(39.537)	31.042
Income from investments in group enterprises		(1.007)	(11.534)
Other financial income from group enterprises		210	0
Other financial income		791	2.515
Financial expenses from group enterprises		(1.391)	(398)
Other financial expenses		(3.818)	(1.745)
Profit/loss before tax		(44.752)	19.880
Tax on profit/loss for the year	6	(7.924)	(8.070)
Profit/loss for the year	7	(52.676)	11.810

Parent balance sheet at 31.12.2016

	Notes_	2016 DKK'000	2015 DKK'000
Completed development projects		24	60
Acquired intangible assets		2.635	0
Acquired patents		70	0
Development projects in progress		802	0
Intangible assets	8	3.531	60
Plant and machinery		9.975	11.172
Other fixtures and fittings, tools and equipment		1.542	2.416
Leasehold improvements		4.841	2.385
Property, plant and equipment	9	16.358	15.973
Investments in group enterprises		4.069	3.689
Other receivables		1.602	1.676
Deferred tax	11	4.500	12.535
Fixed asset investments	10	10.171	17.900
Fixed assets		30.060	33.933
Raw materials and consumables		6.319	4.185
Work in progress		2.269	4.222
Manufactured goods and goods for resale		2.712	5.154
Inventories		11.300	13.561
Trade receivables		17.102	45.233
Contract work in progress	12	32.981	24.188
Receivables from group enterprises		11.407	7.686
Other receivables		2.789	9.134
Prepayments	13	911	1.573
Receivables		65.190	87.814
Cash		223	28.394
Current assets		76.713	129.769
Assets		106.773	163.702

Parent balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital		2.437	2.437
Reserve for development expenditure		626	0
Retained earnings		(16.385)	14.611
Equity		(13.322)	17.048
Other provisions	14	3.385	631
Provisions		3.385	631
Subordinate loan capital	15	18.678	0
Bank loans		20.000	20.000
Finance lease liabilities		6.098	7.102
Non-current liabilities other than provisions	16	44.776	27.102
Current portion of long-term liabilities other than provisions	16	1.212	4.416
Bank loans		17.600	7.975
Prepayments received from customers		166	6.032
Trade payables		36.937	48.712
Payables to group enterprises		4.167	3.400
Other payables		11.852	48.386
Current liabilities other than provisions		71.934	118.921
Liabilities other than provisions		116.710	146.023
Equity and liabilities	3	106.773	163.702
Going concern	1		
Events after the balance sheet date	2		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Mortgages and securities	19		
Related parties with controlling interest	20		

Parent statement of changes in equity for 2016

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.437	0	14.611	17.048
Exchange rate adjustments	0	0	8	8
Group contributions etc	0	0	22.396	22.396
Other equity postings	0	0	(126)	(126)
Tax of equity postings	0	0	28	28
Transfer to reserves	0	626	(626)	0
Profit/loss for the year	0	0	(52.676)	(52.676)
Equity end of year	2.437	626	(16.385)	(13.322)

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 of the Parent, Labflex Holding ApS, 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.

2016 DKK'000	2015 DKK'000
157.213	197.376
12.685	9.425
12.143	9.581
10.481	134.294
216	10.093
192.738	360.769
	157.213 12.685 12.143 10.481 216

	2016 DKK'000	2015 DKK'000
4. Staff costs		
Wages and salaries	55.634	53.292
Pension costs	4.413	4.342
Other social security costs	153	178
Other staff costs	153	310
	60.353	58.122
Average number of employees	127	114
	Remunera- tion of manage- ment 2016 DKK'000	Remunera- tion of manage- ment 2015 DKK'000
Total amount for management categories	3.928 3.928	1.905 1.905

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.

2016 DKK'000	2015 DKK'000
45	36
3.370	3.171
(8)	(2.353)
3.407	854
2016	2015 DKK'000
DKK 000	DIKIK GGG
8.063	8.240
155	(170)
(294)	0
7.924	8.070
	2016 DKK'000 (8) 3.407 2016 DKK'000

7. Proposed distribution of p	rofit/loss		2016 DKK'000	2015 DKK'000
Retained earnings			(52.676)	11.810
•			(52.676)	11.810
	Completed develop- ment projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Develop- ment projects in progress DKK'000
8. Intangible assets				
Cost beginning of year	808	0	0	0
Additions	0	2.635	79	802
Cost end of year	808	2.635	79	802
Amortisation and impairment losses beginning of year Amortisation for the year	(748) (36)	0	0 (9)	0
Amortisation and impairment losses end of year	(784)	o	(9)	0
Carrying amount end of year	24	2.635	70	802

Development projects in progress

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

	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	37.370	21.994	2.395
Additions	531	288	2.936
Disposals	(22)	0	0
Cost end of year	37.879	22.282	5.331
Depreciation and impairment losses beginning of the year	(26.198)	(19.578)	(10)
Depreciation for the year	(1.728)	(1.162)	(480)
Reversal regarding disposals	22	0	0
Depreciation and impairment losses end of the year	(27.904)	(20.740)	(490)
Carrying amount end of year	9.975	1.542	4.841
Recognised assets not owned by entity	7.070		
	Investments in group enterprises DKK'000	Other receivables DKK'000	Deferred tax DKK'000
10. Fixed asset investments			
Cost beginning of year	30.366	1.676	12.535
Additions	1.780	0	0
Disposals	0	(74)	0
Cost end of year	32.146	1.602	12.535
Impairment losses beginning of year	(26.677)	0	0
Exchange rate adjustments	8	0	0
Share of profit/loss for the year	(1.007)	0	0
Impairment losses for the year	0	0	(8.035)
Other adjustments	(401)	0	0
Impairment losses end of year	(28.077)	0	(8.035)
Carrying amount end of year	4.069	1.602	4.500

The Company has capitalised deferred tax assets at 4,5m DKK. The deferred tax asset is based primarily on temporary deductible tax differences.

Management has prepared and approved budgets and projections for the budget years 2017 – 2021, which include 23 initiatives relating to 4 must-win battles. The must-win battles, which are to be completed in 2017 and 2018, are a key element in increasing earnings.

Based on the budgeted earnings for 2017 – 2021, Management expects to incur tax costs, which can be offset in the current tax assets and thus warrant the capitalised values

	2016 DKK'000	2015 DKK'000
11. Deferred tax		
Intangible assets	24	14
Property, plant and equipment	3.021	2.318
Inventories	0	105
Receivables	7	7
Provisions	744	129
Tax losses carried forward	0	14.893
Other taxable temporary differences	704	(4.931)
	4.500	12.535
Changes during the year		
Beginning of year	12.535	
Recognised in the income statement	(8.063)	
Recognised directly in equity	28	
End of year	4.500	
	2016	2015
	DKK'000	DKK'000
12. Contract work in progress		
Contract work in progress	199.273	100.203
Progress billings regarding contract work in progress	(166.292)	(76.015)
	32.981	24.188

Prepayments by customers for the year recognised in liabilities by DKK 166k (2015: DKK 6,032k) have been set off against progress billings.

13. Prepayments

Prepayments comprise incurred costs 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 to non-consolidated group entities, where the lender is sub-ordinate to other creditors. The subordination expires in May 2018.

16. Liabilities	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000	Outstanding after 5 years DKK'000			
other than provisions							
Subordinate loan capital	0	0	18.678	0			
Mortgage debts	0	3.214	0	0			
Bank loans	0	0	20.000	20.000			
Finance lease liabilities	1.212	1.202	6.098	912			
	1.212	4.416	44.776	20.912			
8			2 DKK'	016 2015 000 DKK'000			
17. Unrecognised rental and lease commitments Herof liabilities under rental agreements or leases with group enterprises 20 608							
Herof liabilities unde	er rental agreements o	or leases with group en	terprises 29.	698 25.637			
инен ехри у			\(\frac{1}{2}\)				
			2 DKK'	016 2015 000 DKK'000			
18. Contingent liabilities							
Recourse and non-re	ecourse guarantee cor	mmitments	35.	43.657			
Contingent liabilit	ies in total		35.	168 43.657			

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

At 10 November 2015, the Company is jointly taxed with Labflex Holding ApS (administration company). 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.

The parent has submitted a letter of support to Labflex Ltd. The parent 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 of the amount owed to it until March 2018.

19. Mortgages and securities

The company has issued a company pledge of DKK 25,000k (2015: DKK 25,000k) as security for debt to bank. The security comprises inventories and unsecured 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 61.383k (2015: DKK 82,982k).

The Parent has provided a guarantee for the subsidiaries' bank debt. The bank debt in subsidiaries amounts to DKK 0 in 2016. Furthermore, the Parent has provided a guarantee for Labflex Holding ApS as security for the OTC framework (a maximum of DKK 10,000k).

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 4,069k.

20. Related parties with controlling interest

Related parties with a controlling interest in Labflex A/S and the Group are as follows:

- Labflex Holding ApS, Tilst, Denmark holds all of the company shares, hence this company has a controlling interest in the company.
- 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 A/S.

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 (large).

Changes in accounting policies

The Company has implemented Act no. 738 of 1 June 2015 effective as from 01.01.2016. As a result, the Company has implemented 'Reserve for development expenditure' in equity as of 2016.

As a result of the above, an amount equal to the recognised development costs will, going forward, be tied up in a special reserve under equity named 'Reserve for development expenditure'. The amount is tied up in a special reserve which cannot be used for dividends or to cover losses. If the recognised development costs are sold or in any other way are excluded from the Company's operations, the reserve will be reduced or dissolved. This will take place by a direct transfer to the distributable reserves of equity. If the recognised development costs are written down, a share of the reserve for development expenditure must be reversed. The reversed share is equal to the writedown of development costs. If a writedown of development costs is subsequently reversed, the reserve for development expenditure will be reestablished. The reserve for development expenditure is also reduced by the depreciation and amortisation made. In this way, the reserve will not exceed the amount of development costs recognised in the balance sheet.

The change has no monetary effect on the income statement or the balance sheet for 2016 or the comparative figures.

Except for the above and new and changed presentation and disclosure requirements by Act no. 738 of 1 June 2015, the financial statements have been presented applying the accounting policies consistently with last year.

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. Enterprises 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 consolidation, 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.

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 financial 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.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

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).

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.

Also, provisions for loss on contract work in progress are recognised under production costs.

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 expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary 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.

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.

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

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.

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 indirect 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.

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 amount.

Property, plant and equipment

Land and buildings, 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.

Accounting policies

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.

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 plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Group enterprises with negative equity are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs 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 carryforwards, 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. 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, consumables, direct labour costs and indirect production costs.

Accounting policies

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.

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 likely 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.

Accounting policies

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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.

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.