Deloitte.

Deloitte Statsautoriseret Revisionspartnerselskab CVR-nr. 33963556 Papirfabrikken 26 8600 Silkeborg

Phone 89 20 70 00 Fax 89 20 70 05 www.deloitte.dk

Bloomingville A/S

Lene Haus Vej 3 - 5 7430 Ikast Business Registration No 27919081

Annual report 2017

The Annual General Meeting adopted the annual report on 23.03.2018

Chairman of the General Meeting

Name: Eugene Lee Wang

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Entity details

Entity

Bloomingville A/S Lene Haus Vej 3 - 5 7430 Ikast

Central Business Registration No (CVR): 27919081 Registered in: Ikast-Brande Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Eugene Lee Wang, Chairman Robert Lee Wang Simon Stampe

Executive Board

Jan Jakobsen, CEO Lars Krog, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab Papirfabrikken 26 8600 Silkeborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Bloomingville A/S for the financial year 01.01.2017 - 31.12.2017.

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

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

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

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

Ikast, 23.03.2018

Executive Board

Jan Jakobsen	Lars Krog
CEO	CFO

Board of Directors

Eugene Lee Wang	Robert Lee Wang	Simon Stampe
Chairman		

Independent auditor's report

To the shareholders of Bloomingville A/S Opinion

We have audited the financial statements of Bloomingville A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity 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 financial statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exits. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a
 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may
 involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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
 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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.

Silkeborg, 23.03.2018

Deloitte

Statsautoriseret Revisionspartnerselskab Central Business Registration No (CVR) 33963556

Hans Trærup State Authorised Public Accountant Identification No (MNE) mne10648 Jesper Stier State Authorised Public Accountant Identification No (MNE) mne42245

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Gross profit	40.150	59.861	68.482	53.155	38.105
Operating profit/loss	3.838	25.269	36.061	28.974	19.227
Net financials	(1.000)	1.076	2.180	360	(1.473)
Profit/loss for the year	2.195	20.606	29.444	21.940	14.452
Total assets	76.827	92.956	86.846	56.298	41.019
Investments in property, plant and equipment	1.629	4.761	2.744	2.122	758
Equity	51.569	72.214	61.207	42.262	24.971
Cash flows from (used in) investing activities	(1.627)	(4.511)	(2.952)	(2.416)	(774)
Ratios					
Return on equity (%)	3,5	30,9	56,9	65,3	77,8
Equity ratio (%)	67,1	77,7	70,5	75,1	60,9

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

Ratios

Return on equity (%)

Equity ratio (%)

Calculation formula

Profit/loss for the year x 100 Average equity

> Equity x 100 Total assets

Calculation formula reflects

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

The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activities are brand development and wholesale trading of house interior and furniture products.

Development in activities and finances

The Company's income statement for 2017 shows a profit before tax of DKK 2,195k.

In 2017, there has been a major replacement of the Company's management team, and the Company has invested in a new management team within sales, design and procurement. Moreover, the Company has invested in rebuilding its position on the market so the Company will be better prepared for meeting future market requirements.

The financial performance is not considered satisfactory.

Targets and outlook for the coming year

The company expects a positive development of revenue for 2018 with a growth between 5-10%, due to better products-, customer programs and more focused sales efforts. Profit before tax is expected to more than double, with an unchanged number of employees for 2018.

Unusual circumstances

The Company's assets, liabilities and financial position at 31 December 2017 as well as the results of the Company's activities and cash flows for 2017 have not been affected by unusual circumstances.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	Notes	2017 DKK	2016 DKK
Gross profit		40.149.526	59.861.243
Staff costs	1	(33.064.883)	(31.233.037)
Depreciation, amortisation and impairment losses	2	(3.246.767)	(3.358.833)
Operating profit/loss		3.837.876	25.269.373
Other financial income		1.271.059	2.495.925
Other financial expenses		(2.271.513)	(1.420.165)
Profit/loss before tax		2.837.422	26.345.133
Tax on profit/loss for the year	3	(642.872)	(5.739.231)
Profit/loss for the year	4	2.194.550	20.605.902

Balance sheet at 31.12.2017

	Notos	2017	2016 DKK
	Notes	DKK	DKK
Acquired patents		85.247	144.852
Intangible assets	5	85.247	144.852
Other fixtures and fittings, tools and equipment		4.411.289	5.979.604
Leasehold improvements		271.816	263.219
Property, plant and equipment	6	4.683.105	6.242.823
Deposits		1.396.361	1.396.361
Fixed asset investments	7	1.396.361	1.396.361
Fixed assets		6.164.713	7.784.036
Manufactured goods and goods for resale		45.694.227	56.645.168
Prepayments for goods		1.875.511	1.468.234
Inventories		47.569.738	58.113.402
Trade receivables		14.693.441	13.460.344
Receivables from group enterprises		0	160.201
Other receivables		2.956.326	4.516.170
Prepayments	8	3.538.241	3.576.636
Receivables		21.188.008	21.713.351
Cash		1.904.113	5.344.824
Current assets		70.661.859	85.171.577
Assets		76.826.572	92.955.613

Balance sheet at 31.12.2017

	Notes	2017 DКК	2016 DKK
Contributed capital		500.000	500.000
Retained earnings		51.069.020	51.714.446
Proposed dividend		0	20.000.000
Equity		51.569.020	72.214.446
Deferred tax	9	1.357.664	2.043.683
Other provisions	10	0	700.000
Provisions		1.357.664	2.743.683
Finance lease liabilities	11	809.433	1.445.555
Non-current liabilities other than provisions	12	809.433	1.445.555
Current portion of long-term liabilities other than provisions	12	542.091	648.666
Prepayments received from customers		1.541.086	1.264.603
Trade payables		7.184.687	5.579.962
Payables to group enterprises		7.345.635	0
Income tax payable		527.872	4.540.231
Other payables	13	5.949.084	4.518.467
Current liabilities other than provisions		23.090.455	16.551.929
Liabilities other than provisions		23.899.888	17.997.484
Equity and liabilities		76.826.572	92.955.613
Contingent liabilities	15		
Assets charged and collateral	16		
Transactions with related parties	17		
Group relations	18		

Statement of changes in equity for 2017

-	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	51.714.446	20.000.000	72.214.446
Ordinary dividend paid	0	0	(20.000.000)	(20.000.000)
Fair value adjustments of hedging instruments	0	(3.640.995)	0	(3.640.995)
Tax of entries on equity	0	801.019	0	801.019
Profit/loss for the year	0	2.194.550	0	2.194.550
Equity end of year	500.000	51.069.020	0	51.569.020

Cash flow statement for 2017

		2017	2016
	Notes	DKK	DKK
Operating profit/loss		3.837.876	25.269.373
Amortisation, depreciation and impairment losses		3.246.767	3.358.833
Working capital changes	14	10.739.839	(8.208.525)
Cash flow from ordinary operating activities		17.824.482	20.419.681
Financial income received		1.264.708	2.495.925
Financial income paid		(2.265.162)	(1.420.165)
Income taxes refunded/(paid)		(4.540.231)	(11.556.533)
Other cash flows from operating activities		(700.000)	700.000
Cash flows from operating activities		11.583.797	10.638.908
Acquisition etc of intangible assets		0	(101.815)
Acquisition etc of property, plant and equipment		(1.629.086)	(4.760.659)
Sale of property, plant and equipment		1.640	351.714
Cash flows from investing activities		(1.627.446)	(4.510.760)
Repayment of debt to group enterprises		(154.365)	0
Incurrence of lease obligations		0	746.700
Reduction of lease commitments		(742.697)	(1.116.631)
Dividend paid		(12.500.000)	(10.500.000)
Cash flows from financing activities		(13.397.062)	(10.869.931)
Increase/decrease in cash and cash equivalents		(3.440.711)	(4.741.783)
Cash and cash equivalents beginning of year		5.344.824	10.086.607
Cash and cash equivalents end of year		1.904.113	5.344.824

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	27.257.047	25.886.525
Pension costs	3.347.051	2.800.573
Other social security costs	552.005	533.920
Other staff costs	1.908.780	2.012.019
	33.064.883	31.233.037
Average number of employees	72	68

	Remunera- tion of manage- ment 2017 DKK	Remunera- tion of manage- ment 2016 DKK
Total amount for management categories	2.802.372 2.802.372	4.351.135 4.351.135

Special incentive programmes

The Executive Board has an incentive programme consisting of a bonus agreement. The bonus agreement was effective as from 1 January 2015.

Some of the members of the Board of Directors have an incentive programme consisting of a bonus agreement. The bonus agreement was in force in the financial years 2014-2017 and remains in force so far. The bonus agreement is dependent on EBITDA.

	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	59.605	31.824
Depreciation of property, plant and equipment	3.168.340	3.381.363
Profit/loss from sale of intangible assets and property, plant and equipment	18.822	(54.354)
	3.246.767	3.358.833

	2017	2016
2. The an excite (less for the second	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	527.872	4.540.231
Change in deferred tax	115.000	1.199.000
	642.872	5.739.231
	2017	2016
	DKK	DKK
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	20.000.000
Retained earnings	2.194.550	605.902
	2.194.550	20.605.902
		Acquired
		patents
		DKK
5. Intangible assets		
Cost beginning of year		178.815
Cost end of year		178.815
Amortisation and impairment losses beginning of year		(33.963)
Amortisation for the year		(59.605)
Amortisation and impairment losses end of year		(93.568)
Corrying amount and of year		QE 347
Carrying amount end of year		85.247

	Other fixtures and	
	fittings,	Leasehold
	tools and	improve-
	equipment	ments
	DKK	DKK
6. Property, plant and equipment		
Cost beginning of year	13.157.093	1.133.031
Additions	1.503.928	125.156
Disposals	(127.396)	0
Cost end of year	14.533.625	1.258.187
Depreciation and impairment losses beginning of year	(7.177.489)	(869.812)
Depreciation for the year	(3.051.781)	(116.559)
Reversal regarding disposals	106.934	0
Depreciation and impairment losses end of year	(10.122.336)	(986.371 <u>)</u>
Carrying amount end of year	4.411.289	271.816
Recognised assets not owned by entity	825.435	-
		Deposits
		DKK
7. Fixed asset investments		
Cost beginning of year		1.396.361
Cost end of year		1.396.361
Carrying amount end of year		1.396.361

8. Prepayments

Prepayments consist of prepayments relating to fairs, catalogues for the new year and prepayments relating to costs in the subsequent financial year.

	2017 DKK	2016 DKK
9. Deferred tax		
Intangible assets	(6.925)	568
-	. ,	
Property, plant and equipment	81.498	282.152
Inventories	1.436.720	1.421.983
Provisions	(88.000)	(242.000)
Liabilities other than provisions	(297.335)	(460.729)
Other taxable temporary differences	231.706	1.041.709
	1.357.664	2.043.683
Changes during the year		
Beginning of year	2.043.683	
Recognised in the income statement	115.000	
Recognised directly in equity	(801.019)	
End of year	1.357.664	

10. Other provisions

Other provisions relate to former years, and is DKK 0 at 31.12.2017.

11. Long-term finance lease liabilities

Finance lease liabilities total DKK 1,352k of which DKK 542k falls due in the next financial year. An amount of DKK 0k falls due after 5 years from the balance sheet date.

			Due after more
	Due within 12	Due within 12	than 12
	months	months	months
	2017	2016	2017
	DKK	DKK	DKK
12. Liabilities other than provisions			
Finance lease liabilities	542.091	648.666	809.433
	542.091	648.666	809.433

	2017 DKK	2016 DKK
13. Other payables		
VAT and duties	196.799	0
Wages and salaries, personal income taxes, social security costs, etc payable	156.596	202.549
Holiday pay obligation	2.812.808	2.218.756
Other costs payable	2.782.881	2.097.162
· · · · · · · · · · · · · · · · · · ·	5.949.084	4.518.467

The Company hedges foreign currency risks on expected transactions in USD within the next year through currency options.

		Contractual value	Gains and losses recognised in equity	
		2017	2017	
	Period	DKK'000	DKK'000	
Currency options	0-6 months	9.711	(497)	
Currency options	6-12 months	24.611	(1.633)	
	_	34.322	(2.130)	

Forward exchange contracts relate to hedging of goods purchased, see the Company's policy in this respect. Fair value adjustments are recognised in equity and are expected to be realised and recognised in the income statement after the balance sheet date. The forward exchange contracts have been concluded with the Company's usual bank.

	2017	2016
	DKK	DKK
14. Change in working capital		
Increase/decrease in inventories	10.543.664	(8.740.484)
Increase/decrease in receivables	722.142	(788.071)
Increase/decrease in trade payables etc	(525.967)	1.320.030
	10.739.839	(8.208.525)

15. Contingent liabilities

Operating rental and lease commitments total DKK 188k of which DKK 58k falls due in the next financial year, whereas DKK 0k falls due more than five years after the balance sheet date.

The Company has entered into a tenancy agreement with an annual rent of DKK 2,311k. The tenancy cannot be terminated by the tenant to be vacated not earlier than 1 June 2021.

The Company has entered into a business agreement on outsourcing of IT. Relating contingent liabilities amount to DKK 513k. The agreement may be terminated by 6 months' notice not to expire earlier than 30 June 2019.

The Entity participates in a Danish joint taxation arrangement in which BV Holding Company ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2013 for income taxes etc for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

16. Assets charged and collateral

Bank debt is secured on a floating charge of nominal DKK 9,000k. The charge covers unsecured claims from sale of goods and services, operating equipment, finished goods inventories as well as goodwill, domain names and rights relating to certain acts.

At 31 December 2017, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 14,693k
- Other fixtures and fittings, tools and equipment, DKK 4,411k.
- Inventories, DKK 47,569k.

17. Transactions with related parties

All transactions with related parties have been conducted on an arm's length basis.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Regent Holding Company, LLC. 6000 Freeport Avenue, Memphis, TN 38141.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: BV Holding Company ApS, Lene Haus Vej 3-5, 7430 Ikast

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 accounting policies applied to these financial statements are consistent with those applied 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.

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.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as plant and equipment.

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 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.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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 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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3 years

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

Estimated useful lives and residual values are reassessed annually.

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

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.

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

Receivables

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

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.

Other provisions

Other provisions comprise 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.

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.

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 computed 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 activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and 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, repayments of interest-bearing debt and payment of dividend.

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