

## **Bloomingville A/S**

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

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 27.04.2017

### **Chairman of the General Meeting**

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Name: Simon Stampe

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## **Entity details**

### **Entity**

Bloomingville A/S

Lene Haus Vej 3 - 5

7430 Ikast - Brande

Central Business Registration No: 27919081

Registered in: Ikast

Financial year: 01.01.2016 - 31.12.2016

### **Board of Directors**

Simon Stampe, Chairman

Eugene Lee Wang

Henrik Thorup Theilbjørn

Robert Lee Wang, Deputy Chairman

### **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 Bloomingtonville 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 financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 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.

Ikast, 20.04.2017

### Executive Board

Jan Jakobsen  
CEO

Lars Krog  
CFO

### Board of Directors

Simon Stampe  
Chairman

Eugene Lee Wang

Henrik Thorup Theilbjørn

Robert Lee Wang  
Deputy 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 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations and 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 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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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, 20.04.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Hans Trærup

State-Authorised Public Accountant

## Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Gross profit	59.861	68.482	53.155	38.105	17.179
Operating profit/loss	25.269	36.061	28.974	19.227	4.166
Net financials	1.076	2.180	360	(1.473)	503
Profit/loss for the year	20.606	29.444	21.940	14.452	3.097
Total assets	92.956	86.846	56.298	41.019	29.376
Investments in property, plant and equipment	4.761	2.744	2.122	758	1.876
Equity	72.214	61.207	42.262	24.971	12.173
Cash flows from (used in) investing activities	(4.682)	(2.952)	(2.416)	(774)	(629)
<b>Ratios</b>					
Return on equity (%)	30,9	56,9	65,3	77,8	25,4
Equity ratio (%)	77,7	70,5	75,1	60,9	41,4

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

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	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 2016 shows a profit before tax of DKK 26,345k. The profit has been negatively affected due to the termination of activities in the interior brand DAY HOME as the group of owners has decided to focus on the Bloomingtonville brand. In 2016, the Company also invested in sales and sales promotion to be better prepared for meeting future market requirements. The profit is considered satisfactory.

### Targets and outlook for the coming year

The Company expects a positive progress for the coming year due to larger and more focused sales efforts and increased focus on unique design.

### Unusual circumstances

The Company's assets, liabilities and financial position at 31 December 2016 as well as the results of the Company's activities and cash flows for 2016 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 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
<b>Gross profit</b>		<b>59.861.243</b>	<b>68.482.103</b>
Staff costs	1	(31.233.037)	(30.023.658)
Depreciation, amortisation and impairment losses	2	<u>(3.358.833)</u>	<u>(2.397.032)</u>
<b>Operating profit/loss</b>		<b>25.269.373</b>	<b>36.061.413</b>
Other financial income		2.495.925	4.347.118
Other financial expenses		<u>(1.420.165)</u>	<u>(2.167.198)</u>
<b>Profit/loss before tax</b>		<b>26.345.133</b>	<b>38.241.333</b>
Tax on profit/loss for the year		<u>(5.739.231)</u>	<u>(8.797.354)</u>
<b>Profit/loss for the year</b>	3	<u><b>20.605.902</b></u>	<u><b>29.443.979</b></u>

# Balance sheet at 31.12.2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Acquired patents		144.852	74.861
<b>Intangible assets</b>	4	<b>144.852</b>	<b>74.861</b>
Other fixtures and fittings, tools and equipment		5.979.604	4.926.482
Leasehold improvements		263.219	234.405
<b>Property, plant and equipment</b>	5	<b>6.242.823</b>	<b>5.160.887</b>
Deposits		1.396.361	1.225.149
<b>Fixed asset investments</b>		<b>1.396.361</b>	<b>1.225.149</b>
<b>Fixed assets</b>		<b>7.784.036</b>	<b>6.460.897</b>
Manufactured goods and goods for resale		56.645.168	43.983.381
Prepayments for goods		1.468.234	5.389.537
<b>Inventories</b>		<b>58.113.402</b>	<b>49.372.918</b>
Trade receivables		13.460.344	13.694.582
Receivables from group enterprises		160.201	0
Other receivables	6	4.516.170	4.073.460
Receivables from owners and management		0	450
Prepayments	7	3.576.636	3.156.788
<b>Receivables</b>		<b>21.713.351</b>	<b>20.925.280</b>
<b>Cash</b>		<b>5.344.824</b>	<b>10.086.607</b>
<b>Current assets</b>		<b>85.171.577</b>	<b>80.384.805</b>
<b>Assets</b>		<b>92.955.613</b>	<b>86.845.702</b>

## Balance sheet at 31.12.2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Contributed capital		500.000	500.000
Retained earnings		51.714.447	50.207.180
Proposed dividend		20.000.000	10.500.000
<b>Equity</b>		<b>72.214.447</b>	<b>61.207.180</b>
Deferred tax		2.043.683	590.452
Other provisions	8	700.000	0
<b>Provisions</b>		<b>2.743.683</b>	<b>590.452</b>
Bank loans		0	301.917
Finance lease liabilities	9	1.445.556	1.472.880
<b>Non-current liabilities other than provisions</b>	10	<b>1.445.556</b>	<b>1.774.797</b>
Current portion of long-term liabilities other than provisions	10	648.666	689.356
Prepayments received from customers		1.264.602	864.792
Trade payables		5.579.961	5.270.428
Income tax payable		4.540.231	11.556.533
Other payables		4.518.467	4.892.164
<b>Current liabilities other than provisions</b>		<b>16.551.927</b>	<b>23.273.273</b>
<b>Liabilities other than provisions</b>		<b>17.997.483</b>	<b>25.048.070</b>
<b>Equity and liabilities</b>		<b>92.955.613</b>	<b>86.845.702</b>
Contingent liabilities	12		
Mortgages and securities	13		
Group relations	14		

## Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	50.207.180	10.500.000	61.207.180
Ordinary dividend paid	0	0	(10.500.000)	(10.500.000)
Fair value adjustments of hedging instruments	0	1.155.596	0	1.155.596
Tax of equity postings	0	(254.231)	0	(254.231)
Profit/loss for the year	0	605.902	20.000.000	20.605.902
<b>Equity end of year</b>	<b>500.000</b>	<b>51.714.447</b>	<b>20.000.000</b>	<b>72.214.447</b>

## Cash flow statement 2016

	<b>Notes</b>	<b>2016 DKK</b>	<b>2015 DKK</b>
Operating profit/loss		25.969.373	36.061.413
Amortisation, depreciation and impairment losses		3.358.833	2.402.532
Working capital changes	11	<u>(8.037.313)</u>	<u>(22.847.851)</u>
<b>Cash flow from ordinary operating activities</b>		<b>21.290.893</b>	<b>15.616.094</b>
Financial income received		2.495.925	4.347.118
Financial income paid		(1.420.165)	(2.167.199)
Income taxes refunded/(paid)		<u>(11.556.533)</u>	<u>893.725</u>
<b>Cash flows from operating activities</b>		<b>10.810.120</b>	<b>18.689.738</b>
Acquisition etc of intangible assets		(101.815)	(77.000)
Acquisition etc of property, plant and equipment		(4.760.659)	(2.743.553)
Sale of property, plant and equipment		351.714	0
Loans		<u>(171.212)</u>	<u>(131.288)</u>
<b>Cash flows from investing activities</b>		<b>(4.681.972)</b>	<b>(2.951.841)</b>
Incurrence of lease obligations		746.700	266.500
Reduction of lease commitments		(1.116.631)	(628.148)
Dividend paid		<u>(10.500.000)</u>	<u>(10.500.000)</u>
<b>Cash flows from financing activities</b>		<b>(10.869.931)</b>	<b>(10.861.648)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(4.741.783)</b>	<b>4.876.249</b>
Cash and cash equivalents beginning of year		<u>10.086.607</u>	<u>5.210.358</u>
<b>Cash and cash equivalents end of year</b>		<b>5.344.824</b>	<b>10.086.607</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>1. Staff costs</b>		
Wages and salaries	25.886.525	25.107.476
Pension costs	2.800.573	2.528.339
Other social security costs	533.920	486.807
Other staff costs	2.012.019	1.901.036
	<b>31.233.037</b>	<b>30.023.658</b>
Number of employees at balance sheet date	<b>68</b>	<b>63</b>

	<b>Remunera- tion of manage- ment 2016 DKK</b>	<b>Remunera- tion of manage- ment 2015 DKK</b>
Total amount for management categories	4.351.135	1.798.493
	<b>4.351.135</b>	<b>1.798.493</b>

### 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 2014-2016 and remains in force so far. The bonus agreement is dependent on EBITDA.

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	31.824	2.139
Depreciation of property, plant and equipment	3.381.363	2.400.393
Profit/loss from sale of intangible assets and property, plant and equipment	(54.354)	(5.500)
	<b>3.358.833</b>	<b>2.397.032</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK</b>	<b>DKK</b>
<b>3. Proposed distribution of profit/loss</b>		
Ordinary dividend for the financial year	20.000.000	10.500.000
Retained earnings	605.902	18.943.979
	<b>20.605.902</b>	<b>29.443.979</b>
		<b>Acquired patents DKK</b>
<b>4. Intangible assets</b>		
Cost beginning of year		77.000
Additions		101.815
<b>Cost end of year</b>		<b>178.815</b>
Amortisation and impairment losses beginning of year		(2.139)
Amortisation for the year		(31.824)
<b>Amortisation and impairment losses end of year</b>		<b>(33.963)</b>
<b>Carrying amount end of year</b>		<b>144.852</b>
	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improve- ments DKK</b>
<b>5. Property, plant and equipment</b>		
Cost beginning of year	12.537.231	1.058.693
Additions	4.578.743	181.916
Disposals	(3.958.881)	(107.578)
<b>Cost end of year</b>	<b>13.157.093</b>	<b>1.133.031</b>
Depreciation and impairment losses beginning of the year	(7.610.749)	(824.288)
Depreciation for the year	(3.228.261)	(153.102)
Reversal regarding disposals	3.661.521	107.578
<b>Depreciation and impairment losses end of the year</b>	<b>(7.177.489)</b>	<b>(869.812)</b>
<b>Carrying amount end of year</b>	<b>5.979.604</b>	<b>263.219</b>



## Notes

### 6. Other receivables

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

	<b>Period</b>	<b>Contractual value 2016 DKK'000</b>	<b>Gains and losses recognised in equity 2016 DKK'000</b>
Currency options	0-6 months	9.600	1.326
Currency options	6-12 months	1.500	185
		<b>11.100</b>	<b>1.511</b>

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.

### 7. Prepayments

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

### 8. Other provisions

Other provisions relate to the estimated cost of pending disputes etc.

### 9. Long-term finance lease liabilities

Finance lease liabilities total DKK 2,094k of which DKK 649k falls due in the next financial year. An amount of DKK 7k falls due after 5 years from the balance sheet date.

## Notes

	<b>Instalments within 12 months 2016 DKK</b>	<b>Instalments within 12 months 2015 DKK</b>	<b>Instalments beyond 12 months 2016 DKK</b>	<b>Outstanding after 5 years DKK</b>
<b>10. Liabilities other than provisions</b>				
Bank loans	0	149.534	0	0
Finance lease liabilities	648.666	539.822	1.445.556	7.400
	<b>648.666</b>	<b>689.356</b>	<b>1.445.556</b>	<b>7.400</b>

	<b>2016 DKK</b>	<b>2015 DKK</b>
<b>11. Change in working capital</b>		
Increase/decrease in inventories	(8.740.484)	(23.221.376)
Increase/decrease in receivables	(788.071)	(1.901.114)
Increase/decrease in trade payables etc	1.491.242	2.274.639
	<b>(8.037.313)</b>	<b>(22.847.851)</b>

## 12. Contingent liabilities

Operating rental and lease commitments total DKK 339k of which DKK 98k 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 2,315k. 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 1,267k. 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.

## Notes

### 13. Mortgages and securities

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 2016, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 13,460k.
- Other fixtures and fittings, tools and equipment, DKK 5,980k.
- Inventories, DKK 58,113k.

Plant and machinery of a carrying amount of DKK 1,207k at 31 December 2016 have been acquired through finance leases.

### 14. 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

## 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.

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.

### 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.

## Accounting policies

### 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.

## 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:

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.

## Accounting policies

### 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.