



## Bloomingville A/S

Lene Haus Vej 3-5  
7430 Ikast  
CVR No. 27919081

## Annual report 2020

The Annual General Meeting adopted the  
annual report on 29.04.2021

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**Eugene Lee Wang**  
Conductor

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# Entity details

## Entity

Bloomingville A/S

Lene Haus Vej 3-5

7430 Ikast

CVR No.: 27919081

Registered office: Ikast-brande

Financial year: 01.01.2020 - 31.12.2020

## Board of Directors

Eugene Lee Wang, Chairman

Lars Krog

Robert Lee Wang

Stephen Walker Ellis

## Executive Board

Lars Krog, CEO

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Papirfabrikken 26

8600 Silkeborg

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Bloomingtonville A/S for the financial year 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 29.04.2021

## Executive Board

**Lars Krog**  
CEO

## Board of Directors

**Eugene Lee Wang**  
Chairman

**Lars Krog**

**Robert Lee Wang**

**Stephen Walker Ellis**

# 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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 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:

- 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.

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, 29.04.2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Hans Trærup**

State Authorised Public Accountant  
Identification No (MNE) mne10648

**Heidi Julitta Østergaard Jensen**

State Authorised Public Accountant  
Identification No (MNE) mne34163

# Management commentary

## Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
<b>Key figures</b>					
Gross profit/loss	60,250	40,075	42,935	40,150	59,861
Operating profit/loss	20,175	2,483	5,326	3,838	25,269
Net financials	(1,093)	778	(440)	(1,000)	1,076
Profit/loss for the year	14,863	2,524	3,797	2,195	20,606
Total assets	93,917	83,728	92,150	76,827	92,956
Investments in property, plant and equipment	2,139	4,451	1,713	1,629	4,761
Equity	68,772	54,552	57,258	51,569	72,214
Cash flows from (used in) investing activities	(2,224)	(4,558)	(1,627)	(4,511)	(2,952)
<b>Ratios</b>					
Return on equity (%)	24.10	4.51	6.98	3.55	28.53
Equity ratio (%)	73.23	65.15	62.14	67.12	77.69

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

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets



**Primary activities**

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

**Development in activities and finances**

The Company's income statement for 2020 shows a profit after tax of 14,863 tDKK. Total assets by end of 2020 is 93,917 tDKK with an equity of 68,772 tDKK.

In 2020, the Company had strong sales growth on all markets with both online and offline customers. Especially the preparedness for online customers built up in late 2019 and early 2020 paid off with this segment being extremely strong. Digital sales tools, introduced in 2020, targeting online as well as offline customers lifted both segments further.

When the COVID-19 pandemic hit Europe at the beginning of 2020, the initial expectations were to see a flat revenue and gross profit development. On the contrary, the year ended up with strong growth.

**Profit/loss for the year in relation to expected developments**

The result exceeds the expectations for the year and the performance is considered satisfactory.

**Unusual circumstances affecting recognition and measurement**

The Company's assets, liabilities and financial position by December 31st 2020, as well as the results of the Company's activities and cash flows for 2020, have not been affected by unusual circumstances.

**Outlook**

The Company expects both gross profit and profit after tax for 2021 to be at minimum 2020 level with a minor increase in the number of employees.

**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 2020

	Notes	2020 DKK	2019 DKK
<b>Gross profit/loss</b>	1	<b>60,249,976</b>	<b>40,074,597</b>
Staff costs	2	(37,730,003)	(35,244,658)
Depreciation, amortisation and impairment losses		(2,345,136)	(2,347,123)
<b>Operating profit/loss</b>		<b>20,174,837</b>	<b>2,482,816</b>
Other financial income		1,915,916	2,220,889
Other financial expenses		(3,008,417)	(1,442,978)
<b>Profit/loss before tax</b>		<b>19,082,336</b>	<b>3,260,727</b>
Tax on profit/loss for the year	3	(4,219,279)	(736,848)
<b>Profit/loss for the year</b>	4	<b>14,863,057</b>	<b>2,523,879</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK	2019 DKK
Acquired patents		51,613	20,199
<b>Intangible assets</b>	5	<b>51,613</b>	<b>20,199</b>
Other fixtures and fittings, tools and equipment		4,057,109	3,995,815
Leasehold improvements		947,773	1,158,311
<b>Property, plant and equipment</b>	6	<b>5,004,882</b>	<b>5,154,126</b>
Deposits		1,471,768	1,474,638
<b>Financial assets</b>	7	<b>1,471,768</b>	<b>1,474,638</b>
<b>Fixed assets</b>		<b>6,528,263</b>	<b>6,648,963</b>
Manufactured goods and goods for resale		43,000,278	56,815,726
Prepayments for goods		1,453,138	948,967
<b>Inventories</b>		<b>44,453,416</b>	<b>57,764,693</b>
Trade receivables		19,104,581	13,049,341
Other receivables	8	1,420,524	1,830,169
Prepayments	9	2,659,135	4,380,165
<b>Receivables</b>		<b>23,184,240</b>	<b>19,259,675</b>
<b>Cash</b>		<b>19,751,529</b>	<b>55,035</b>
<b>Current assets</b>		<b>87,389,185</b>	<b>77,079,403</b>
<b>Assets</b>		<b>93,917,448</b>	<b>83,728,366</b>

## Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		500,000	500,000
Reserve for fair value adjustments of hedging instruments		(642,916)	0
Retained earnings		54,914,878	54,051,821
Proposed dividend		14,000,000	0
<b>Equity</b>		<b>68,771,962</b>	<b>54,551,821</b>
Deferred tax	10	1,550,322	2,342,322
<b>Provisions</b>		<b>1,550,322</b>	<b>2,342,322</b>
Lease liabilities		74,506	275,078
Other payables		2,325,707	745,492
<b>Non-current liabilities other than provisions</b>	11	<b>2,400,213</b>	<b>1,020,570</b>
Current portion of non-current liabilities other than provisions	11	126,459	260,696
Bank loans		0	8,935,439
Prepayments received from customers		2,081,353	1,362,940
Trade payables		5,910,746	6,616,065
Payables to group enterprises		27,865	5,290,795
Joint taxation contribution payable		4,829,951	699,855
Other payables	12	8,218,577	2,647,863
<b>Current liabilities other than provisions</b>		<b>21,194,951</b>	<b>25,813,653</b>
<b>Liabilities other than provisions</b>		<b>23,595,164</b>	<b>26,834,223</b>
<b>Equity and liabilities</b>		<b>93,917,448</b>	<b>83,728,366</b>
Contingent liabilities	14		
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# Statement of changes in equity for 2020

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	0	54,051,821	0	54,551,821
Other entries on equity	0	(824,251)	0	0	(824,251)
Tax of entries on equity	0	181,335	0	0	181,335
Profit/loss for the year	0	0	863,057	14,000,000	14,863,057
<b>Equity end of year</b>	<b>500,000</b>	<b>(642,916)</b>	<b>54,914,878</b>	<b>14,000,000</b>	<b>68,771,962</b>

# Cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		20,174,837	2,482,816
Amortisation, depreciation and impairment losses		2,345,136	2,347,123
Working capital changes	13	15,746,065	11,533,065
<b>Cash flow from ordinary operating activities</b>		<b>38,266,038</b>	<b>16,363,004</b>
Financial income received		1,896,342	2,126,648
Financial expenses paid		(3,008,417)	(1,375,798)
Taxes refunded/(paid)		(699,855)	(609,649)
<b>Cash flows from operating activities</b>		<b>36,454,108</b>	<b>16,504,205</b>
Acquisition etc of property, plant and equipment		(2,181,731)	(4,451,373)
Sale of property, plant and equipment		(42,705)	(106,343)
<b>Cash flows from investing activities</b>		<b>(2,224,436)</b>	<b>(4,557,716)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>34,229,672</b>	<b>11,946,489</b>
Repayment of debt to group enterprises		(5,262,930)	(1,487,077)
Reduction of lease commitments		(334,809)	(267,741)
Dividend paid		0	(5,000,000)
<b>Cash flows from financing activities</b>		<b>(5,597,739)</b>	<b>(6,754,818)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>28,631,933</b>	<b>5,191,671</b>
Cash and cash equivalents beginning of year		(8,880,404)	(14,072,075)
<b>Cash and cash equivalents end of year</b>		<b>19,751,529</b>	<b>(8,880,404)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		19,751,529	55,035
Short-term debt to banks		0	(8,935,439)
<b>Cash and cash equivalents end of year</b>		<b>19,751,529</b>	<b>(8,880,404)</b>

# Notes

## 1 Gross profit/loss

Other operating income includes compensation received from the wage support schemes established as a result of the outbreak and spread of COVID-19 in 2020, with DKK 842,412.

## 2 Staff costs

	2020 DKK	2019 DKK
Wages and salaries	30,979,274	29,166,909
Pension costs	3,753,745	3,761,998
Other social security costs	525,010	573,488
Other staff costs	2,471,974	1,742,263
	<b>37,730,003</b>	<b>35,244,658</b>
Average number of full-time employees	70	73

## Special incentive programmes

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

## 3 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	4,829,944	699,848
Change in deferred tax	(610,665)	37,000
	<b>4,219,279</b>	<b>736,848</b>

## 4 Proposed distribution of profit and loss

	2020 DKK	2019 DKK
Retained earnings	14,863,057	2,523,879
	<b>14,863,057</b>	<b>2,523,879</b>

## Dividend distributed after the balance sheet date

Extraordinary dividend	18,500,000	0
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## 5 Intangible assets

	Acquired patents DKK
Cost beginning of year	209,115
Additions	42,700
<b>Cost end of year</b>	<b>251,815</b>
Amortisation and impairment losses beginning of year	(188,916)
Amortisation for the year	(11,286)
<b>Amortisation and impairment losses end of year</b>	<b>(200,202)</b>
<b>Carrying amount end of year</b>	<b>51,613</b>

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	17,667,980	2,432,664
Additions	2,039,344	99,687
Disposals	(1,765,582)	0
<b>Cost end of year</b>	<b>17,941,742</b>	<b>2,532,351</b>
Depreciation and impairment losses beginning of year	(13,672,165)	(1,274,353)
Depreciation for the year	(1,978,050)	(310,225)
Reversal regarding disposals	1,765,582	0
<b>Depreciation and impairment losses end of year</b>	<b>(13,884,633)</b>	<b>(1,584,578)</b>
<b>Carrying amount end of year</b>	<b>4,057,109</b>	<b>947,773</b>

## 7 Financial assets

	Deposits DKK
Cost beginning of year	1,474,638
Additions	(2,870)
<b>Cost end of year</b>	<b>1,471,768</b>
<b>Carrying amount end of year</b>	<b>1,471,768</b>

## 8 Other receivables

Other receivable rent totals DKK 1,104 K of which DKK 414 K falls due in the next financial year. an amount of DKK 0K falls due after 5 years from the balance sheet date.

## 9 Prepayments

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



## 10 Deferred tax

	2020 DKK	2019 DKK
Intangible assets	(9,326)	(14,757)
Property, plant and equipment	149,843	(86,640)
Inventories	1,012,223	1,613,256
Provisions	(110,000)	(55,000)
Liabilities other than provisions	(13,052)	(88,035)
Other taxable temporary differences	520,634	973,498
<b>Deferred tax</b>	<b>1,550,322</b>	<b>2,342,322</b>

	2020 DKK	2019 DKK
<b>Changes during the year</b>		
Beginning of year	2,342,322	2,370,342
Recognised in the income statement	(610,665)	37,000
Recognised directly in equity	(181,335)	65,020
Other movements	0	(130,040)
<b>End of year</b>	<b>1,550,322</b>	<b>2,342,322</b>

## 11 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Lease liabilities	126,459	260,696	74,506	0
Other payables	0	0	2,325,707	2,325,707
	<b>126,459</b>	<b>260,696</b>	<b>2,400,213</b>	<b>2,325,707</b>

## 12 Other payables

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

		<b>Contractual value 2020 DKK'000</b>	<b>Fair value recognised in other receivables 2020 DKK'000</b>
	<b>Period</b>		
Currency options	0-6 months	3.364	(824)
		<b>3.364</b>	<b>(824)</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.

## 13 Changes in working capital

	<b>2020 DKK</b>	<b>2019 DKK</b>
Increase/decrease in inventories	13,253,303	7,190,817
Increase/decrease in receivables	6,359,353	3,179,620
Increase/decrease in trade payables etc	(3,866,591)	1,162,628
	<b>15,746,065</b>	<b>11,533,065</b>

## 14 Contingent liabilities

Operating rental and lease commitments total DKK 14k (58k) of which DKK 58k (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 1,415k. 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 524k. The agreement may be terminated by 6 months' notice not to expire earlier than 30 November 2020.

The Entity participates in a Danish joint taxation arrangement where 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.

### 15 Assets charged and collateral

Bank debt is secured on a floating charge of nominal DKK 14,000k. 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 2020, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 19,104k.
- Other fixtures and fittings, tools and equipment, DKK 4,057k.
- Inventories, DKK 43,000k.

### 16 Related parties with controlling interest

BV Holding Company ApS, Lene Haus Vej 3-5, 7430 Ikast owns all shares in the Entity, thus exercising control.

Creative Co-Op, LLC. 6000 Freeport Avenue, Memphis, TN 38141, Inc owns all shares in BV Holding Company ApS, thus exercising control.

Regent Holding Company, LLC. 6000 Freeport Avenue, Memphis, TN 38141 owns all shares in Creative Co-Op LLC, thus exercising control.

Regent intermediate Company, 6000 Freeport Avenue, Memphis, TN 38141, owns all shares in Regent Holding Company, LLC, thus exercising control.

RHC Investment Corp, 11100 Santa Monica, Santa Monica Blvd , owns all shares in Regent intermediate Company, thus exercising control.

Freeman Spogli & Co LLC. 11100 Santa Monica Blvd, Santa Monica Blvd owns shares in RHC Investment Corp, thus exercising control.

### 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, the latest annual report can be requested at the company's address.

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 prepared 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.

## 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 rate 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.

## 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.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**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, and 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 or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and 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 group enterprises. 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 the tax-based value of assets and liabilities, for which the tax-based value 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.

**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.

**Joint taxation contributions payable or receivable**

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

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and 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, and 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, and the raising of loans, inception of finance leases, repayments of 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 loans.