



Bloomingville A/S

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

Annual report 2019

The Annual General Meeting adopted the
annual report on 28.04.2020

Eugene Lee Wang
Conductor

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019	9
Balance sheet at 31.12.2019	10
Statement of changes in equity for 2019	12
Cash flow statement for 2019	13
Notes	14
Accounting policies	19

Entity details

Entity

Bloomingville A/S

Lene Haus Vej 3-5

7430 Ikast

CVR No.: 27919081

Registered office: Ikast-Brande

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Eugene Lee Wang, Chairman

Robert David McIntire

Robert Lee Wang

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 Bloomingville A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 28.04.2020

Executive Board

Lars Krog
CEO

Board of Directors

Eugene Lee Wang
Chairman

Robert David McIntire

Robert Lee Wang

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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, 28.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Hans Trærup

State Authorised Public Accountant
Identification No (MNE) mne10648

Jesper Stier

State Authorised Public Accountant
Identification No (MNE) mne42245

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	40,075	42,935	40,150	59,861	68,482
Operating profit/loss	2,483	5,326	3,838	25,269	36,061
Net financials	778	(440)	(1,000)	1,076	2,180
Profit/loss for the year	2,524	3,797	2,195	20,606	29,444
Total assets	83,728	92,150	76,827	92,956	86,846
Investments in property, plant and equipment	4,451	1,713	1,629	4,761	2,744
Equity	54,552	57,258	51,569	72,214	61,207
Cash flows from (used in) investing activities	(4,558)	(1,401)	(1,627)	(4,511)	(2,952)
Ratios					
Return on equity (%)	4.51	6.98	3.55	30.89	48.11
Equity ratio (%)	65.15	62.14	67.12	77.69	70.48

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 2019 shows a profit after tax of 2,524 tDKK.

In 2019, the Company focused on improving the working capital, leaving the Company in a sounder position going into 2020

Profit/loss for the year in relation to expected developments

Despite the financial result fell short of the 2019 expectations due to soft revenue in late part of the year, the performance is yet considered satisfactory.

Unusual circumstances affecting recognition and measurement

The Company's assets, liabilities and financial position at 31 December 2019 as well as the results of the Company's activities and cash flows for 2019 have not been affected by unusual circumstances, including ongoing covid-19 crisis.

Outlook

The Company expects a flat development of the revenue for 2020, which is seen in respect of the worldwide covid-19 crisis.

Profit after tax is expected to end minimum at the 2019 level with a reduced number of employee.

Events after the balance sheet date

2020 started out with strong order intake, but the worldwide covid-19 crisis has changed the original growth forecast to a flat 2020 revenue scenario. The Company has in Q1 2020 taken measures to secure capital resources and by reducing the number of full-time employees also the ongoing 2020 financial result.

In addition, no events have occurred after the balance sheet date, which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		40,074,597	42,934,752
Staff costs	2	(35,244,658)	(34,509,023)
Depreciation, amortisation and impairment losses		(2,347,123)	(3,099,358)
Operating profit/loss		2,482,816	5,326,371
Other financial income		2,220,889	1,789,863
Other financial expenses		(1,442,978)	(2,230,272)
Profit/loss before tax		3,260,727	4,885,962
Tax on profit/loss for the year	3	(736,848)	(1,088,649)
Profit/loss for the year	4	2,523,879	3,797,313

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Acquired patents		20,199	58,082
Intangible assets	5	20,199	58,082
Other fixtures and fittings, tools and equipment		3,995,815	2,843,119
Leasehold improvements		1,158,311	168,574
Property, plant and equipment	6	5,154,126	3,011,693
Deposits		1,474,638	1,368,595
Other financial assets	7	1,474,638	1,368,595
Fixed assets		6,648,963	4,438,370
Manufactured goods and goods for resale		56,815,726	64,475,657
Prepayments for goods		948,967	479,853
Inventories		57,764,693	64,955,510
Trade receivables		13,049,341	16,220,178
Other receivables	8	1,830,169	2,781,641
Prepayments	9	4,380,165	3,733,020
Receivables		19,259,675	22,734,839
Cash		55,035	21,229
Current assets		77,079,403	87,711,578
Assets		83,728,366	92,149,948

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		500,000	500,000
Retained earnings		54,051,821	51,758,466
Proposed dividend		0	5,000,000
Equity		54,551,821	57,258,466
Deferred tax	10	2,342,322	2,370,342
Provisions		2,342,322	2,370,342
Finance lease liabilities		275,078	535,775
Other payables		745,492	0
Non-current liabilities other than provisions	11	1,020,570	535,775
Current portion of non-current liabilities other than provisions	11	260,696	267,740
Bank loans		8,935,439	14,093,304
Prepayments received from customers		1,362,940	902,947
Trade payables		6,616,065	6,363,409
Payables to group enterprises		5,290,795	6,777,872
Income tax payable		699,855	609,649
Other payables		2,647,863	2,970,444
Current liabilities other than provisions		25,813,653	31,985,365
Liabilities other than provisions		26,834,223	32,521,140
Equity and liabilities		83,728,366	92,149,948
Events after the balance sheet date	1		
Contingent liabilities	13		
Assets charged and collateral	14		
Transactions with related parties	15		
Group relations	16		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	51,758,466	5,000,000	57,258,466
Ordinary dividend paid	0	0	(5,000,000)	(5,000,000)
Fair value adjustments of hedging instruments	0	(295,544)	0	(295,544)
Tax of entries on equity	0	65,020	0	65,020
Profit/loss for the year	0	2,523,879	0	2,523,879
Equity end of year	500,000	54,051,821	0	54,551,821

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		2,482,816	5,326,371
Amortisation, depreciation and impairment losses		2,347,123	3,099,358
Working capital changes	12	11,533,065	(20,917,083)
Cash flow from ordinary operating activities		16,363,004	(12,491,354)
Financial income received		2,126,648	1,789,863
Financial expenses paid		(1,375,798)	(2,230,272)
Income taxes refunded/(paid)		(609,649)	(527,872)
Cash flows from operating activities		16,504,205	(13,459,635)
Acquisition etc of property, plant and equipment		(4,451,373)	(1,743,519)
Sale of property, plant and equipment		(106,343)	342,738
Cash flows from investing activities		(4,557,716)	(1,400,781)
Repayment of debt to group enterprises		(1,487,077)	(567,763)
Reduction of lease commitments		(267,741)	(548,009)
Dividend paid		(5,000,000)	0
Cash flows from financing activities		(6,754,818)	(1,115,772)
Increase/decrease in cash and cash equivalents		5,191,671	(15,976,188)
Cash and cash equivalents beginning of year		(14,072,075)	1,904,113
Cash and cash equivalents end of year		(8,880,404)	(14,072,075)
Cash and cash equivalents at year-end are composed of:			
Cash		55,035	21,229
Short-term debt to banks		(8,935,439)	(14,093,304)
Cash and cash equivalents end of year		(8,880,404)	(14,072,075)

Notes

1 Events after the balance sheet date

2020 started out with strong order intake, but the worldwide covid-19 crisis has changed the original growth forecast to a flat 2020 revenue scenario. The Company has in Q1 2020 taken measures to secure capital resources and by reducing the number of full-time employees also the ongoing 2020 financial result.

2 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	29,166,909	28,672,313
Pension costs	3,761,998	3,623,129
Other social security costs	573,488	533,789
Other staff costs	1,742,263	1,679,792
	35,244,658	34,509,023
Average number of full-time employees	73	72

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

	2019 DKK	2018 DKK
Current tax	699,848	609,649
Change in deferred tax	37,000	479,000
	736,848	1,088,649

4 Proposed distribution of profit and loss

	2019 DKK	2018 DKK
Ordinary dividend for the financial year	0	5,000,000
Retained earnings	2,523,879	(1,202,687)
	2,523,879	3,797,313

5 Intangible assets

	Acquired patents DKK
Cost beginning of year	209,115
Cost end of year	209,115
Amortisation and impairment losses beginning of year	(151,033)
Amortisation for the year	(37,883)
Amortisation and impairment losses end of year	(188,916)
Carrying amount end of year	20,199

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	15,000,480	1,274,831
Additions	3,293,540	1,157,833
Disposals	(626,040)	0
Cost end of year	17,667,980	2,432,664
Depreciation and impairment losses beginning of year	(12,157,361)	(1,106,257)
Depreciation for the year	(2,140,844)	(168,096)
Reversal regarding disposals	626,040	0
Depreciation and impairment losses end of year	(13,672,165)	(1,274,353)
Carrying amount end of year	3,995,815	1,158,311

7 Financial assets

	Deposits DKK
Cost beginning of year	1,368,595
Additions	106,043
Cost end of year	1,474,638
Carrying amount end of year	1,474,638

8 Other receivables

Other receivable rent totals DKK 1.485K of which DKK 381K 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

	2019 DKK	2018 DKK
Intangible assets	(14,757)	(12,995)
Property, plant and equipment	(86,640)	(189,997)
Inventories	1,613,256	1,922,738
Provisions	(55,000)	(88,000)
Liabilities other than provisions	(88,035)	(70,250)
Other taxable temporary differences	973,498	808,846
Deferred tax	2,342,322	2,370,342

	2019 DKK	2018 DKK
Changes during the year		
Beginning of year	2,370,342	1,357,664
Recognised in the income statement	37,000	479,000
Recognised directly in equity	65,020	533,678
Other movements	(130,040)	
End of year	2,342,322	2,370,342

11 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK
Finance lease liabilities	260,696	267,740	275,078
Other payables	0	0	745,492
	260,696	267,740	1,020,570

12 Changes in working capital

	2019	2018
	DKK	DKK
Increase/decrease in inventories	7,190,817	(17,013,472)
Increase/decrease in receivables	3,179,620	(1,623,587)
Increase/decrease in trade payables etc	1,162,628	(2,280,024)
	11,533,065	(20,917,083)

13 Contingent liabilities

Operating rental and lease commitments total DKK 72k (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 2,464k. 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 1,262k. 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.

14 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 2019, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 13,299k.
- Other fixtures and fittings, tools and equipment, DKK 3,996k.
- Inventories, DKK 56,816k.

15 Transactions with related parties

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

16 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 prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting estimates

During 2019 a principle for estimating necessary inventory write off was introduced. In the past estimation was made based on the lifecycle and creation year of the SKUs. Going forward write off will be made on discontinued items and on old SKUs based on aging of the inventory as defined by last purchase. SKUs are completely written off the books six years after last purchase. In 2019 an amount of 753 tDKK was written off the inventory. In 2018 this figure was 1,191 tDKK

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, 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.

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 receivable or payable 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, 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.