



Bloomingville A/S

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

Annual report 2021

The Annual General Meeting adopted the
annual report on 25.05.2022

Eugene Lee Wang

Chairman of the General Meeting

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Entity details

Entity

Bloomingville A/S

Lene Haus Vej 3-5

7430 Ikast

Business Registration No.: 27919081

Registered office: Ikast-brande

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Lars Krog

Robert Lee Wang

Eugene Lee Wang

Kenneth Jake Schnarrs

Executive Board

Lars Krog

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 25.05.2022

Executive Board

Lars Krog

Board of Directors

Lars Krog

Robert Lee Wang

Eugene Lee Wang

Kenneth Jake Schnarrs

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 25.05.2022

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

	2021	2020	2019	2018	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	88,679	60,250	40,075	42,935	40,150
Operating profit/loss	46,563	20,175	2,483	5,326	3,838
Net financials	649	(1,093)	778	(440)	(1,000)
Profit/loss for the year	36,582	14,863	2,524	3,797	2,195
Total assets	105,388	99,721	83,728	92,150	76,823
Investments in property, plant and equipment	2,152	2,139	4,451	1,713	1,629
Equity	53,333	68,772	54,552	57,258	51,569
Cash flows from (used in) investing activities	(4,128)	(2,224)	(1,627)	(4,511)	(2,952)
Ratios					
Return on equity (%)	59.92	24.10	4.51	6.98	4.26
Equity ratio (%)	50.61	68.96	65.15	62.14	67.13

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

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 interior.

Development in activities and finances

The Company's income statement for 2021 shows a profit after tax of 36,582 tDKK. Total assets by end of 2021 is 105,388 tDKK with an equity of 53,333 tDKK.

In 2021, the Company had strong sales growth on all markets. All brands showed growth with both online and offline customers.

Global supply chain challenges were accelerated during the year with delays of inbound shipments and significant extra sea freight cost being seen. These extra costs were partly offset by sales price increases during the year.

The Company has invested in inventory during the year, adding more than 40% to prior years level, with a significant part relating to extra costs for landing the goods.

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 received in 2021 a payment of 3,498 tDKK from the Danish tax authorities related to excess payments of antidumping custom duties from prior years.

Except the above, the Company's assets, liabilities and financial position by December 31st 2021, as well as the results of the Company's activities and cash flows for 2021, have not been affected by unusual circumstances.

Outlook

The Company expects some uncertainty, related to macroeconomic factors, in the 2022 business environment, leaving the expectations for profit after tax for 2022 between 0-25% lower than the ordinary 2021 level, with same number of employees.

Use of financial instruments

The Company hedges foreign currency risks on expected transactions in USD within the next year through currency options. Sales prices are continuously and prior to every season recalculated in all sales currencies. Supplier base and customer base are widely spread both geographically and by segment.

In addition, the Company does not have significant risks in addition to the industry-specific ones.

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 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss	1	88,678,804	60,249,976
Staff costs	2	(39,385,532)	(37,730,003)
Depreciation, amortisation and impairment losses		(2,729,873)	(2,345,136)
Operating profit/loss		46,563,399	20,174,837
Other financial income		3,473,067	1,915,916
Other financial expenses		(2,824,446)	(3,008,417)
Profit/loss before tax		47,212,020	19,082,336
Tax on profit/loss for the year	3	(10,630,341)	(4,219,279)
Profit/loss for the year	4	36,581,679	14,863,057

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Completed development projects	6	2,049,671	2,357,322
Acquired patents		27,280	51,613
Development projects in progress	6	1,024,338	0
Intangible assets	5	3,101,289	2,408,935
Other fixtures and fittings, tools and equipment		2,012,873	1,699,787
Leasehold improvements		783,228	947,773
Prepayments for property, plant and equipment		556,996	0
Property, plant and equipment	7	3,353,097	2,647,560
Deposits		1,471,768	1,471,768
Financial assets	8	1,471,768	1,471,768
Fixed assets		7,926,154	6,528,263
Manufactured goods and goods for resale		71,025,320	48,804,109
Prepayments for goods		1,004,924	1,453,138
Inventories	9	72,030,244	50,257,247
Trade receivables		17,643,031	19,104,581
Other receivables	10	1,355,575	1,420,524
Prepayments	11	3,709,079	2,659,135
Receivables		22,707,685	23,184,240
Cash		2,723,623	19,751,529
Current assets		97,461,552	93,193,016
Assets		105,387,706	99,721,279

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital	12	500,000	500,000
Reserve for fair value adjustments of hedging instruments		(163,563)	(642,916)
Reserve for development expenditure		2,397,728	0
Retained earnings		50,598,829	54,914,878
Proposed dividend		0	14,000,000
Equity		53,332,994	68,771,962
Deferred tax	13	895,322	1,550,322
Provisions		895,322	1,550,322
Lease liabilities		854,585	74,506
Other payables		3,614,307	2,325,707
Non-current liabilities other than provisions	14	4,468,892	2,400,213
Current portion of non-current liabilities other than provisions	14	233,761	126,459
Bank loans		8,531,812	0
Prepayments received from customers		2,715,916	2,081,353
Trade payables		12,455,801	11,714,577
Payables to group enterprises		750,000	27,865
Joint taxation contribution payable		11,898,594	4,829,951
Other payables	15	10,104,614	8,218,577
Current liabilities other than provisions		46,690,498	26,998,782
Liabilities other than provisions		51,159,390	29,398,995
Equity and liabilities		105,387,706	99,721,279
Contingent liabilities	17		
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Statement of changes in equity for 2021

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed extraordinary dividend DKK
Equity beginning of year	500,000	(642,916)	1,838,712	53,076,166	0
Ordinary dividend paid	0	0	0	0	0
Extraordinary dividend paid	0	0	0	0	(38,500,000)
Fair value adjustments of hedging instruments	0	614,555	0	0	0
Tax of entries on equity	0	(135,202)	0	0	0
Transfer to reserves	0	0	559,016	(559,016)	0
Profit/loss for the year	0	0	0	(1,918,321)	38,500,000
Equity end of year	500,000	(163,563)	2,397,728	50,598,829	0

	Proposed dividend DKK	Total DKK
Equity beginning of year	14,000,000	68,771,962
Ordinary dividend paid	(14,000,000)	(14,000,000)
Extraordinary dividend paid	0	(38,500,000)
Fair value adjustments of hedging instruments	0	614,555
Tax of entries on equity	0	(135,202)
Transfer to reserves	0	0
Profit/loss for the year	0	36,581,679
Equity end of year	0	53,332,994

Cash flow statement for 2021

	Notes	2021 DKK	2020 DKK
Operating profit/loss		46,563,399	20,174,837
Amortisation, depreciation and impairment losses		2,729,873	2,345,136
Working capital changes	16	(16,131,311)	15,746,065
Cash flow from ordinary operating activities		33,161,961	38,266,038
Financial income received		3,473,067	1,896,342
Financial expenses paid		(2,346,422)	(3,008,417)
Taxes refunded/(paid)		(4,830,076)	(699,855)
Cash flows from operating activities		29,458,530	36,454,108
Acquisition etc of property, plant and equipment		(4,132,339)	(2,181,731)
Sale of property, plant and equipment		4,575	(42,705)
Cash flows from investing activities		(4,127,764)	(2,224,436)
Free cash flows generated from operations and investments before financing		25,330,766	34,229,672
Incurrence of debt to group enterprises		750,000	0
Repayment of debt to group enterprises		(27,865)	(5,262,930)
Reduction of lease commitments		887,381	(334,809)
Dividend paid		(52,500,000)	0
Short-term deb to banks		8,531,812	(8,880,404)
Cash flows from financing activities		(42,358,672)	(14,478,143)
Increase/decrease in cash and cash equivalents		(17,027,906)	19,751,529
Cash and cash equivalents beginning of year		19,751,529	0
Cash and cash equivalents end of year		2,723,623	19,751,529
Cash and cash equivalents at year-end are composed of:			
Cash		2,723,623	19,751,529
Cash and cash equivalents end of year		2,723,623	19,751,529

Notes

1 Gross profit/loss

Other operating income includes a payment of 3,498 tDKK from the Danish tax authorities related to excess payments of antidumping custom duties from prior years.

2 Staff costs

	2021	2020
	DKK	DKK
Wages and salaries	31,709,539	30,979,274
Pension costs	4,037,300	3,753,745
Other social security costs	625,295	525,010
Other staff costs	3,013,398	2,471,974
	39,385,532	37,730,003
Average number of full-time employees	72	70

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.

In accordance with section 98b (3) of the Danish Financial Statement Act, no management remuneration has been disclosed.

3 Tax on profit/loss for the year

	2021	2020
	DKK	DKK
Current tax	11,285,341	4,829,944
Change in deferred tax	(655,000)	(610,665)
	10,630,341	4,219,279

4 Proposed distribution of profit and loss

	2021	2020
	DKK	DKK
Retained earnings	36,581,679	14,863,057
	36,581,679	14,863,057

5 Intangible assets

	Completed development projects DKK	Acquired patents DKK	Development projects in progress DKK
Cost beginning of year	10,853,592	251,815	0
Additions	955,921	0	1,024,338
Disposals	(31,886)	0	0
Cost end of year	11,777,627	251,815	1,024,338
Amortisation and impairment losses beginning of year	(8,496,270)	(200,202)	0
Amortisation for the year	(1,263,572)	(24,333)	0
Reversal regarding disposals	31,886	0	0
Amortisation and impairment losses end of year	(9,727,956)	(224,535)	0
Carrying amount end of year	2,049,671	27,280	1,024,338

6 Development projects

The Company's development projects consist of a number of customised software projects.

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Prepayments for property, plant and equipment DKK
Cost beginning of year	7,088,150	2,532,351	0
Additions	1,459,384	135,700	556,996
Disposals	(34,126)	(25,904)	0
Cost end of year	8,513,408	2,642,147	556,996
Depreciation and impairment losses beginning of year	(5,388,363)	(1,584,578)	0
Depreciation for the year	(1,146,298)	(300,245)	0
Reversal regarding disposals	34,126	25,904	0
Depreciation and impairment losses end of year	(6,500,535)	(1,858,919)	0
Carrying amount end of year	2,012,873	783,228	556,996
Recognised assets not owned by entity	952,897	0	0

8 Financial assets

	Deposits DKK
Cost beginning of year	1,471,768
Cost end of year	1,471,768
Carrying amount end of year	1,471,768

9 Inventories

The inventories is divided into two categories; finished goods totals DKK 54.451K and floating goods totals DKK 16.185K in 2021. In 2020 finished goods totals DKK 36.798K and floating goods totals DKK 11.362K.

10 Other receivables

Other receivable rent totals DKK 1,122K of which DKK 298 K falls due in the next financial year. an amount of DKK 0K falls due after 5 years from the balance sheet date.

11 Prepayments

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

12 Share capital

	Number	Par value DKK	Nominal value DKK
Share capital	500	1,000.00	500,000
	500		500,000

13 Deferred tax

	2021 DKK	2020 DKK
Intangible assets	(7,000)	(9,326)
Property, plant and equipment	593,000	149,843
Inventories	173,000	1,012,223
Provisions	(66,000)	(110,000)
Liabilities other than provisions	(239,000)	(13,052)
Other taxable temporary differences	441,322	520,634
Deferred tax	895,322	1,550,322

Changes during the year	2021 DKK	2020 DKK
Beginning of year	1,550,322	2,342,322
Recognised in the income statement	(655,000)	(610,665)
Recognised directly in equity	0	(181,335)
End of year	895,322	1,550,322

14 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK	Due within 12 months 2020 DKK	Due after more than 12 months 2021 DKK	Outstanding after 5 years 2021 DKK
Lease liabilities	233,761	126,459	854,585	0
Other payables	0	0	3,614,307	1,962,966
	233,761	126,459	4,468,892	1,962,966

15 Other payables

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

	Period	Contractual value 2021 DKK'000	Fair value recognised in other receivables 2021 DKK'000
Currency options	0-6 months	5.252	210
		5.252	210

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.

16 Changes in working capital

	2021 DKK	2020 DKK
Increase/decrease in inventories	(21,772,997)	13,253,303
Increase/decrease in receivables	2,182,284	6,359,353
Increase/decrease in trade payables etc	3,459,402	(3,866,591)
	(16,131,311)	15,746,065

17 Contingent liabilities

Operating rental and lease commitments total DKK 1.203k (14k) of which DKK 171k (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 481k. The tenancy cannot be terminated by the tenant to be vacated not earlier than 1 June 2023.

The Company has entered into a business agreement on outsourcing of IT. Relating contingent liabilities amount to DKK 33k. The agreement may be terminated by 6 months' notice not to expire earlier than 01 October 2022.

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.

18 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 2021, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 14,927k.
- Other fixtures and fittings, tools and equipment, DKK 5,667k.
- Inventories, DKK 54,986k.

19 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.

20 Transactions with related parties

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

21 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).

Changes in accounting policies

In accordance with new interpretations from the Danish Business Authority, Short-term bank loans is now included as part of the financing activity in the cash flow statement instead of being considered part of the cash.

The comparative figures have been restated following the change in accounting policies and the change has only had impact on the cash flow statement.

Besides this there have been a reclassification of software from property plant and equipment to development projects. The change has no effect on the total value of assets or profit. Previous year it changed as well.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

Material errors in previous years

An error of DKK 5.804K was observed in the comparison year. The error can be attributed to non-recognition of floating goods, which per. 31.12.2020 was not paid. The passing of risk took place before 31.12.2020. This error in previous year does not affect the income statement - only presentation in the balance sheet.

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.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

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 liabilities 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 liabilities 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, short-term bank loans and payment of dividend.

Cash and cash equivalents comprise cash.