



Bloomingville A/S

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

Annual report 2022

The Annual General Meeting adopted the
annual report on 25.05.2023

Eugene Lee Wang

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	9
Balance sheet at 31.12.2022	10
Statement of changes in equity for 2022	12
Cash flow statement for 2022	13
Notes	14
Accounting policies	19

Entity details

Entity

Bloomingville A/S

Lene Haus Vej 3-5

7430 Ikast

Business Registration No.: 27919081

Registered office: Ikast-brande

Financial year: 01.01.2022 - 31.12.2022

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 Bloomingtonville A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

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, 25.05.2023

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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 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, 25.05.2023

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

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Gross profit/loss	56,182	86,307	58,170	39,416	41,856
Operating profit/loss	18,179	46,563	20,175	2,483	5,326
Net financials	(800)	649	(1,093)	778	(440)
Profit/loss for the year	13,522	36,582	14,863	2,524	3,797
Total assets	98,844	105,388	99,721	83,728	92,150
Investments in property, plant and equipment	1,239	2,152	2,139	4,451	1,713
Equity	65,464	53,333	68,772	54,552	57,258
Cash flows from (used in) investing activities	(4,300)	(4,128)	(2,224)	(1,627)	(4,511)
Ratios					
Return on equity (%)	22.76	59.92	24.10	4.51	6.63
Equity ratio (%)	66.23	50.61	68.96	65.15	62.14

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 interior.

Development in activities and finances

The Company's income statement for 2022 shows a profit after tax of 13,522 tDKK. Total assets by end of 2022 are 98,844 tDKK with an equity of 65,464 tDKK.

In 2022, the Company had strong sales on all markets in the first half of the year. In the latter part of the year the demand softened, as the market situation changed due to uncertainty and macroeconomic challenges.

Late in 2022 the supply chain challenges, including the additional cost of inbound freight, came back being similar to pre-pandemic. The Company maintained its inventory position during the year.

Profit/loss for the year in relation to expected developments

The result of 2022 fell short to the initial expectations for the year, as macroeconomic factors in Europe influenced demand in the second half of the year, yet the performance is considered satisfactory.

Unusual circumstances affecting recognition and measurement

The Company's assets, liabilities and financial position by December 31st 2022, as well as the results of the Company's activities and cash flows for 2022, have not been affected by unusual circumstances.

Outlook

The Company expects some continued uncertainty in Europe in 2023, leaving the expectations for profit after tax for 2023 on a level close to the 2022 result, 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 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		56,181,694	86,306,996
Staff costs	1	(34,872,577)	(37,009,149)
Depreciation, amortisation and impairment losses		(3,130,283)	(2,734,448)
Operating profit/loss		18,178,834	46,563,399
Other financial income		1,184,640	3,473,067
Other financial expenses		(1,985,021)	(2,824,446)
Profit/loss before tax		17,378,453	47,212,020
Tax on profit/loss for the year	2	(3,856,880)	(10,630,341)
Profit/loss for the year	3	13,521,573	36,581,679

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Completed development projects	5	4,725,028	2,049,671
Acquired patents		13,047	27,280
Development projects in progress	5	0	1,024,338
Intangible assets	4	4,738,075	3,101,289
Other fixtures and fittings, tools and equipment		2,377,108	2,012,873
Leasehold improvements		501,229	783,228
Prepayments for property, plant and equipment		0	556,996
Property, plant and equipment	6	2,878,337	3,353,097
Deposits		1,479,217	1,471,768
Financial assets	7	1,479,217	1,471,768
Fixed assets		9,095,629	7,926,154
Manufactured goods and goods for resale		68,925,992	71,025,320
Prepayments for goods		1,541,781	1,004,924
Inventories	8	70,467,773	72,030,244
Trade receivables		15,522,864	17,643,031
Other receivables		261,142	1,355,575
Prepayments	9	3,466,614	3,709,079
Receivables		19,250,620	22,707,685
Cash		29,757	2,723,623
Current assets		89,748,150	97,461,552
Assets		98,843,779	105,387,706

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	10	500,000	500,000
Reserve for fair value adjustments of hedging instruments		(1,553,682)	(163,563)
Reserve for development expenditure		3,685,522	2,397,728
Retained earnings		59,832,608	50,598,829
Proposed dividend		3,000,000	0
Equity		65,464,448	53,332,994
Deferred tax	11	2,222,676	895,322
Provisions		2,222,676	895,322
Lease liabilities		639,927	854,585
Other payables		1,732,766	3,614,307
Non-current liabilities other than provisions	12	2,372,693	4,468,892
Current portion of non-current liabilities other than provisions	12	402,506	233,761
Bank loans		13,508,474	8,531,812
Prepayments received from customers		1,781,816	2,715,916
Trade payables		4,593,503	12,455,801
Payables to group enterprises		1,291,125	750,000
Joint taxation contribution payable		1,554,280	11,898,594
Other payables	13	5,652,258	10,104,614
Current liabilities other than provisions		28,783,962	46,690,498
Liabilities other than provisions		31,156,655	51,159,390
Equity and liabilities		98,843,779	105,387,706
Contingent liabilities	15		
Assets charged and collateral	16		
Related parties with controlling interest	17		
Transactions with related parties	18		
Group relations	19		

Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for fair value adjustments of hedging instruments DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	500,000	(163,563)	2,397,728	50,598,829	0
Fair value adjustments of hedging instruments	0	(1,782,204)	0	0	0
Tax of entries on equity	0	392,085	0	0	0
Transfer to reserves	0	0	1,287,794	(1,287,794)	0
Profit/loss for the year	0	0	0	10,521,573	3,000,000
Equity end of year	500,000	(1,553,682)	3,685,522	59,832,608	3,000,000

	Total DKK
Equity beginning of year	53,332,994
Fair value adjustments of hedging instruments	(1,782,204)
Tax of entries on equity	392,085
Transfer to reserves	0
Profit/loss for the year	13,521,573
Equity end of year	65,464,448

Cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		18,178,834	46,563,399
Amortisation, depreciation and impairment losses		3,130,283	2,729,873
Working capital changes	14	(11,705,115)	(16,131,311)
Cash flow from ordinary operating activities		9,604,002	33,161,961
Financial income received		1,184,640	3,473,067
Financial expenses paid		(1,985,021)	(2,346,422)
Taxes refunded/(paid)		(12,481,755)	(4,830,076)
Cash flows from operating activities		(3,678,134)	29,458,530
Acquisition etc of intangible assets		(3,053,743)	0
Acquisition etc of property, plant and equipment		(1,238,566)	(4,132,339)
Sale of property, plant and equipment		0	4,575
Deposit		(7,449)	0
Cash flows from investing activities		(4,299,758)	(4,127,764)
Free cash flows generated from operations and investments before financing		(7,977,892)	25,330,766
Incurrence of debt to group enterprises		541,125	750,000
Repayment of debt to group enterprises		0	(27,865)
Reduction of lease commitments		(233,761)	887,381
Dividend paid		0	(52,500,000)
Short-term deb to banks		4,976,662	8,531,812
Cash flows from financing activities		5,284,026	(42,358,672)
Increase/decrease in cash and cash equivalents		(2,693,866)	(17,027,906)
Cash and cash equivalents beginning of year		2,723,623	19,751,529
Cash and cash equivalents end of year		29,757	2,723,623
Cash and cash equivalents at year-end are composed of:			
Cash		29,757	2,723,623
Cash and cash equivalents end of year		29,757	2,723,623

Notes

1 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	29,662,950	32,346,554
Pension costs	4,538,172	4,037,300
Other social security costs	671,455	625,295
	34,872,577	37,009,149
Average number of full-time employees	74	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.

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

2 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	2,486,909	11,285,341
Change in deferred tax	1,327,354	(655,000)
Adjustment concerning previous years	42,617	0
	3,856,880	10,630,341

3 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Ordinary dividend for the financial year	3,000,000	0
Retained earnings	10,521,573	36,581,679
	13,521,573	36,581,679

4 Intangible assets

	Completed development projects DKK	Acquired patents DKK	Development projects in progress DKK
Cost beginning of year	11,777,627	251,815	1,024,338
Transfers	1,024,338	0	(1,024,338)
Additions	3,053,743	0	0
Cost end of year	15,855,708	251,815	0
Amortisation and impairment losses beginning of year	(9,727,956)	(224,535)	0
Amortisation for the year	(1,402,724)	(14,233)	0
Amortisation and impairment losses end of year	(11,130,680)	(238,768)	0
Carrying amount end of year	4,725,028	13,047	0

5 Development projects

The Company's development projects consist of a number of customised software projects, including development of the company's ERP system. These are customized adapted functions which are necessary for the company.

6 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	8,513,408	2,642,147	556,996
Transfers	556,996	0	(556,996)
Additions	1,238,566	0	0
Disposals	(255,265)	0	0
Cost end of year	10,053,705	2,642,147	0
Depreciation and impairment losses beginning of year	(6,500,535)	(1,858,919)	0
Depreciation for the year	(1,431,327)	(281,999)	0
Reversal regarding disposals	255,265	0	0
Depreciation and impairment losses end of year	(7,676,597)	(2,140,918)	0
Carrying amount end of year	2,377,108	501,229	0
Recognised assets not owned by entity	596,871	0	0

7 Financial assets

	Deposits DKK
Cost beginning of year	1,471,768
Additions	7,449
Cost end of year	1,479,217
Carrying amount end of year	1,479,217

8 Inventories

The inventories is divided into two categories; finished goods totals DKK 67.532K and floating goods totals DKK 1.394K in 2022. In 2021 finished goods totals DKK 54.986K and floating goods totals DKK 16.039K.

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 Share capital

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

11 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	1,035,000	(7,000)
Property, plant and equipment	(170,000)	593,000
Inventories	871,000	173,000
Provisions	(88,000)	(66,000)
Liabilities other than provisions	(188,000)	(239,000)
Other taxable temporary differences	762,676	441,322
Deferred tax	2,222,676	895,322

	2022 DKK	2021 DKK
Changes during the year		
Beginning of year	895,322	1,550,322
Recognised in the income statement	1,327,354	(655,000)
End of year	2,222,676	895,322

12 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Lease liabilities	214,658	233,761	639,927	0
Other payables	187,848	0	1,732,766	1,732,766
	402,506	233,761	2,372,693	1,732,766

13 Other payables

The value of forward exchange contracts is recognized at the current fair value on 31 December 2022 of DKK 1,991.900. Forward exchange transactions are used to hedge USD in order to minimize the company's risks of fluctuations in the USD exchange rate. There is on 31 December 2022 entered into forward transactions for a total of 7 million USD.

14 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in inventories	2,099,328	(21,772,997)
Increase/decrease in receivables	2,920,208	2,182,284
Increase/decrease in trade payables etc	(16,724,651)	3,459,402
	(11,705,115)	(16,131,311)

15 Contingent liabilities

Operating rental and lease commitments total DKK 76k of which DKK 76k 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 206k. The tenancy cannot be terminated by the tenant to be vacated not earlier than 1 June 2023.

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 for income taxes etc for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

16 Assets charged and collateral

Bank debt is secured on a floating charge of nominal DKK 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 2022, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 15,523k.
- Other fixtures and fittings, tools and equipment, DKK 2,390k.
- Inventories, DKK 70,468k.

17 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.

18 Transactions with related parties

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

19 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 besides reclassification regarding presentation of other wage subsidies from staff cost to other operating income and other staff cost to other external expenses. The change has no effect on the total value of assets or profit. Previous year is changed as well.

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 manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed 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. This is including gains and losses from the sale of intangible assets as well as plant and equipment, wage subsidies etc.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns. It also includes customs duty, commission to agents etc.

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.

Other financial income

Other financial income comprises interest income, payables and transactions in foreign currencies, 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:

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

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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.