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BV Holding Company ApS

Lene Haus Vej 3 - 5
7430 Ikast
Central Business Registration No 36090855

Annual report 2017

The Annual General Meeting adopted the annual report on 23.03.2018

Chairman of the General Meeting

Name: Eugene Lee Wang

Contents

Entity details

Entity
BV Holding Company ApS
Lene Haus Vej 3 - 5
7430 Ikast

Central Business Registration No (CVR): 36090855
Founded: 16.09.2015
Registered in: Ikast-Brande
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Eugene Lee Wang, Chairman
Robert Lee Wang
Simon Stampe

Executive Board
Lars Krog
Jan Jakobsen

Bank
Jyske Bank
Sølvgade 24
7400 Herning

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Papirfabrikken 26
8600 Silkeborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of BV Holding Company ApS for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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, 23.03.2018

Executive Board

Lars Krog	Jan Jakobsen

Board of Directors

Eugene Lee Wang Chairman	Robert Lee Wang	Simon Stampe

Independent auditor's report

To the shareholders of BV Holding Company ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of BV Holding Company ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 exits. Misstatements

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 23.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Hans Trærup
State Authorised Public Accountant
Identification No (MNE) mne10648

Jesper Stier
State Authorised Public Accountant
Identification No (MNE) mne42245

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights			
Key figures			
Gross profit	40.075	59.797	83.116
Operating profit/loss	(20.297)	1.145	13.556
Net financials	5.879	(8.735)	(7.108)
Profit/loss for the year	(16.599)	(11.157)	(2.057)
Total assets	121.142	159.313	177.072
Investments in property, plant and equipment	1.629	4.761	3.441
Equity	21.094	40.533	50.789
Cash flows from (used in) operating activities	4.740	10.349	13.393
Cash flows from (used in) investing activities	(1.627)	(4.511)	(13.869)
Cash flows from (used in) financing activities	(6.332)	(10.346)	133.216
Average numbers of employees	72	68	63
Ratios			
Return on equity (%)	(53,9)	(24,4)	(4,1)
Equity ratio (%)	17,4	25,4	28,7

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's primary activity is to hold investments in the group enterprise Bloomingville A/S.

The Group's primary activities are brand development and wholesale trading of house interior and furniture products.

Development in activities and finances

The consolidated income statement for 2017 shows a loss before tax of DKK 14,418k.

In 2017, there has been a major replacement of the Group's management team, and the Group has invested in a new management team within sales, design and procurement. Moreover, the Group has invested in rebuilding its position on the market so the Group will be better prepared for meeting future market requirements.

The Parent changed its accounting policies in 2017 to the effect that investments in group enterprises are recognised at equity value compared to previous recognition at cost. The change in accounting policies has been performed to better reflect a true and fair view and to align the accounting policies of the Group. For further information on the change in accounting policies, please refer to Accounting policies. The comparative figures have been restated in connection with the change in accounting policies.

In connection with the financial reporting for 2017, a misstatement was found in previous year's annual report relating to debt to the Parent. The misstatement relates to accrual of interest as well as exchange adjustments of loans in foreign currencies. See the accounting policies for further info.

The financial performance is not considered satisfactory.

Targets and outlook for the coming year

The company expects a positive development of revenue for 2018 with a growth between 5-10%, due to better products-, customer programs and more focused sales efforts. Profit before tax is expected to more than double, with an unchanged number of employees for 2018.

Unusual circumstances

The Company's assets, liabilities and financial position at 31 December 2017 as well as the result of the Company's acitivities and cash flows for 2017 have not been affected by unusual circumstances.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	Notes	2017 DKK	2016 DKK
Gross profit		**40.074.606**	**59.796.698**
Staff costs	1	(33.064.883)	(31.233.037)
Depreciation, amortisation and impairment losses		(27.306.923)	(27.418.989)
Operating profit/loss		**(20.297.200)**	**1.144.672**
Other financial income		13.335.461	2.496.413
Other financial expenses		(7.456.422)	(11.231.530)
Profit/loss before tax		**(14.418.161)**	**(7.590.445)**
Tax on profit/loss for the year	2	(2.180.719)	(3.566.638)
Profit/loss for the year	3	**(16.598.880)**	**(11.157.083)**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Acquired patents		85.247	144.852
Goodwill		42.105.274	66.165.430
Intangible assets	4	**42.190.521**	**66.310.282**
Other fixtures and fittings, tools and equipment		4.411.289	5.979.604
Leasehold improvements		271.816	263.219
Property, plant and equipment	5	**4.683.105**	**6.242.823**
Investments in group enterprises		0	0
Deposits		1.396.361	1.396.361
Fixed asset investments	6	**1.396.361**	**1.396.361**
Fixed assets		**48.269.987**	**73.949.466**
Manufactured goods and goods for resale		45.694.227	56.645.168
Prepayments for goods		1.875.511	1.468.234
Inventories		**47.569.738**	**58.113.402**
Trade receivables		14.693.441	13.460.344
Receivables from group enterprises		0	118.013
Other receivables		2.956.326	4.516.170
Income tax receivable		1.930.793	0
Prepayments	7	3.538.241	3.576.636
Receivables		**23.118.801**	**21.671.163**
Cash		**2.183.315**	**5.579.252**
Current assets		**72.871.854**	**85.363.817**
Assets		**121.141.841**	**159.313.283**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital		51.000	51.000
Retained earnings		21.043.472	40.482.328
Equity		**21.094.472**	**40.533.328**
Deferred tax		1.357.664	2.043.683
Other provisions	8	0	700.000
Provisions		**1.357.664**	**2.743.683**
Finance lease liabilities		809.433	1.445.556
Payables to group enterprises		81.699.083	100.180.130
Non-current liabilities other than provisions		**82.508.516**	**101.625.686**
Current portion of long-term liabilities other than provisions		1.469.457	648.666
Prepayments received from customers		1.541.086	1.264.602
Trade payables		7.221.562	5.579.963
Income tax payable		0	2.367.638
Other payables	9	5.949.084	4.549.717
Current liabilities other than provisions		**16.181.189**	**14.410.586**
Liabilities other than provisions		**98.689.705**	**116.036.272**
Equity and liabilities		**121.141.841**	**159.313.283**
Contingent liabilities	11		
Assets charged and collateral	12		
Transactions with related parties	13		
Subsidiaries	14		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	51.000	46.309.333	46.360.333
Corrections of material errors	0	(5.827.005)	(5.827.005)
Adjusted equity, beginning of year	**51.000**	**40.482.328**	**40.533.328**
Fair value adjustments of hedging instruments	0	(3.640.995)	(3.640.995)
Tax of entries on equity	0	801.019	801.019
Profit/loss for the year	0	(16.598.880)	(16.598.880)
Equity end of year	**51.000**	**21.043.472**	**21.094.472**

Consolidated cash flow statement for 2017

	Notes	2017 DKK	2016 DKK
Operating profit/loss		(20.297.200)	1.144.672
Amortisation, depreciation and impairment losses		27.306.923	27.418.989
Other provisions		(700.000)	700.000
Working capital changes	10	10.703.274	(8.235.087)
Cash flow from ordinary operating activities		**17.012.997**	**21.028.574**
Financial income received		1.275.349	2.496.413
Financial income paid		(7.184.513)	(3.761.011)
Income taxes refunded/(paid)		(6.364.150)	(9.415.469)
Cash flows from operating activities		**4.739.683**	**10.348.507**
Acquisition etc of intangible assets		0	(101.815)
Acquisition etc of property, plant and equipment		(1.629.084)	(4.760.659)
Sale of property, plant and equipment		1.640	351.714
Cash flows from investing activities		**(1.627.444)**	**(4.510.760)**
Incurrence of debt to group enterprises		13.204.000	7.136.000
Repayment of debt to group enterprises		(18.793.657)	(17.111.622)
Incurrence of lease obligations		0	746.700
Reduction of lease commitments		(742.697)	(1.116.631)
Cash flows from financing activities		**(6.332.354)**	**(10.345.553)**
Increase/decrease in cash and cash equivalents		**(3.220.115)**	**(4.507.806)**
Cash and cash equivalents beginning of year		5.579.252	10.087.058
Currency translation adjustments of cash and cash equivalents		(175.822)	0
Cash and cash equivalents end of year		**2.183.315**	**5.579.252**

Notes to consolidated financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	27.257.047	25.886.525
Pension costs	3.347.051	2.800.573
Other social security costs	552.005	533.920
Other staff costs	1.908.780	2.012.019
	33.064.883	**31.233.037**
Number of employees at balance sheet date	**72**	**68**

	Remunera-tion of manage-ment 2017 DKK	Remunera-tion of manage-ment 2016 DKK
Total amount for management categories	2.802.372	4.351.135
	2.802.372	**4.351.135**

Special incentive programmes

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

Some of the members of the Board of Directors have an incentive programme consisting of a bonus agreement. The bonus agreement was in force in the financial years 2014-2017 and remains in force so far. The bonus agreement is dependent on EBITDA.

	2017 DKK	2016 DKK
2. Tax on profit/loss for the year		
Current tax	2.065.719	2.367.638
Change in deferred tax	115.000	1.199.000
	2.180.719	**3.566.638**

	2017 DKK	2016 DKK
3. Proposed distribution of profit/loss		
Retained earnings	(16.598.880)	(11.157.083)
	(16.598.880)	**(11.157.083)**

Notes to consolidated financial statements

	Acquired patents DKK	Goodwill DKK
4. Intangible assets		
Cost beginning of year	178.815	120.300.782
Cost end of year	**178.815**	**120.300.782**
Amortisation and impairment losses beginning of year	(33.963)	(54.135.352)
Amortisation for the year	(59.605)	(24.060.156)
Amortisation and impairment losses end of year	**(93.568)**	**(78.195.508)**
Carrying amount end of year	**85.247**	**42.105.274**

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
5. Property, plant and equipment		
Cost beginning of year	13.157.093	1.133.031
Additions	1.503.928	125.156
Disposals	(127.396)	0
Cost end of year	**14.533.625**	**1.258.187**
Depreciation and impairment losses beginning of year	(7.177.489)	(869.812)
Depreciation for the year	(3.051.781)	(116.559)
Reversal regarding disposals	106.934	0
Depreciation and impairment losses end of year	**(10.122.336)**	**(986.371)**
Carrying amount end of year	**4.411.289**	**271.816**
Recognised assets not owned by entity	**825.435**	**-**

Notes to consolidated financial statements

	Investments in group enterprises DKK	Deposits DKK
6. Fixed asset investments		
Cost beginning of year	0	1.396.361
Cost end of year	**0**	**1.396.361**
Exchange rate adjustments	2.839.976	0
Adjustments on equity	(2.839.976)	0
Impairment losses end of year	**0**	**0**
Carrying amount end of year	**0**	**1.396.361**

7. Prepayments

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

8. Other provisions

Other provisions relate to former years, and is DKK 0 at 31.12.2017.

	2017 DKK	2016 DKK
9. Other short-term payables		
VAT and duties	196.799	0
Wages and salaries, personal income taxes, social security costs, etc payable	156.596	202.549
Holiday pay obligation	2.812.808	2.218.756
Other costs payable	2.782.881	2.128.412
	5.949.084	**4.549.717**

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

	Period	Contractual value 2017 DKK'000	Gains and losses recognised in equity 2016 DKK'000
Currency options	0-6 months	9.711	(497)
Currency options	6-12 months	24.611	(1.633)
		34.322	**(2.130)**

Notes to consolidated financial statements

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.

	2017 DKK	**2016 DKK**
10. Change in working capital		
Increase/decrease in inventories	10.543.664	(8.740.484)
Increase/decrease in receivables	483.155	(961.547)
Increase/decrease in trade payables etc	(323.545)	1.466.944
	10.703.274	**(8.235.087)**

11. Contingent liabilities

Operating rental and lease commitments total DKK 188k of which DKK 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 2,311k. 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 513k. The agreement may be terminated by 6 months' notice not to expire earlier than 30 June 2019.

The Entity participates in a Danish joint taxation arrangement in which BV Holding Company ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2013 for income taxes etc for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

12. Assets charged and collateral

Bank debt is secured on a floating charge of nominal DKK 9,000k. The charge covers unsecured claims from sale of goods and services, operating equipment, finished goods inventories as well as goodwill, domain names and rights relating to certain acts.

At 31 December 2017, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 14,693k.
- Other fixtures and fittings, tools and equipment, DKK 4,411k.
- Inventories, DKK 47,569k.

Notes to consolidated financial statements

13. Transactions with related parties

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

	Registered in	Corporate form	Equity interest %
14. Subsidiaries			
Bloomingville A/S	Ikast-Brande	A/S	100,0

Parent income statement for 2017

	Notes	2017 DKK	2016 DKK
Gross loss		**(74.920)**	**(64.544)**
Income from investments in group enterprises		(21.865.606)	(3.454.254)
Other financial income		12.064.402	488
Other financial expenses	2	(5.184.909)	(9.811.366)
Profit/loss before tax		**(15.061.033)**	**(13.329.676)**
Tax on profit/loss for the year		(1.537.847)	2.172.593
Profit/loss for the year	3	**(16.598.880)**	**(11.157.083)**

Parent income statement for 2017

	Notes	2017 DKK	2016 DKK
Investments in group enterprises		93.674.294	138.379.876
Fixed asset investments	4	**93.674.294**	**138.379.876**
Fixed assets		**93.674.294**	**138.379.876**
Receivables from group enterprises		7.345.635	0
Income tax receivable		1.930.793	0
Joint taxation contribution receivable		527.872	6.294.574
Receivables		**9.804.300**	**6.294.574**
Cash		**279.202**	**234.428**
Current assets		**10.083.502**	**6.529.002**
Assets		**103.757.796**	**144.908.878**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK	2016 DKK
Contributed capital		51.000	51.000
Retained earnings		21.043.472	40.482.328
Equity		**21.094.472**	**40.533.328**
Payables to group enterprises		81.699.083	99.126.934
Non-current liabilities other than provisions		**81.699.083**	**99.126.934**
Current portion of long-term liabilities other than provisions		927.366	1.053.197
Trade payables		36.875	31.250
Payables to group enterprises		0	42.188
Income tax payable		0	4.121.981
Current liabilities other than provisions		**964.241**	**5.248.616**
Liabilities other than provisions		**82.663.324**	**104.375.550**
Equity and liabilities		**103.757.796**	**144.908.878**
Staff costs	1		
Transactions with related parties	5		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	51.000	64.948.916	64.999.916
Corrections of material errors	0	(5.827.005)	(5.827.005)
Changes in accounting policies	0	(18.639.583)	(18.639.583)
Adjusted equity, beginning of year	**51.000**	**40.482.328**	**40.533.328**
Other entries on equity	0	(2.839.976)	(2.839.976)
Profit/loss for the year	0	(16.598.880)	(16.598.880)
Equity end of year	**51.000**	**21.043.472**	**21.094.472**

Notes to parent financial statements

	2017	2016
1. Staff costs		
Average number of employees	**0**	**0**

	2017 DKK	2016 DKK
2. Other financial expenses		
Financial expenses from group enterprises	4.999.270	5.867.263
Other interest expenses	185.639	339.345
Exchange rate adjustments	0	3.604.758
	5.184.909	**9.811.366**

	2017 DKK	2016 DKK
3. Proposed distribution of profit/loss		
Retained earnings	(16.598.880)	(11.157.083)
	(16.598.880)	**(11.157.083)**

	Invest-ments in group enterprises DKK
4. Fixed asset investments	
Cost beginning of year	157.019.460
Cost end of year	**157.019.460**
Impairment losses beginning of year	(18.639.584)
Adjustments on equity	(2.839.976)
Amortisation of goodwill	(24.060.156)
Share of profit/loss for the year	2.194.550
Dividend	(20.000.000)
Impairment losses end of year	**(63.345.166)**
Carrying amount end of year	**93.674.294**

5. Transactions with related parties

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

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Material errors in previous years

In connection with the financial reporting for 2017, a misstatement was found in previous year's annual report relating to debt to the Parent. The misstatement relates to accrual of interest as well as exchange adjustments of loans in foreign currencies.

The total adjustment resulting from the above is a reduction in profit of DKK 5,827k, an increase in liabilities of DKK 5,827k and a decrease in equity of DKK 5,827k.

The comparative figures for 2016 have been restated. A change, however, has been made in accounting policies, see next paragraph, and therefore the comparative figures have been changed accordingly.

Changes in accounting policies

The Parent has changed its accounting policies in 2017 to the effect that investments in group enterprises are recognised at equity value compared to previous recognition at cost.

The change in accounting policies has been made to better provide a true and fair view and to align the accounting policies of the Group.

The change has had the following impact:

	DKK'000
Equity at 01.01.2016	(5.587)
Profit adjustment for 2016	(13.954)
Equity adjustment for 2016	901
Total impact on equity 01.01.2017	**(18.640)**
Impact on profit for 2017	(6.255)

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.

Accounting policies

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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 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.

Accounting policies

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 as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises
Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

Other financial income from group enterprises
Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and 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.

Accounting policies

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Accounting policies

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises 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.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions
Other provisions comprise loss on contract work in progress etc.

Accounting policies

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and 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 as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.