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BV Holding Company ApS

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

Annual report 2018

The Annual General Meeting adopted the annual report on 26.03.2019

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: 01.01.2018 - 31.12.2018

Board of Directors

Eugene Lee Wang, Chairman
Robert Lee Wang
Robert David McIntire

Executive Board

Lars Krog

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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 26.03.2019

Executive Board

Lars Krog

Board of Directors

Eugene Lee Wang Chairman	Robert Lee Wang	Robert David McIntire

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 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 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, 26.03.2019

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

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights				
Key figures				
Gross profit	42.867	40.075	59.797	83.116
Operating profit/loss	(18.801)	(20.297)	1.145	13.556
Net financials	(9.031)	5.879	(8.735)	(7.108)
Profit/loss for the year	(27.026)	(16.599)	(11.157)	(2.057)
Total assets	112.267	121.142	159.313	177.072
Investments in property, plant and equipment	1.713	1.629	4.761	3.441
Equity	(4.040)	21.094	40.533	50.789
Cash flows from (used in) operating activities	(17.060)	4.740	10.349	13.393
Cash flows from (used in) investing activities	(1.401)	(1.627)	(4.511)	(13.869)
Cash flows from (used in) financing activities	2.634	(6.332)	(10.346)	133.216
Average numbers of employees	72	72	68	63

Ratios				
Return on equity (%)	(316,9)	(53,9)	(24,4)	(4,1)
Equity ratio (%)	(3,6)	17,4	25,4	28,7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" 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 2018 shows a loss after tax of 27,026 tDKK.

Main reason for the result is amortization of acquisition goodwill at a value of 24,060 tDKK. At end of 2018 18,045 tDKK is remaining for future amortization.

The performance is considered satisfactory.

Targets and outlook for the coming year

The Company expects a positive development of revenue for 2019 with a growth rate of 5-10%, due to continued focus on optimizing the product portfolio, servicing existing and developing new markets. Profit after tax is expected to significantly improve, with an unchanged number of employees for 2019.

Unusual circumstances

In 2018 the Parent equity was lost, which solely was due to the amortization of goodwill. Future earnings in the Group is intended to secure Parent equity as well as the consolidated equity.

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 2018

	Notes	2018 DKK	2017 DKK
Gross profit		**42.867.202**	**40.074.606**
Staff costs	1	(34.509.023)	(33.064.883)
Depreciation, amortisation and impairment losses		(27.159.514)	(27.306.923)
Operating profit/loss		**(18.801.335)**	**(20.297.200)**
Other financial income		1.792.128	13.335.461
Other financial expenses		(10.823.167)	(7.456.422)
Profit/loss before tax		**(27.832.374)**	**(14.418.161)**
Tax on profit/loss for the year	2	806.000	(2.180.719)
Profit/loss for the year	3	**(27.026.374)**	**(16.598.880)**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Acquired patents		58.082	85.247
Goodwill		18.045.118	42.105.274
Intangible assets	4	**18.103.200**	**42.190.521**
Other fixtures and fittings, tools and equipment		2.843.119	4.411.289
Leasehold improvements		168.574	271.816
Property, plant and equipment	5	**3.011.693**	**4.683.105**
Deposits		1.368.595	1.396.361
Fixed asset investments	6	**1.368.595**	**1.396.361**
Fixed assets		**22.483.488**	**48.269.987**
Manufactured goods and goods for resale		64.475.657	46.066.527
Prepayments for goods		479.853	1.875.511
Inventories		**64.955.510**	**47.942.038**
Trade receivables		16.220.178	14.321.141
Other receivables	7	2.781.641	2.956.326
Income tax receivable		1.643.219	1.930.793
Prepayments	8	3.733.020	3.538.241
Receivables		**24.378.058**	**22.746.501**
Cash		**450.038**	**2.183.315**
Current assets		**89.783.606**	**72.871.854**
Assets		**112.267.094**	**121.141.841**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital		51.000	51.000
Retained earnings		(4.090.769)	21.043.472
Equity		**(4.039.769)**	**21.094.472**
Deferred tax		1.085.342	1.357.664
Provisions		**1.085.342**	**1.357.664**
Finance lease liabilities		535.775	809.433
Payables to group enterprises		85.418.686	81.699.083
Non-current liabilities other than provisions		**85.954.461**	**82.508.516**
Current portion of long-term liabilities other than provisions		1.241.671	1.469.457
Bank loans		14.093.304	0
Prepayments received from customers		902.947	1.541.086
Trade payables		6.394.659	7.221.562
Payables to group enterprises		3.664.035	0
Other payables		2.970.444	5.949.084
Current liabilities other than provisions		**29.267.060**	**16.181.189**
Liabilities other than provisions		**115.221.521**	**98.689.705**
Equity and liabilities		**112.267.094**	**121.141.841**
Contingent liabilities	10		
Assets charged and collateral	11		
Transactions with related parties	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	51.000	21.043.472	21.094.472
Fair value adjustments of hedging instruments	0	2.425.811	2.425.811
Tax of entries on equity	0	(533.678)	(533.678)
Profit/loss for the year	0	(27.026.374)	(27.026.374)
Equity end of year	**51.000**	**(4.090.769)**	**(4.039.769)**

Consolidated cash flow statement for 2018

	Notes	2018 DKK	2017 DKK
Operating profit/loss		(18.801.335)	(20.297.200)
Amortisation, depreciation and impairment losses		27.159.514	27.306.923
Other provisions		0	(700.000)
Working capital changes	9	(20.922.708)	10.703.274
Cash flow from ordinary operating activities		**(12.564.529)**	**17.012.997**
Financial income received		1.792.128	1.275.349
Financial expenses paid		(6.574.997)	(7.184.513)
Income taxes refunded/(paid)		287.574	(6.364.150)
Cash flows from operating activities		**(17.059.824)**	**4.739.683**
Acquisition etc of property, plant and equipment		(1.743.519)	(1.629.084)
Sale of property, plant and equipment		342.738	1.640
Cash flows from investing activities		**(1.400.781)**	**(1.627.444)**
Incurrence of debt to group enterprises		3.409.385	13.204.000
Repayment of debt to group enterprises		(227.352)	(18.793.657)
Reduction of lease commitments		(548.009)	(742.697)
Cash flows from financing activities		**2.634.024**	**(6.332.354)**
Increase/decrease in cash and cash equivalents		**(15.826.581)**	**(3.220.115)**
Cash and cash equivalents beginning of year		2.183.315	5.579.252
Currency translation adjustments of cash and cash equivalents		0	(175.822)
Cash and cash equivalents end of year		**(13.643.266)**	**2.183.315**
Cash and cash equivalents at year-end are composed of:			
Cash		450.038	2.183.315
Short-term debt to banks		(14.093.304)	0
Cash and cash equivalents end of year		**(13.643.266)**	**2.183.315**

Notes to consolidated financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	28.672.313	27.257.047
Pension costs	3.623.129	3.347.051
Other social security costs	533.789	552.005
Other staff costs	1.679.792	1.908.780
	34.509.023	**33.064.883**
Number of employees at balance sheet date	**72**	**72**

	Remuneration of management 2018 DKK	Remuneration of management 2017 DKK
Total amount for management categories	1.851.261	2.802.372
	1.851.261	**2.802.372**

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.

	2018 DKK	2017 DKK
2. Tax on profit/loss for the year		
Current tax	0	2.065.719
Change in deferred tax	(806.000)	115.000
	(806.000)	**2.180.719**

	2018 DKK	2017 DKK
3. Proposed distribution of profit/loss		
Retained earnings	(27.026.374)	(16.598.880)
	(27.026.374)	**(16.598.880)**

Notes to consolidated financial statements

	Acquired patents DKK	Goodwill DKK
4. Intangible assets		
Cost beginning of year	178.815	120.300.782
Additions	30.300	0
Cost end of year	**209.115**	**120.300.782**
Amortisation and impairment losses beginning of year	(93.568)	(78.195.509)
Amortisation for the year	(57.465)	(24.060.156)
Amortisation and impairment losses end of year	**(151.033)**	**(102.255.665)**
Carrying amount end of year	**58.082**	**18.045.117**

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
5. Property, plant and equipment		
Cost beginning of year	14.533.625	1.258.187
Additions	1.696.575	16.644
Disposals	(1.229.720)	0
Cost end of year	**15.000.480**	**1.274.831**
Depreciation and impairment losses beginning of year	(10.122.336)	(986.371)
Depreciation for the year	(2.823.473)	(119.886)
Reversal regarding disposals	788.448	0
Depreciation and impairment losses end of year	**(12.157.361)**	**(1.106.257)**
Carrying amount end of year	**2.843.119**	**168.574**
Recognised assets not owned by entity	**484.195**	**-**

	Deposits DKK
6. Fixed asset investments	
Cost beginning of year	1.396.361
Additions	(27.766)
Cost end of year	**1.368.595**
Carrying amount end of year	**1.368.595**

Notes to consolidated financial statements

7. Other receivables

Other receivable rent totals DKK 1,863k of which DKK 351k falls due in the next financial year. An amount of DKK 0k falls due after 5 years from the balance sheet date.

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

	Period	Contractual value 2018 DKK'000	Fair value recognised in other receivables 2018 DKK'000
Currency options	0-6 months	16.111	296
		16.111	**296**

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.

8. Prepayments

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

	2018 DKK	2017 DKK
9. Change in working capital		
Increase/decrease in inventories	(17.013.472)	10.543.664
Increase/decrease in receivables	(1.623.587)	483.155
Increase/decrease in trade payables etc	(2.285.649)	(323.545)
	(20.922.708)	**10.703.274**

10. Contingent liabilities

Operating rental and lease commitments total DKK 58k 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 2,660k. The tenancy cannot be terminated by the tenant to be vacated not earlier than 1 June 2021.

Notes to consolidated financial statements

The Company has entered into a business agreement on outsourcing of IT. Relating contingent liabilities amount to DKK 261k. 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.

11. 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 2018, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 16,620k.
- Other fixtures and fittings, tools and equipment, DKK 2,843.
- Inventories, DKK 64,076k.

12. Transactions with related parties

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

	Registered in	Corpo-rate form	Equity inte-rest %
13. Subsidiaries			
Bloomingville A/S	Ikast-Brande	A/S	100,0

Parent income statement for 2018

	Notes	2018 DKK	2017 DKK
Gross loss		**(67.550)**	**(74.920)**
Income from investments in group enterprises		(20.262.843)	(21.865.606)
Other financial income		2.265	12.064.402
Other financial expenses	1	(8.592.895)	(5.184.909)
Profit/loss before tax		**(28.921.023)**	**(15.061.033)**
Tax on profit/loss for the year		1.894.649	(1.537.847)
Profit/loss for the year	2	**(27.026.374)**	**(16.598.880)**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Investments in group enterprises		75.303.584	93.674.294
Fixed asset investments	3	**75.303.584**	**93.674.294**
Fixed assets		**75.303.584**	**93.674.294**
Receivables from group enterprises		6.777.872	7.345.635
Deferred tax	4	1.285.000	0
Income tax receivable		1.643.219	1.930.793
Joint taxation contribution receivable		609.649	527.872
Receivables		**10.315.740**	**9.804.300**
Cash		**428.809**	**279.202**
Current assets		**10.744.549**	**10.083.502**
Assets		**86.048.133**	**103.757.796**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital		51.000	51.000
Retained earnings		(4.090.769)	21.043.472
Equity		**(4.039.769)**	**21.094.472**
Payables to group enterprises		85.418.686	81.699.083
Non-current liabilities other than provisions		**85.418.686**	**81.699.083**
Current portion of long-term liabilities other than provisions		973.931	927.366
Trade payables		31.250	36.875
Payables to group enterprises		3.664.035	0
Current liabilities other than provisions		**4.669.216**	**964.241**
Liabilities other than provisions		**90.087.902**	**82.663.324**
Equity and liabilities		**86.048.133**	**103.757.796**
Transactions with related parties	5		

Parent statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	51.000	21.043.472	21.094.472
Other entries on equity	0	1.892.133	1.892.133
Profit/loss for the year	0	(27.026.374)	(27.026.374)
Equity end of year	**51.000**	**(4.090.769)**	**(4.039.769)**

Notes to parent financial statements

	2018 DKK	2017 DKK
1. Other financial expenses		
Financial expenses from group enterprises	4.299.530	4.999.270
Other interest expenses	45.195	185.639
Exchange rate adjustments	4.248.170	0
	8.592.895	**5.184.909**

	2018 DKK	2017 DKK
2. Proposed distribution of profit/loss		
Retained earnings	(27.026.374)	(16.598.880)
	(27.026.374)	**(16.598.880)**

	Invest-ments in group enterprises DKK
3. Fixed asset investments	
Cost beginning of year	157.019.460
Cost end of year	**157.019.460**
Impairment losses beginning of year	(63.345.166)
Adjustments on equity	1.892.133
Amortisation of goodwill	(24.060.156)
Share of profit/loss for the year	3.797.313
Impairment losses end of year	**(81.715.876)**
Carrying amount end of year	**75.303.584**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

4. Deferred tax

Deferred tax asset is expected to be utilised in future earnings in the Group over the next 3-5 years.

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).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, however, some account items have been changed by reclassification.

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.

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.

Accounting policies

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.

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.

Accounting policies

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.

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:

Accounting policies

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.

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 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 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.

Accounting policies

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.

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.

Accounting policies

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