



BV Holding Company ApS

Lene Haus Vej 3-5
7430 Ikast
CVR No. 36090855

Annual report 2020

The Annual General Meeting adopted the
annual report on 29.04.2021

Eugene Lee Wang

Chairman of the General Meeting

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Entity details

Entity

BV Holding Company ApS

Lene Haus Vej 3-5

7430 Ikast

Business Registration No.: 36090855

Date of foundation: 16.09.2015

Registered office: Ikast-brande

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Eugene Lee Wang, Chairman

Lars Krog

Robert Lee Wang

Stephen Walker Ellis

Executive Board

Lars Krog, CEO

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 01.01.2020 - 31.12.2020

The annual report is presented 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 29.04.2021

Executive Board

Lars Krog
CEO

Board of Directors

Eugene Lee Wang
Chairman

Lars Krog

Robert Lee Wang

Stephen Walker Ellis

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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 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 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 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 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 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 and 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.

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, 29.04.2021

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

	2020	2019	2018	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss	60,180	40,005	42,867	40,075	59,797
Operating profit/loss	20,105	(15,632)	(18,801)	(20,297)	1,145
Net financials	2,603	(5,421)	(9,031)	5,879	(8,735)
Profit/loss for the year	17,691	(20,329)	(27,026)	(16,599)	(11,157)
Balance sheet total	94,421	86,084	112,267	121,142	159,313
Investments in property, plant and equipment	2,139	4,451	1,713	1,629	4,761
Equity	(7,551)	(24,600)	(4,040)	21,094	40,533
Average number of employees	70	73	72	72	68
Ratios					
Equity ratio (%)	(8.00)	(28.58)	(3.60)	17.41	25.44

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

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$

Balance sheet total

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 home décor and furniture products.

Development in activities and finances

The consolidated income statement for 2020 shows a profit after tax of 17,691 tDKK. Total assets by end of 2020 is 94,421 tDKK with an equity of -7,551 tDKK.

In 2020, the Company had strong sales growth on all markets.

When the COVID-19 pandemic hit Europe at the beginning of 2020, the initial expectations were to see a flat revenue and gross profit development. On the contrary, the year ended up with strong growth.

Profit/loss for the year in relation to expected developments

The result exceeds the expectations for the year and the performance is considered satisfactory.

Unusual circumstances affecting recognition and measurement

The Company's assets, liabilities and financial position by December 31st 2020 as well, as the results of the Company's activities and cash flows for 2020, have not been affected by unusual circumstances.

The Parent equity is still negative as expected. Future earnings during the coming year in the Group are intended to secure parent equity as well as the consolidated equity.

Outlook

The Group expects both gross profit and profit after tax for 2021 to be at minimum 2020 level with a minor increase in the number of employees.

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 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss	1	60,179,766	40,004,875
Staff costs	2	(37,730,003)	(35,244,658)
Depreciation, amortisation and impairment losses		(2,345,136)	(20,392,240)
Operating profit/loss		20,104,627	(15,632,023)
Other financial income		9,637,809	2,224,498
Other financial expenses		(7,034,333)	(7,645,856)
Profit/loss before tax		22,708,103	(21,053,381)
Tax on profit/loss for the year	3	(5,016,948)	724,152
Profit/loss for the year	4	17,691,155	(20,329,229)

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Acquired patents		51,613	20,199
Goodwill		0	0
Intangible assets	5	51,613	20,199
Other fixtures and fittings, tools and equipment		4,057,109	3,995,815
Leasehold improvements		947,773	1,158,311
Property, plant and equipment	6	5,004,882	5,154,126
Deposits		1,471,768	1,474,638
Fixed asset investments	7	1,471,768	1,474,638
Fixed assets		6,528,263	6,648,963
Manufactured goods and goods for resale		43,000,278	56,815,726
Prepayments for goods		1,453,138	948,967
Inventories		44,453,416	57,764,693
Trade receivables		19,104,581	13,049,341
Other receivables	8	1,420,524	1,830,170
Joint taxation contribution receivable		125	0
Prepayments	9	2,659,135	4,380,165
Receivables		23,184,365	19,259,676
Cash		20,254,718	2,410,796
Current assets		87,892,499	79,435,165
Assets		94,420,762	86,084,128

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		51,000	51,000
Retained earnings		(7,602,283)	(24,650,522)
Equity		(7,551,283)	(24,599,522)
Deferred tax	10	1,486,262	296,177
Provisions		1,486,262	296,177
lease liabilities		74,506	275,078
Payables to group enterprises		71,843,839	21,363,434
Other payables		2,325,707	745,492
Non-current liabilities other than provisions	11	74,244,052	22,384,004
Current portion of non-current liabilities other than provisions	11	1,614,857	66,879,866
Bank loans		0	8,935,439
Prepayments received from customers		2,081,353	1,362,940
Trade payables		5,941,995	6,647,315
Payables to group enterprises		4,739,296	1,530,046
Tax payable		3,645,653	0
Other payables	12	8,218,577	2,647,863
Current liabilities other than provisions		26,241,731	88,003,469
Liabilities other than provisions		100,485,783	110,387,473
Equity and liabilities		94,420,762	86,084,128
Contingent liabilities	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	51,000	(24,650,522)	(24,599,522)
Other entries on equity	0	(642,916)	(642,916)
Profit/loss for the year	0	17,691,155	17,691,155
Equity end of year	51,000	(7,602,283)	(7,551,283)

Consolidated cash flow statement for 2020

	Notes	2020 DKK	2019 DKK
Operating profit/loss		20,104,627	(15,632,023)
Amortisation, depreciation and impairment losses		2,345,136	20,392,240
Working capital changes	13	15,627,308	11,502,584
Cash flow from ordinary operating activities		38,077,071	16,262,801
Financial income received		9,474,055	2,149,832
Financial expenses paid		(7,034,333)	(5,581,403)
Taxes refunded/(paid)		0	2,012,103
Cash flows from operating activities		40,516,793	14,843,333
Acquisition etc. of intangible assets		(2,181,731)	(4,451,373)
Sale of property, plant and equipment		2,870	(300)
Deposits		(45,575)	(106,043)
Cash flows from investing activities		(2,224,436)	(4,557,716)
Free cash flows generated from operations and investments before financing		38,292,357	10,285,617
Repayments of loans etc.		(3,857,147)	(1,430,066)
Repayment of debt to group enterprises		(7,321,040)	(1,469,187)
Repayment of lease liabilities		(334,809)	(267,741)
Cash flows from financing activities		(11,512,996)	(3,166,994)
Increase/decrease in cash and cash equivalents		26,779,361	7,118,623
Cash and cash equivalents beginning of year		(6,524,643)	(13,643,266)
Cash and cash equivalents end of year		20,254,718	(6,524,643)
Cash and cash equivalents at year-end are composed of:			
Cash		20,254,718	2,410,796
Short-term bank loans		0	(8,935,439)
Cash and cash equivalents end of year		20,254,718	(6,524,643)

Notes to consolidated financial statements

1 Gross profit/loss

Other operating income includes compensation received from the wage support schemes established as a result of the outbreak and spread of COVID-19 in 2020, with DKK 842,412.

2 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	30,979,274	29,166,909
Pension costs	3,753,745	3,761,998
Other social security costs	525,010	573,488
Other staff costs	2,471,974	1,742,263
	37,730,003	35,244,658
Average number of full-time employees	70	73

3 Tax on profit/loss for the year

	2020	2019
	DKK	DKK
Current tax	3,645,673	699,848
Change in deferred tax	1,371,275	(1,424,000)
	5,016,948	(724,152)

4 Proposed distribution of profit/loss

	2020	2019
	DKK	DKK
Retained earnings	17,691,155	(20,329,229)
	17,691,155	(20,329,229)

5 Intangible assets

	Acquired patents DKK	Goodwill DKK
Cost beginning of year	209,115	120,300,782
Additions	42,700	0
Cost end of year	251,815	120,300,782
Amortisation and impairment losses beginning of year	(188,916)	(120,300,782)
Amortisation for the year	(11,286)	0
Amortisation and impairment losses end of year	(200,202)	(120,300,782)
Carrying amount end of year	51,613	0

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	17,667,980	2,432,664
Additions	2,039,344	99,687
Disposals	(1,765,582)	0
Cost end of year	17,941,742	2,532,351
Depreciation and impairment losses beginning of year	(13,672,165)	(1,274,353)
Depreciation for the year	(1,978,050)	(310,225)
Reversal regarding disposals	1,765,582	0
Depreciation and impairment losses end of year	(13,884,633)	(1,584,578)
Carrying amount end of year	4,057,109	947,773

7 Fixed asset investments

	Deposits DKK
Cost beginning of year	1,474,638
Additions	(2,870)
Cost end of year	1,471,768
Carrying amount end of year	1,471,768

8 Other receivables

Other receivable rent totals DKK 1,104k of which DKK 414k falls due in the next financial year. An amount of DKK 0k falls due after 5 years from the balance sheet date.

9 Prepayments

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

10 Deferred tax

Changes during the year	2020 DKK
Beginning of year	296,177
Recognised in the income statement	1,371,275
Recognised directly in equity	(181,335)
Other	145
End of year	1,486,262

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

11 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Lease liabilities	126,459	260,696	74,506	0
Payables to group enterprises	1,488,398	66,619,170	71,843,839	54,350,521
Other payables	0	0	2,325,707	2,325,707
	1,614,857	66,879,866	74,244,052	56,676,228

12 Other payables

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

	Period	Contractual value 2020 DKK'000	Fair value recognised in other receivables 2020 DKK'000
Currency options	0-6 months	3.364	(824)
		3.364	(824)

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.

13 Changes in working capital

	2020	2019
	DKK	DKK
Increase/decrease in inventories	13,253,189	7,190,931
Increase/decrease in receivables	(3,924,565)	3,176,093
Increase/decrease in trade payables etc.	6,298,684	1,135,560
	15,627,308	11,502,584

14 Contingent liabilities

Operating rental and lease commitments total DKK 14k (58k) of which DKK 58k (58k) falls due in the next financial year, whereas DKK 0k falls due more than five years after the balance sheet date.

The Company has entered into a tenancy agreement with an annual rent of DKK 1,415k. 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 524k. The agreement may be terminated by 6 months' notice not to expire earlier than 30 November 2020.

The Entity participates in a Danish joint taxation arrangement 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.

15 Assets charged and collateral

Bank debt is secured on a floating charge of nominal DKK 14,000k. The charge covers unsecured claims from sale of goods and services, operating equipment, finished goods inventories as well as goodwill, domain names and rights relating to certain acts.

At 31 December 2019, the carrying amount of mortgaged assets relating to the floating charge consists of:

- Trade receivables, DKK 19,104k.
- Other fixtures and fittings, tools and equipment, DKK 4,057k.
- Inventories, DKK 43,000k.

16 Transactions with related parties

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

17 Subsidiaries

	Registered in	Corporate form	Ownership %
Bloomingville A/S	Ikast-Brande	A/S	100

Parent income statement for 2020

	Notes	2020 DKK	2019 DKK
Gross profit/loss		(70,210)	(69,722)
Income from investments in group enterprises		14,863,057	(15,521,238)
Other financial income	1	7,721,893	3,609
Other financial expenses	2	(4,025,916)	(6,202,878)
Profit/loss before tax		18,488,824	(21,790,229)
Tax on profit/loss for the year	3	(797,669)	1,461,000
Profit/loss for the year	4	17,691,155	(20,329,229)

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Investments in group enterprises		68,771,963	54,551,822
Fixed asset investments	5	68,771,963	54,551,822
Fixed assets		68,771,963	54,551,822
Receivables from group enterprises		0	5,000,000
Deferred tax	6	64,060	2,046,000
Joint taxation contribution receivable		4,830,076	700,000
Receivables		4,894,136	7,746,000
Cash		503,189	2,355,761
Current assets		5,397,325	10,101,761
Assets		74,169,288	64,653,583

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		51,000	51,000
Retained earnings		(7,602,283)	(24,650,522)
Equity		(7,551,283)	(24,599,522)
Payables to group enterprises		71,843,839	21,363,434
Non-current liabilities other than provisions	7	71,843,839	21,363,434
Current portion of non-current liabilities other than provisions	7	1,488,398	66,619,170
Trade payables		31,250	31,250
Payables to group enterprises		4,711,431	1,239,251
Tax payable		3,645,653	0
Current liabilities other than provisions		9,876,732	67,889,671
Liabilities other than provisions		81,720,571	89,253,105
Equity and liabilities		74,169,288	64,653,583
Related parties with controlling interest	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2020

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	51,000	(24,650,522)	(24,599,522)
Other entries on equity	0	(642,916)	(642,916)
Profit/loss for the year	0	17,691,155	17,691,155
Equity end of year	51,000	(7,602,283)	(7,551,283)

Other Entries on equity is fair value adjustments of hedging instruments in group enterprises.

Notes to parent financial statements

1 Other financial income

	2020 DKK	2019 DKK
Other interest income	3,096	3,609
Exchange rate adjustments	7,718,797	0
	7,721,893	3,609

2 Other financial expenses

	2020 DKK	2019 DKK
Financial expenses from group enterprises	4,020,657	4,455,806
Other interest expenses	4,408	(365,261)
Exchange rate adjustments	0	2,111,483
Other financial expenses	851	850
	4,025,916	6,202,878

3 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(1,184,271)	(700,000)
Change in deferred tax	1,981,940	(761,000)
	797,669	(1,461,000)

4 Proposed distribution of profit and loss

	2020 DKK	2019 DKK
Retained earnings	17,691,155	(20,329,229)
	17,691,155	(20,329,229)

5 Fixed asset investments

	Investments in group enterprises DKK
Cost beginning of year	157,019,460
Cost end of year	157,019,460
Impairment losses beginning of year	(102,467,638)
Adjustments on equity	(642,916)
Share of profit/loss for the year	14,863,057
Impairment losses end of year	(88,247,497)
Carrying amount end of year	68,771,963

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

6 Deferred tax

	2020 DKK
Changes during the year	
Beginning of year	2,046,000
Recognised in the income statement	(1,981,940)
End of year	64,060

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

7 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Payables to group enterprises	1,488,398	66,619,170	71,843,839	54,350,521
	1,488,398	66,619,170	71,843,839	54,350,521

8 Related parties with controlling interest

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.

9 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 prepared 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.

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.

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 external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages 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

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 fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For other amounts of goodwill, useful life has been 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. Useful lives are reassessed annually. 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.

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.

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.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, 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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.

Tax payable or receivable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities 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 shortterm bank loans.