Novasol A/S
Virumgårdsvej 27
2830 Virum
Denmark
Central Business Registration
No 17484575

Annual report 2018

The Annual General Meeting adopted the annual report on 04.06.2019

Chairman of the General Meeting

Name: Lars H. Gudbergsen

Contents

Entity details

Entity

Novasol A/S
Virumgårdsvej 27
2830 Virum
Denmark

Central Business Registration No: 17484575
Registered in: Lyngby-Taarbæk, Denmark
Financial year: 01.01.2018 – 31.12.2018

Phone: +4570424424
Website: www.novasol.dk
E-mail: novasol@novasol.dk

Board of Directors

Henry Francis John Bankes, Chairman
Henrik V. Kjellberg
Lars H. Gudbergsen

Executive Board

Lars H. Gudbergsen, Chief Executive Officer
Klaus Melchior, Chief Financial Officer

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Herredsvej
7100 Vejle
Denmark

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Novasol A/S 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 Company's financial position at 31.12.2018 and of the results of their operations 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.

Virum, 04.06.2019

Executive Board

Lars H. Gudbergsen Chief Executive Officer	Klaus Melchior Chief Financial Officer

Board of Directors

Henry Francis John Bankes Chairman	Henrik V. Kjellberg	Lars H. Gudbergsen

Independent auditor's report

To the Shareholders of Novasol A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Novasol A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies ("financial statements").

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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.

Vejle, 04.06.2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Almskou Ohmeyer	Lasse Berg
State Authorised Public Accountant	State Authorised Public Accountant
Mne24817	Mne35811

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Rental revenue	832.557	821.445	603.551	603.837	516.340
Gross profit/loss	288.337	367.128	257.353	304.292	257.726
Operating profit/loss	-21.603	111.820	8.541	70.776	71.070
Net financials	8.875	11.030	58.108	52.187	45.013
Profit/loss for the year	-24.193	103.052	60.474	108.500	87.778
Total assets	1.603.050	1.719.152	1.845.718	1.243.648	1.055.460
Investments in property, plant and equipment	25.611	25.439	24.369	21.004	13.835
Equity	470.752	434.604	509.921	430.535	321.856
Ratios					
Operating margin	-2,6%	13,6%	1,4%	11,7%	13,8%
Revenue/Assets	0,5	0,5	0,3	0,5	0,5
Assets/Equity	3,4	4,0	3,6	2,9	3,3
Return on equity	-5,3%	21,8%	12,9%	28,8%	31,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analyst. For definitions see under accounting policies.

In connection with changes to accounting policies the comparative figures back to 2014-2016 have not been restated. See describtion under accounting policies.

Management commentary

Primary activities

Novasol is a Danish intermediary of individual holiday homes rental in more than 25 European countries under the brands Novasol, Dansommer, Fanøspecialisten, Dansk Familieferie, Cuendet, Happy Home, Ardennes Etape and Friendly Rentals. The Company focuses on continuous development of its products and services so as to ensure that the house or apartment owner obtains a cash profit from the collaboration with Novasol.

Based on an agreement concluded with the individual owner, the holiday home or apartment is offered for rental either through travel agencies or directly to the end-user in the European countries.

The Company is the market leader in Europe within holiday home rental and has more than 50,000 holiday homes under its wings. The Company aspires to be the preferred partner for house owners and holiday guests alike.

Change in accounting policies

The Company has changed the accounting policies so they are more aligned with the Group's accounting policies. Furthermore the changes are considered to give a more true and fair view of the Company's financial position and the results of their operations. The changes has affected the Company's result negatively by DKK 24,5 million (2017: positively DKK 29,5 million). The company's total assets decreased by DKK 156,9 million (2017: a decrease of DKK 137,4 million) and equity by DKK 173,3 million (2017: a decrease of DKK 148.8 million). For further details we refer to Accounting policies page 21.

Development in activities and finances

In 2018 the Company continued to increase revenue by DKK 11 million corresponding to an increase of 1,4%. The increase in revenue was based on an increase in the number of holiday homes in the Company's overall product portfolio in primary vacation destinations as well as an increase in primary demand markets. In particular, the 2018 increase in product portfolio and demand was strong in Southern Europe.

In 2018 the Company continued marketing activities in all of its main guest markets to drive continued growth in both rental income and occupancy and to improve the Company's position in a market characterised by major competition.

Also in October 2018, the Company through its Croatian subsidiary acquired "Plan Adria" which is a company in Croatia providing pool services to holiday home owners. The acquisition uniquely enables delivery of a high level of quality in pool services to the holiday home owners in Croatia which is a key market in our product portfolio.

In May 2018 Platinum Equity acquired the Company. Planning and implementation of a business transition that will reorganize key activities of the company was initiated immediately after. This has resulted in higher other external expenses and staff cost in 2018. Accordingly, gross profit decreased from DKK 367 million to DKK 288 million and net profit declined to DKK (24) million.

The management considers the result in 2018 as satisfactory when taking the business transition and associated operating cost into consideration.

Management commentary

Equity amounted to DKK 471 million corresponding to an equity ratio of 29%.

The Group had an average of 539 employees compared to 502 prior year.

Unusual circumstances affecting recognition and measurement
There were no unusual circumstances in the financial year.

Branches
The company has branches in Belgium, Spain and Italy.

Outlook
In 2019, the Company expects an increase in revenue driven by the continued growth in the Company's activities in Denmark, South and Central Europe combined with further investment in marketing for the most important customer markets and an increase in product portfolio in key markets.

The restructuring and the business transition continue in 2019 but a part of the associated higher other external expenses and staff cost will not be of a recurring nature. Consequently, the Company expects a better result in 2019.

The Company wishes to maintain its position as the leading European provider of holiday homes. This position will be pursued through acquisitions as well as organic growth. The Company expects continued consolidation on the European market and intends to participate in the consolidation.

Particular risks

Operating risks
In recent years, the Company has been reviewing its VAT situation and its settlement of indirect taxes in the countries in which the Company conducts its activities. The Company has an ongoing collaboration with relevant consultants in the individual European countries to monitor compliance with the European legislation. Management does not believe that this presents a significant operating risk.

Financial risks
Management does not believe that there are any significant financial risks.

Currency risks
The activities abroad mean that the results, cash flows and equity are affected by developments in foreign exchange and interest rates for the various currencies. The most important foreign currencies are EUR, NOK and SEK. The currency policy is to hedge significant commercial risks. The hedging is carried out by means of foreign exchange contracts and is based on a risk assessment of the individual currencies relative to DKK.

The Company does not engage in speculative currency transactions.

Exchange risks attributable to investments in subsidiaries abroad are not hedged, as such risks are not deemed to be significant.

Management commentary

Interest-rate risks
As the Company does not have any significant interest-bearing items over prolonged periods, changes in the level of interest rates will not have any material impact on the profit for the year.

Credit risks
The Company does not have significant risks regarding any single customer as there is a large spread among customers.

Statutory report on corporate social responsibility, Danish Financial Statements Act § 99a
In respect of the company's business model we refer to description above.

The Company wishes to comply with legislation and rules in the countries and local communities in which it operates. Novasol operates in well-regulated markets, where legislation and voluntary agreements set relatively clear guidelines for corporate social responsibility. Based on the fact the Novasol operates within the guidelines and legislations in Denmark and the other European countries it is Novasol's assessment that risk of having a significantly negative impact on climate and environment, human rights, social- and employee relations, anti-corruption and bribery is very limited. After the acquisition by the new owners the Company has developed own policies for integrating corporate social responsibility as part of the Company's strategy and activities. For reasons of time no target setting or plan of actions for climate and environment, human rights, social- and employee relations, anti-corruption and bribery have been prepared so far.

Statutory report on the underrepresented gender, Danish Financial Statements Act § 99b
As required by Section 139 of the Danish Companies Act the Company has set qualitative target figures for the purpose of female employees from 1 April 2013 still feeling that they have the same career and leadership opportunities as the male employees.

The target for the Board
Members of the Board are and will be designated on the basis of the total qualifications of the member and not with regard to the gender. The gender distribution of the Company's shareholder-elected directors is the following in 2018: 3 men.

The current gender distribution at the Company's other management levels are approximately 50% men and 50% women. Based on Act No. 1383 of 23 December 2012, the Company has established qualitative target figures for the purpose of female employees from 1 April 2013 still feeling that they have the same career and leadership opportunities as the male employees.

Target figures in other management levels
It is the intention of Company that there is an appropriate distribution of men and women at the Company's management levels. The current gender distribution in the management team is 60% men and 40% women. The Company believes that the qualitative objectives have been met as there is an appropriate distribution of men and women at the management levels in general.

Management commentary

The appropriate distribution of men and women is ensured by offering employees, regardless of gender, the same opportunities to develop their professional and personal skills in areas such as personal career development and training, and gender equality will be taken into consideration when appointing board members. The Company's other recruitment criteria and the employees' individual skills will, however, determine the appointment of a board member.

The Company wants to be able to follow-up on the progress of the gender composition of the management team and, if necessary, make adjustments of the target figures that have been set.

Events after the balance sheet date
In May 2019 the Company acquired 100% of the shares in Fincallorca GMBH which is a German company with a unique portfolio of vacation homes located on Mallorca and with strong sales to the German market.

Income Statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Rental Revenue	1	832,557	821,445
Other external expenses		(544,220)	(454,317)
Gross profit/loss		**288,337**	**367,128**
Staff costs	2	(283,132)	(229,125)
Depreciation, amortisation and impairment losses	3	(26,835)	(26,183)
Operating profit/loss		**(21,630)**	**111,820**
Income from investments in group enterprises		2,754	19,677
Other financial income	4	13,341	2,085
Other financial expenses	5	(7,220)	(10,732)
Profit/loss before tax		**(12,755)**	**122,850**
Tax on profit/loss for the year	6	(11,438)	(19,798)
Profit/loss for the year	7	**(24,193)**	**103,052**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Acquired rights		9,050	12,448
Goodwill		1,900	2,301
Intangible assets	8	**10,950**	**14,749**
Land and buildings		5,495	5,981
Plant and machinery		38,961	36,359
Leasehold improvements		4,393	3,921
Property, plant and equipment	9	**48,849**	**46,261**
Investments in group enterprises		206,005	179,953
Deposits		40,910	4,833
Fixed asset investments	10	**246,915**	**184,786**
Fixed assets		**306,714**	**245,796**
Manufactured goods and goods for resale		2,925	2,584
Inventories		**2,925**	**2,584**
Trade receivables		610,313	640,057
Receivables from group enterprises		584,422	667,888
Tax receivables		0	2,961
Other receivables		5,045	3,168
Prepayments	11	9,984	14.011
Receivables		**1,209,764**	**1,328,085**
Cash	12	**83,647**	**137,887**
Current assets		**1,296,336**	**1,468,556**
Assets		**1,603,050**	**1,714,352**

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Contributed capital	13	3,750	3,750
Reserve for net revaluation according to the equity method		0	0
Retained earnings		467,003	430,854
Equity		**470,753**	**434,604**
Deferred tax	14	21,062	35,925
Provisions		**21,062**	**35,925**
Current portion of long-term liabilities other than provisions	15	0	18,748
Trade payables		631,331	609,012
Payables to group enterprises		318,373	477,177
Income tax payable		22,424	0
Other payables	16	121,927	127,571
Deferred Income	17	17,180	11,315
Current liabilities other than provisions		**1,111,235**	**1,243,823**
Liabilities other than provisions		**1,111,235**	**1,243,823**
Equity and liabilities		**1,603,050**	**1,714,352**
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Events after the balance sheet date	22		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	3,750	132,508	447,153	583,411
Net effect from change in accounting policy	0	(132,508)	(16,298)	(148,806)
Adjusted equity beginning of year	3,750	0	430,855	434,605
Exchange rate adjustments	0	0	(1.537)	(1,537)
Capital increase	0	0	61,878	61,878
Profit/loss for the year	0	0	(24,193)	(24,193)
Equity end of year	**3,750**	**0**	**467,003**	**470,753**

Notes to financial statements

	2018 DKK'000	2017 DKK'000
1. Rental revenue		
Germany	422,867	428,866
Scandinavia	250,148	230,878
Other countries	159,542	161,701
	832,557	**821,445**

	2018 DKK'000	2017 DKK'000
2. Staff costs		
Wages and salaries	257,388	206,424
Pension costs	16.086	14,895
Other social security costs	9.658	7,806
	283,132	**229,125**
Average number of employees	**539**	**502**

	Remunera-tion of manage-ment 2018 DKK'000	Pension liabilities 2018 DKK'000	Remunera-tion of manage-ment 2017 DKK'000	Pension liabilities 2017 DKK'000
Executive Board	11,982	545	4,521	353
	11,982	**545**	**4,521**	**353**

	2018 DKK'000	2017 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3,806	4,475
Depreciation of property, plant and equipment	23,029	21,708
	26,835	**26,183**

	2018 DKK'000	2017 DKK'000
4. Other financial income		
Financial income arising from group enterprises	12,986	938
Interest income	355	1,147
	13,341	**2,085**

Notes to financial statements

	2018 DKK'000	2017 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	5,630	8,614
Interest expenses	1,590	2,118
	7,220	**10,732**

	2018 DKK'000	2017 DKK'000
6. Tax on profit/loss for the year		
Tax on current year taxable income	20,671	15,393
Change in deferred tax for the year	(18,534)	4,780
Adjustment concerning previous years	9,301	(375)
	11,438	**19,798**

	2018 DKK'000	2017 DKK'000
7. Proposed distribution of profit/loss		
Retained earnings	(24,193)	103,052
	(24,193)	**103,052**

	Acquired rights DKK'000	Goodwill DKK'000
8. Intangible assets		
Cost beginning of year	67,908	20,907
Exchange rate adjustments	57	0
Cost end of year	**67,965**	**20,907**
Amortisation and impairment losses beginning of year	(55,460)	(18,606)
Exchange rate adjustments	(50)	0
Amortisation for the year	(3,405)	(401)
Amortisation and impairment losses end of year	**(58,915)**	**(19,007)**
Carrying amount end of year	**9,050**	**1,900**

Notes to financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Leasehold improve-ments DKK'000
9. Property, plant and equipment			
Cost beginning of year	14,054	171,900	11,201
Exchange rate adjustments	0	5	2
Additions	85	23,638	1,888
Cost end of year	**14,139**	**195,543**	**13,091**
Depreciation and impairment losses beginning of the year	(8,073)	(135,541)	(7,280)
Exchange rate adjustments	0	42	(7)
Depreciation for the year	(571)	(21,083)	(1,411)
Depreciation and impairment losses end of the year	**(8,644)**	**(156,582)**	**(8,698)**
Carrying amount end of year	**5,495**	**38,961**	**4,393**

	Investments in group enterprises DKK'000	Deposits DKK'000
10. Fixed asset investments		
Cost beginning of year	179,953	4,833
Additions	26,052	36,269
Disposals	0	(192)
Cost end of year	**206,005**	**40,910**

Notes to financial statements

Investments in subsidiaries are specified as follows:

Name:	Place of registered office	Votes and ownership	Result	Equity
Novasol AS*	Oslo	100,0%	1.832 TNOK	3.190 TNOK
Novasol Service GmbH*	Hamburg	100,0%	54 TEUR	2.278 TEUR
Novasol AB*	Gothenburg	100,0%	1.733 TSEK	2.060 TSEK
Novasol B.V.*	Eindhoven	100,0%	(2.706) TEUR	3.015 TEUR
Novasol S.R.O*	Prague	100,0%	688 TCZK	6.398 TCZK
Novasol Polska Sp.Z.o.o.*	Stettin	100,0%	163 TPLN	708 TPLN
Novasol Hungária Kft. *	Siofok	100,0%	899 THUF	44.050 THUF
Novasol Reise GmbH*	Hamburg	100,0%	420 TEUR	3.184 TEUR
Novasol Turisticka Agencija d.o.o.	Medulin	100,0%	1.303 THRK	1.587 THRK
Friendly Rentals S.L.	Barcelona	100,0%	280 TEUR	1.047 TEUR
Trezia SPRL	Verviers	100,0%	817 TEUR	7.541 TEUR
Esoledad SA*	Luxemburg	100,0%	119 TEUR	563 TEUR
Cuendet & Cie SPA	Sienna	100,0%	(27) TEUR	2.228 TEUR
Vacation Rentals SARL*	Cannes	100,0%	124 TEUR	1.598 TEUR

* 2017 accounts are the latest signed accounts for these entities.

11. Prepayments

Prepayments comprise expenses paid relating to rentals, insurance premiums and subscriptions.

12. Cash

The Novasol companies participate in a cash pool scheme.

	Number	Par value DKK'000	Nominal value DKK'000
13. Contributed capital			
Ordinary A shares	37,500	100	3,750
	37,500		**3,750**

	2018 DKK'000
14. Deferred tax	
Changes during the year	
Beginning of year	35,925
Opening adjustment	(5,615)
Recognised in the income statement	(9,248)
End of year	**21,062**

Notes to financial statements

15. Current portion of long-term liabilities other than provisions

The amount comprises to earn-out considerations and deferred considerations.

	2018 DKK'000	2017 DKK'000
16. Other payables		
Holiday pay obligation	23,528	20,320
Other costs payable	98,399	107,251
	121,927	**127,571**

17. Deferred Income

The amount comprises income relating to services not yet performed.

	2018 DKK'000	2017 DKK'000
18. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**115,976**	**134,067**

	2018 DKK'000	2017 DKK'000
19. Contingent liabilities		
Recourse and non-recourse guarantee commitments	1,047	1,047
Contingent liabilities in total	**1,047**	**1,047**

The amount consists of the following: a bank guarantee of DKK 333 thousand to Ejendomsselskabet Aros ApS, of DKK 303 thousand to Klaus Dose, of DKK 365 thousand to Paul Dose, of 621 thousand to Natura Holzbau GmbH and of DKK 46 thousand to Rauch Immobilienvervaltung Gbr.

In recent years the Company has been reviewing its VAT situation and the settlement of indirect taxes in the countries in which the Company carries on its activities. The Company has ongoing collaboration with relevant consultants in the individual European countries to monitor compliance with the European legislation. However, due to high complexity in the VAT legislation and to some degree different interpretation by the EU countries it cannot be ruled out that the tax authorities in the countries concerned disagree with Novasol's interpretation of the VAT legislation. Novasol consider the risk for such disagreements to be less likely than not and therefore no provision has been recognised.

20. Related parties with controlling interest

Controlling interest

Compass Bidco ApS, Amaliegade 10, 1256 Copenhagen K, Denmark	Owner

Notes to financial statements

Platinum Equity LLC, 360 North Crescent Drive, Beverly Hills, CA 90210, United States	Ultimate owner

Consolidated Financial Statements

The company is included in the consolidated report for the parent company:

PE Compass Holding II Limited
100 New Bridge Street
London
United Kingdom
EC4V 6JA

The Group annual Report of PE Compass Holding II Limited may be obtained at the following address:

PE Compass Holding II Limited
100 New Bridge Street
London
United Kingdom
EC4V 6JA

21. Transactions with related parties

Only transactions with related parties not made on arm's length conditions are disclosed. All transactions with related parties are made at arm's length conditions.

22. Events after the balance sheet date

In May 2019 the Company acquired 100% of the shares in Fincallorca GMBH which is a German company with a unique portfolio of vacation homes located on Mallorca and with strong sales to the German market.

Accounting policies

Reporting class and currency

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

Change in accounting policy

The Company has changed the accounting policies so they are more aligned with the Group's accounting policies. Furthermore the changes are considered to give a more true and fair view of the Company's financial position and the results of their operations. The following changes have been made:

- Revenue is disclosed as the net booking fee and not as in prior years, the gross amount received from the tenants.
- As in prior years revenue is recognised at the date of booking. However, an element is now being deferred for the managed services aspect of the booking such as key handling, pool service and other ad-hoc services.
- A provision for cancellation of bookings is now being recognised. This provision is based on past experience.
- Catalogues for the new season are being expensed instead of capitalised.
- Investments in subsidiaries are measured at cost instead of under the equity method.

The above changes in accounting policies have been implemented retrospectively, and the comparative figures for 2017 have been restated. The changes has affected the Company’s result negatively by DKK 24,5 million (2017: positively DKK 29,5 million). The company’s total assets decreased by DKK 156,9 million (2017: a decrease of DKK 137,4 million) and equity by DKK 173,3 million (2017: a decrease of DKK 148.8 million).

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of PE Compass Holding II Limited, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86 (4) of the Danish financial statements act the company has not prepared a cash flow statement.

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.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement
Revenue
The recognition criterion for revenue for rental of holiday houses is acceptance of the rental agreement. For revenue relating to services regarding the rental of holiday houses the revenue is recognized at the time of delivery.

Cost of sales
The corresponding rental expenses are expensed.

Other external expenses
Other external expenses comprise costs for catalogues, distrubution, sales, advertisting, administration, premises, bad debts etc.

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.

Accounting policies

Income from investments in group enterprises
Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

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, 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.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, including 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.

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the year’s taxable income, adjusted for paid on-account tax.

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 20 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 7 years.

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

Accounting policies

Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The amortisation periods used are 7 years.

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

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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 self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

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:

Buildings	30 years
Plant and machinery	25 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

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 subsidiaries are recognised and measured to the lower of historical cost and net realisable value.

Other investments
Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables amprises the acquisition price plus delivery costs.

Accounting policies

The net realizable value of inventories is stated as the expected selling price less costs of completion and costs incurred to execute the sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

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

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised and measured under the balance sheet liability method comprising all temporary differences between the varying amount and the tax base of assets and liabilities. The tax base of the assets is stated based on the planned use of the individual assets.

Deferred tax is measured in accordance with the tax rules and tax rates in the various countries that will apply under the legislation in force at the balance sheet date when the deferred tax. Any change in deferred tax as a consequence of changes in tax rates are recognised in the income statement.

Deferred tax assets, including the tax value of tax losses allowed for carry forward, are measured in the balance sheet at the value at which the asset is expected to be realisable, either through offsetting in deferred tax liabilities or as net tax assets.

The parent company is jointly taxed with Danish companies in the Wyndham Worldwide Group. The current income tax is distributed between the jointly taxed companies in proportion to their taxable incomes (full absorption with refunds for tax losses).
Other taxes

This item includes tax amounts calculated on another basis than income for the year, including environmental tax etc, which are not refunded to the Entity.

Deferred tax relating to re-taxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Accounting policies

Operating leases

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

Income tax receivable or payable

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.

Deferred income

Deferred income is measured in the balance sheet at cost of services not yet provided added expected profit.

Financial highlights

Definition of financial ratios

Operating Margin: $\dfrac{\text{Operating Profit}}{\text{Rental Revenue}}$

Revenue/Assets: $\dfrac{\text{Rental Revenue}}{\text{Total Assets}}$

Assets/Equity: $\dfrac{\text{Total Assets}}{\text{Equity}}$

Return on Equity: $\dfrac{\text{Profit for the year}}{\text{Average Equity}}$