# *Hotelinvest Kalvebod A/S*

Kalvebod Brygge 5, DK-1560 Copenhagen V

Annual Report for 1 January - 31 December 2015

CVR No 21 26 40 32

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 22/3 2016

Mette Kapsch
Chairman

# Contents



pwc

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Hotelinvest Kalvebod A/S for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 22 March 2016

**Executive Board**

| | |
|---|---|
| Allan Linneberg-Agerholm<br>CEO | Pernille Damm Nielsen<br>CFO |

**Board of Directors**

| | | |
|---|---|---|
| Oscar Claudius Crohn<br>Chairman | Johan Ewald Lorentzen | Mette Kapsch |
| David Robson Overby | | |

# Independent Auditor's Report on the Financial Statements

To the Shareholder of Hotelinvest Kalvebod A/S

## Report on the Financial Statements

We have audited the Financial Statements of Hotelinvest Kalvebod A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

**Management's Responsibility 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.

**Auditor's Responsibility**
Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

**Opinion**
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

# Independent Auditor's Report on the Financial Statements

## Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 22 March 2016
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Torben Jensen
State Autorished Public Accountant

# Company Information

| | |
|---|---|
| **The Company** | Hotelinvest Kalvebod A/S<br>Kalvebod Brygge 5<br>DK-1560 Copenhagen V<br><br>Telephone: + 45 8833 9900<br>E-mail: mhrs.cphdk.info@cphmarriott.dk<br>Website: http://www.marriott.dk<br><br>CVR No: 21 26 40 32<br>Financial period: 1 January - 31 December<br>Incorporated: 1 March 2004<br>Financial year: 11th financial year<br>Municipality of reg. office: Copenhagen |
| **Board of Directors** | Oscar Claudius Crohn , Chairman<br>Mette Kapsch<br>Johan Ewald Lorentzen<br>David Robson Overby |
| **Executive Board** | Allan Linneberg-Agerholm<br>Pernille Damm Nielsen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>DK-2900 Hellerup |

# Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

| | 2015<br>DKK | 2014<br>DKK | 2013<br>DKK | 2012<br>DKK | 2011<br>DKK |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Gross profit/loss | 103.488.005 | 94.475.300 | 121.358.545 | 103.092.000 | 97.971.000 |
| Operating profit/loss | 44.767.885 | 32.643.587 | 24.922.383 | 14.967.851 | 10.220.889 |
| Profit/loss before financial income and expenses | 44.054.857 | 32.916.305 | 24.922.383 | 14.967.851 | 10.220.889 |
| Net financials | -22.674.842 | -24.313.283 | -23.843.515 | -28.420.123 | -24.933.088 |
| Net profit/loss for the year | 11.447.832 | 20.061.258 | 1.078.868 | -13.452.272 | -14.712.189 |
| **Balance sheet** | | | | | |
| Balance sheet total | 932.103.661 | 673.746.654 | 571.304.442 | 542.029.841 | 527.250.185 |
| Equity | 346.674.647 | 130.088.243 | 40.509.025 | 39.430.157 | -1.917.574 |
| Investment in property, plant and equipment | 14.965.622 | 11.256.332 | 11.907.230 | 26.053.000 | 20.467.000 |
| Number of employees | 129 | 122 | 122 | 127 | 136 |
| **Ratios** | | | | | |
| Return on assets | 4,7% | 4,9% | 4,4% | 2,8% | 1,9% |
| Solvency ratio | 37,2% | 19,3% | 7,1% | 7,3% | -0,4% |
| Return on equity | 4,8% | 23,5% | 2,7% | -71,7% | 9,0% |

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

In connection with changes to accounting policies, the comparative figures back to 2011 have been restated. See the description under accounting policies.

# Management's Review

The Annual Report of Hotelinvest Kalvebod A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

As of March 1st 2015 the Copenhagen Marriott Hotel went from being a hotel managed by Marriott to be a franchised hotel operated by BC Hospitality Group A/S (BCHG). BCHG Group General Manager and new Operations Director are now responsible for full hotel operations - supported by BCHG's central support team i.e. HR, Finance, Sales, Revenue Management, IT, Marketing and PR.

## Main activity

The company is established with the objective of running a five-star hotel, the Copenhagen Marriott Hotel, at Kalvebod Brygge in Copenhagen.

## Development in the year

The income statement of the Company for 2015 shows a profit of DKK 11,447,832, and at 31 December 2015 the balance sheet of the Company shows equity of DKK 346,674,647.

Total revenue increased 6.2% compared to last year.

The Copenhagen hotel market continued to improve in 2015, and Marriott Hotel RGI (hotel fair market share) improved slightly from index 1.74 to 1.75 and ranking 2nd of all Copenhagen hotels reporting.

During the period after BCHG took operational ownership in March 2015, the BCHG hotel operational model was implemented at the Copenhagen Marriott Hotel, and significant organizational restructuring and centralization of back office functions took place, in order to improve the hotels conversion ability.

These changes resulted in certain one-off restructuring costs, but the annual accounts for 2015 show the early results from these changes as GOP (Gross operating profit) increase 24.2% compared to LY, EDITDA grow 23.8% and net profit before tax grow 248%.

As a result, the property value increased by DKK 265 million.

## Investments

During the month of November, the staff restaurant was totally renovated, 3 board meeting rooms were completely refurbished, and investments were made in complete new furniture in the conference and banquet department to living up to the brand standards in the "Marriott Meetings Imagined" concepts.

# Management's Review

### Targets and expectations for the year ahead

BCHG expects to continue to improve the efficiency of the hotel operations during 2016, as full year effects of the 2015 changes will kick in and there will be no structural one-off costs. Investments in 2016 will focus on continued improvements in the guest experience, together with focus on team and service performance.

Construction of a new much larger Executive Lounge on the ground floor – where the admin offices were placed previously – is on-going, and is expected to open early May 2016. Following this opening, 4 new Superior Rooms on 11th floor – where the Executive Lounge was placed previously – will be completed in Q3 and contribute to top-line growth.

Management is confident that the company will be able to deliver further growth in EBITDA in a range of DKK 20-25 millions in 2016.

### External environment

Marriott Guest Satisfaction Survey improved significantly over the year, and went from ranking 50th in March 2015, to ranking 23rd out of 94 Marriott Hotels, by the end of 2015. At the same time, Tripadvisor score improve from ranking 19th to ranking 9th.

### Statutory statement of corporate social responsibility

BCHG has a structural approach to working actively with CSR and sustainability, and these initiatives will be introduced to the Copenhagen Marriott Hotel during the early months of 2016 in order to ensure a structural and focused approach.

The hotel will also take part in ”Great Place to Work” in order to measure and improve the team member satisfaction.

### Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 have not been affected by any unusual events.

### Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Income Statement 1 January - 31 December

| | Note | 2015<br>DKK | 2014<br>DKK |
|---|---|---|---|
| **Gross profit/loss** | | **103.488.005** | **94.475.300** |
| Staff expenses | 1 | -45.200.008 | -47.124.291 |
| Depreciation and impairment of property, plant and equipment | 4 | -13.520.112 | -14.434.704 |
| Other operating expenses | | -713.028 | 0 |
| **Profit/loss before financial income and expenses** | | **44.054.857** | **32.916.305** |
| Financial income | | 476.629 | 884.653 |
| Financial expenses | 2 | -23.151.471 | -25.197.936 |
| **Profit/loss before tax** | | **21.380.015** | **8.603.022** |
| Tax on profit/loss for the year | 3 | -9.932.183 | 11.458.236 |
| **Net profit/loss for the year** | | **11.447.832** | **20.061.258** |

# Distribution of profit

**Proposed distribution of profit**

| | | |
|---|---|---|
| Proposed dividend for the year | 1.071.203 | 0 |
| Retained earnings | 10.376.629 | 20.061.258 |
| | **11.447.832** | **20.061.258** |

# Balance Sheet 31 December

## Assets

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | DKK | DKK |
| Land and buildings | | 858.675.600 | 595.972.714 |
| Other fixtures and fittings, tools and equipment | | 34.820.457 | 31.823.588 |
| Property, plant and equipment in progress | | 0 | 7.019.990 |
| **Property, plant and equipment** | 4 | **893.496.057** | **634.816.292** |
| Deposits | | 210.672 | 0 |
| **Fixed asset investments** | | **210.672** | **0** |
| **Fixed assets** | | **893.706.729** | **634.816.292** |
| **Inventories** | | **1.116.507** | **743.970** |
| Trade receivables | | 13.823.110 | 10.688.745 |
| Receivables from group enterprises | | 863.241 | 953.476 |
| Other receivables | | 1.996.921 | 2.355.253 |
| Prepayments | | 606.743 | 692.212 |
| **Receivables** | | **17.290.015** | **14.689.686** |
| **Cash at bank and in hand** | | **19.990.410** | **23.496.706** |
| **Currents assets** | | **38.396.932** | **38.930.362** |
| **Assets** | | **932.103.661** | **673.746.654** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | DKK | DKK |
| Share capital | | 2.000.000 | 2.000.000 |
| Revaluation reserve | | 330.992.220 | 124.317.960 |
| Reserve for fair value of investment | | -1.535.688 | 0 |
| Retained earnings | | 14.146.912 | 3.770.283 |
| Proposed dividend for the year | | 1.071.203 | 0 |
| **Equity** | 5 | **346.674.647** | **130.088.243** |
| Provision for deferred tax | 6 | 91.665.900 | 23.605.804 |
| **Provisions** | | **91.665.900** | **23.605.804** |
| Mortgage loans | | 449.214.766 | 493.754.822 |
| **Long-term debt** | 7 | **449.214.766** | **493.754.822** |
| Mortgage loans | 7 | 16.363.328 | 0 |
| Financial instruments | | 1.535.688 | 0 |
| Prepayments received from customers | | 4.673.942 | 4.925.048 |
| Trade payables | | 14.368.202 | 5.492.489 |
| Payables to group enterprises | | 0 | 59.742 |
| Corporation tax | | 164.827 | 0 |
| Other payables | | 7.442.361 | 15.820.506 |
| **Short-term debt** | | **44.548.348** | **26.297.785** |
| **Debt** | | **493.763.114** | **520.052.607** |
| **Liabilities and equity** | | **932.103.661** | **673.746.654** |
| Contingent assets, liabilities and other financial obligations | 8 | | |
| Related parties and ownership | 9 | | |

# Notes to the Financial Statements

| | | 2015 | 2014 |
|---|---|---|---|
| | | DKK | DKK |
| 1 | **Staff expenses** | | |
| | Wages and salaries | 39.803.269 | 41.193.149 |
| | Pensions | 3.452.791 | 3.477.321 |
| | Other social security expenses | 1.216.832 | 1.119.769 |
| | Other staff expenses | 727.116 | 1.334.052 |
| | | **45.200.008** | **47.124.291** |
| | **Average number of employees** | **129** | **122** |

**Remuneration to the Executive Board**

Gross profit/loss includes remuneration to Executive Board of DKK 3.357.769 (2014: DKK 0). The Board of Directors receive no remuneration.

The company buys its Executive Board services from affiliates.

| | | 2015 | 2014 |
|---|---|---|---|
| 2 | **Financial expenses** | | |
| | Financial expenses | 20.341.707 | 21.570.681 |
| | Other financial expenses | 1.989.376 | 3.404.179 |
| | Exchange loss | 820.388 | 223.076 |
| | | **23.151.471** | **25.197.936** |

| | | 2015 | 2014 |
|---|---|---|---|
| 3 | **Tax on profit/loss for the year** | | |
| | Current tax for the year | 164.827 | 0 |
| | Deferred tax for the year | 9.767.356 | -11.458.236 |
| | | **9.932.183** | **-11.458.236** |

# Notes to the Financial Statements

## 4 Property, plant and equipment

| | Land and buildings | Other fixtures and fittings, tools and equipment | Total |
|---|---|---|---|
| | DKK | DKK | DKK |
| Cost at 1 January | 492.277.279 | 146.083.482 | 638.360.761 |
| Additions for the year | 1.843.894 | 13.121.728 | 14.965.622 |
| Disposals for the year | 0 | -2.225.972 | -2.225.972 |
| Cost at 31 December | 494.121.173 | 156.979.238 | 651.100.411 |
| Revaluations at 1 January | 159.382.000 | 0 | 159.382.000 |
| Revaluations for the year | 264.967.000 | 0 | 264.967.000 |
| Revaluations at 31 December | 424.349.000 | 0 | 424.349.000 |
| Impairment losses and depreciation at 1 January | 55.686.565 | 114.259.894 | 169.946.459 |
| Depreciation for the year | 4.108.008 | 9.412.104 | 13.520.112 |
| Reversal of impairment and depreciation of sold assets | 0 | -1.513.217 | -1.513.217 |
| Impairment losses and depreciation at 31 December | 59.794.573 | 122.158.781 | 181.953.354 |
| **Carrying amount at 31 December** | **858.675.600** | **34.820.457** | **893.496.057** |
| Revaluation less amortisation, depreciation and impairment losses | 422.157.000 | 0 | |
| **Carrying amount at 31 December before revaluations** | **436.518.600** | **34.820.457** | |

The fair value of hotel property is determined by discounting expected cash flows by a discount rate of 6.7% (2014: 6.5%). Income from hotel activities comprises income from booking of hotel rooms as well as meetings and events, including a specific projection of room booking pr. customer segment and sale of meeting rooms for rent and catering .

Cash flows are based on operating forecast prepared by Management. Following a one year forecast period, a "terminal operating year" is calculated, which is adjusted by an annual growth rate of 2,0 % (2014 1,5 %) going forward

# Notes to the Financial Statements

## 5 Equity

| | Share capital | Revaluation reserve | Reserve for fair value of investment | Retained earnings | Proposed dividend for the year | Total |
|---|---|---|---|---|---|---|
| | DKK | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 2.000.000 | 124.317.960 | 0 | 3.770.283 | 0 | 130.088.243 |
| Revaluation for the year | 0 | 264.967.000 | 0 | 0 | 0 | 264.967.000 |
| Tax on revaluation for the year | 0 | -58.292.740 | 0 | 0 | 0 | -58.292.740 |
| Net profit/loss for the year | 0 | 0 | -1.535.688 | 10.376.629 | 1.071.203 | 9.912.144 |
| **Equity at 31 December** | **2.000.000** | **330.992.220** | **-1.535.688** | **14.146.912** | **1.071.203** | **346.674.647** |

The share capital consists of 20,000 shares of a nominal value of DKK 100. No shares carry any special rights.

The share capital has developed as follows:

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | DKK | DKK | DKK | DKK | DKK |
| Share capital at 1 January | 2.000.000 | 2.000.000 | 2.000.000 | 2.000.000 | 22.000.000 |
| Capital increase | 0 | 0 | 0 | 0 | 1.000.000 |
| Capital decrease | 0 | 0 | 0 | 0 | -21.000.000 |
| **Share capital at 31 December** | **2.000.000** | **2.000.000** | **2.000.000** | **2.000.000** | **2.000.000** |

## 6 Provision for deferred tax

| | 2015 | 2014 |
|---|---|---|
| | DKK | DKK |
| Property, plant and equipment | 105.422.643 | 44.675.894 |
| Fixed asset investments | -5.456.526 | -11.231.317 |
| Tax loss carry-forward | -8.300.217 | -9.838.773 |
| | **91.665.900** | **23.605.804** |

Deferred tax has been provided at 22% corresponding to the current tax rate.

# Notes to the Financial Statements

## 7 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

| | 2015 | 2014 |
|---|---|---|
| | DKK | DKK |
| **Mortgage loans** | | |
| Between 1 and 5 years | 449.214.766 | 493.754.822 |
| Long-term part | 449.214.766 | 493.754.822 |
| Within 1 year | 16.363.328 | 0 |
| | **465.578.094** | **493.754.822** |

## 8 Contingent assets, liabilities and other financial obligations

**Rental agreements and leases**

| | | |
|---|---|---|
| Lease obligations under operating leases. Total future lease payments: | | |
| Within 1 year | 960.606 | 294.895 |
| Between 1 and 5 years | 92.246 | 0 |
| | **1.052.852** | **294.895** |

**Security**

The following assets have been placed as security with mortgage credit institutes:

| | | |
|---|---|---|
| Land and buildings with a carrying amount at | 487.411.700 | 595.972.714 |

**Contingent liabilities**

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Solstra Investments A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

# Notes to the Financial Statements

## 9 Related parties and ownership

The Company is included in the Consolidated Financial Statements of Solstra Investments A/S.

The Group Annual Report of Solstra Investments A/S may be obtained at the following address:

Solstra Investments A/S
Lautrupsgade 7, 3. tv.
DK-2100 København Ø

The Company is included in the Consolidated Financial Statements of the ultimate parent company Solstra Holdings Cyprus Ltd., Cyprus. As a result of the legislation in Cyprus the Consolidated Financial Statements are not published.

# Accounting Policies

## Basis of Preparation

The Annual Report of Hotelinvest Kalvebod A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK.

**Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Solstra Investments A/S, the Company has not prepared consolidated financial statements.

**Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Solstra Investments A/S, the Company has not prepared a cash flow statement.

**Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, impairment, provisions and reversals as a result of changes in accounting estimates of amounts that previously have been recognized in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

# Accounting Policies

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

### Derivative financial instruments

Derivative financial instruments, including cash flow hedges through interest rate swaps after tax, are recognised at fair value. Amortisation and changes in the fair values of derivative financial instruments are recognised in the income statement until the hedged transaction expires. If the hedged transaction results in an asset or a liability, the accumulated market value adjustment is recognised in the cost of the asset or liability, and if the transaction results in an income or a cost, the accumulated market value adjustment is recognised under financial items in the income statement together with the hedged item. Accumulated value adjustments of hedging instruments (interest rate swap) recognised in accordance with the hedging provisions in special reserve under equity and carried via the statement of comprehensive income are amortised as the interest rate swap is settled.

Value adjustment to fair value of derivative financial instruments which do not qualify as hedging instruments is recognised in the income statement.

## Income Statement

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### Revenue

Income from the rendering of services, is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

### Cost of sales

Cost of sales comprimise the consumables consumed to achieve revenue for the year.

# Accounting Policies

### Other external expenses

Other external expenses comprise the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases etc.

### Staff expenses

Staff expenses comprise wages and salaries as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost plus revaluations and less expected residual value.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of property, plant and equipment.

### Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year less the portion of tax related to changes in equity. Current and deferred tax attributable to changes in equity is recognised directly in equity. The Company is jointly taxed with group enterprises. The tax effect of the joint taxation is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation).

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance Sheet

### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

# Accounting Policies

Interest expenses on loans are not recognised in cost during construction and reconstruction periods. All borrowing costs are amortised and recognised in the income statement over the term of the loan.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Land and buildings are revalued at fair value. Revaluations and reversals hereof, less deferred tax, are taken directly to equity. Fair value is based on capitalised value of expected cash flows on the basis of the required marked rate of return without the use of an appraiser. The capitalised value (NPV) is allocated on negotiable assets, primarily land and buildings.

The estimates applied are based on information and assumptions considered reasonable by Management but which are inherently uncertain and unpredictable. Actual events or circumstances will probably differ from the assumptions made in the calculations as often assumed events do not occur as expected. Such difference may be material. The assumptions applied are disclosed in the notes.

Other property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

| | | |
|---|---|---|
| Production buildings | 100 | years |
| Other fixtures and fittings, tools and equipment | 4 - 10 | years |

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Fixed asset investments

Fixed asset investments consist of deposits to the Company's software supplier.

### Inventories

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

# Accounting Policies

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of the receivables that are estimated to be risky.

### Cash at bank and in hand

Cash comprises cash balances and bank balances.

### Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums, subscriptions and interest subsequent financial reporting years.

### Equity

Reserve for fair value investment assets are determined as the value adjustment of the property after tax. The revaluation reserve includes changes in the fair value of derivatives classified and qualifying as cash flow hedges.

***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

# Accounting Policies

### Financial debts

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

# Financial Highlights

### Explanation of financial ratios

| | |
|---|---|
| Return on assets | $\frac{\text{Profit before financials x 100}}{\text{Total assets}}$ |
| Solvency ratio | $\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$ |