



Scandinavian Hotels A/S

Strandvejen 25
8000 Aarhus C
CVR No. 36036524

Annual report 2022

The Annual General Meeting adopted the
annual report on 24.06.2023

Finn Bødstrup

Chairman of the General Meeting

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Entity details

Entity

Scandinavian Hotels A/S

Strandvejen 25

8000 Aarhus C

Business Registration No.: 36036524

Registered office: Aarhus

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Finn Bødstrup

Enan Raouf El-Galaly

Hans Jørgen Malmlose Nyegaard

Margrete Monir Gorgy

Rauf Enan El-Galaly

Executive Board

Finn Raj Hansen Taul

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Østre Havnepromenade 26, 4th floor

9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Scandinavian Hotels A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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.

Aarhus, 24.06.2023

Executive Board

Finn Raj Hansen Taul

Board of Directors

Finn Bødstrup

Enan Raouf El-Galaly

Hans Jørgen Malmlose Nyegaard

Margrete Monir Gorgy

Rauf Enan El-Galaly

Independent auditor's report

To the shareholders of Scandinavian Hotels A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Scandinavian Hotels A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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.

Aalborg, 24.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Birner Sørensen

State Authorised Public Accountant
Identification No (MNE) mne11671

Management commentary

Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Gross profit/loss				94,666	0
Operating profit/loss	10,150	431	(16,785)	20,112	20,600
Net financials	(3,057)	(3,404)	(3,611)	-5,427	-6,765
Profit/loss for the year	3,684	(2,907)	(17,088)	5,677	8,120
Balance sheet total	438,334	452,273	467,296	405,274	379,079
Investments in property, plant and equipment	3,591	4,878	5,530	2,104	761
Equity	206,177	205,811	208,144	177,339	149,668
Equity excl. minority interests	205,996	205,583	207,940	227,621	0
Cash flows from operating activities	18,286	10,093	(4,984)	9,289	12,634
Cash flows from investing activities	(3,030)	(3,448)	(11,341)	(2,098)	(658)
Cash flows from financing activities	(16,029)	(13,574)	16,175	(10,550)	(8,752)

Ratios

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

Primary activities

The company's activities comprise purchases, sales including share in companies, contributions of subordinated capital in other ways in existing companies or newly established companies in Denmark or abroad and related activities.

Development in activities and finances

The income statement for the period 01.01.22 - 31.12.22 shows a profit of DKK 3,684k against DKK -2,907k for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 206,177k.

Profit/loss for the year in relation to expected developments

The earnings expectations for 2022 were a net profit between DKK 10 and 15 million. The realised profit was lower than expected due to the continuing COVID-19 affects in Marroco.

Outlook

The Group expects a profit for 2023 between DKK 4 and 6 million.

Consolidated income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss	1	45,050,952	33,868,433
Staff costs	2	(22,685,764)	(20,261,656)
Depreciation, amortisation and impairment losses		(12,215,189)	(13,175,379)
Operating profit/loss		10,149,999	431,398
Other financial income	3	200,271	263,426
Other financial expenses	4	(3,257,100)	(3,667,324)
Profit/loss before tax		7,093,170	(2,972,500)
Tax on profit/loss for the year		(3,409,421)	65,035
Profit/loss for the year	5	3,683,749	(2,907,465)

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Goodwill		2,934,869	4,682,429
Intangible assets	6	2,934,869	4,682,429
Land and buildings		415,343,868	424,012,269
Other fixtures and fittings, tools and equipment		7,558,620	9,088,243
Property, plant and equipment	7	422,902,488	433,100,512
Deposits		141,186	150,220
Financial assets	8	141,186	150,220
Fixed assets		425,978,543	437,933,161
Raw materials and consumables		1,144,707	849,547
Inventories		1,144,707	849,547
Trade receivables		4,803,849	4,868,735
Other receivables		3,513,334	4,970,816
Tax receivable		440,000	424,000
Receivables		8,757,183	10,263,551
Cash		2,453,783	3,227,023
Current assets		12,355,673	14,340,121
Assets		438,334,216	452,273,282

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	9	550,000	550,000
Revaluation reserve		135,390,634	139,477,467
Retained earnings		70,055,476	65,555,146
Equity belonging to Parent's shareholders		205,996,110	205,582,613
Equity belonging to minority interests		181,226	227,901
Equity		206,177,336	205,810,514
Deferred tax	10	75,797,825	75,416,322
Provisions		75,797,825	75,416,322
Mortgage debt		119,548,980	130,283,097
Lease liabilities		690,989	928,883
Payables to owners and management		11,273,123	11,819,095
Other payables		594,365	543,237
Non-current liabilities other than provisions	11	132,107,457	143,574,312
Current portion of non-current liabilities other than provisions	11	11,256,176	11,217,522
Bank loans		1,714,978	3,034,376
Lease liabilities		42,070	223,633
Payables to other credit institutions		401,095	3,385,454
Prepayments received from customers		133,787	333,270
Trade payables		6,174,046	5,199,283
Tax payable		1,264,592	0
Other payables		2,899,737	4,078,596
Deferred income	12	365,117	0
Current liabilities other than provisions		24,251,598	27,472,134
Liabilities other than provisions		156,359,055	171,046,446
Equity and liabilities		438,334,216	452,273,282
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Consolidated statement of changes in equity for 2022

	Contributed capital DKK	Revaluation reserve DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK
Equity beginning of year	550,000	139,477,467	65,555,146	205,582,613	227,901
Exchange rate adjustments	0	0	(3,294,450)	(3,294,450)	(22,477)
Transfer to reserves	0	(4,086,833)	4,086,833	0	0
Profit/loss for the year	0	0	3,707,947	3,707,947	(24,198)
Equity end of year	550,000	135,390,634	70,055,476	205,996,110	181,226
					Total DKK
Equity beginning of year					205,810,514
Exchange rate adjustments					(3,316,927)
Transfer to reserves					0
Profit/loss for the year					3,683,749
Equity end of year					206,177,336

Consolidated cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		10,149,999	431,398
Amortisation, depreciation and impairment losses		12,215,189	13,175,379
Working capital changes	13	(582,154)	1,123,577
Cash flow from ordinary operating activities		21,783,034	14,730,354
Financial income received		812,794	263,426
Financial expenses paid		(3,869,624)	(3,667,324)
Taxes refunded/(paid)		(440,000)	(1,233,440)
Cash flows from operating activities		18,286,204	10,093,016
Acquisition etc. of property, plant and equipment		(3,699,080)	(4,877,732)
Sale of property, plant and equipment		668,986	1,429,794
Cash flows from investing activities		(3,030,094)	(3,447,938)
Free cash flows generated from operations and investments before financing		15,256,110	6,645,078
Repayments of loans etc.		(16,029,350)	(13,574,398)
Cash flows from financing activities		(16,029,350)	(13,574,398)
Increase/decrease in cash and cash equivalents		(773,240)	(6,929,320)
Cash and cash equivalents beginning of year		3,227,023	10,156,343
Cash and cash equivalents end of year		2,453,783	3,227,023
Cash and cash equivalents at year-end are composed of:			
Cash		2,453,783	3,227,023
Cash and cash equivalents end of year		2,453,783	3,227,023

Notes to consolidated financial statements

1 Gross profit/loss

Gross profit/loss includes compensation received during COVID-19 as other operating income totalling DKK 2,221k (2021: DKK 8,003k). The compensation amounts are composed of the following schemes:

Compensation for fixed costs: DKK 1,605k (2020: DKK 4,965k).

Payroll compensation: DKK 616k (2021: DKK 3,038k).

2 Staff costs

	2022	2021
	DKK	DKK
Wages and salaries	20,811,189	18,698,466
Pension costs	1,670,649	1,352,075
Other social security costs	203,926	211,115
	22,685,764	20,261,656

Average number of full-time employees	94	90
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	Remuneration of management 2022 DKK	Remuneration of management 2021 DKK
Total amount for management categories	1,853,551	1,039,412
	1,853,551	1,039,412

According to section 98B(3) no.2 of the Danish Financial Statement Act, remuneration to management has been disclosed together under one category, because it would otherwise lead to an individual's remuneration being disclosed.

3 Other financial income

	2022	2021
	DKK	DKK
Other interest income	4,398	13,237
Exchange rate adjustments	1,340	645
Other financial income	194,533	249,544
	200,271	263,426

4 Other financial expenses

	2022	2021
	DKK	DKK
Other interest expenses	2,927,486	3,439,044
Exchange rate adjustments	20	369
Other financial expenses	329,594	227,911
	3,257,100	3,667,324

5 Proposed distribution of profit/loss

	2022	2021
	DKK	DKK
Retained earnings	3,683,749	(2,907,465)
	3,683,749	(2,907,465)

6 Intangible assets

	Goodwill
	DKK
Cost beginning of year	23,341,046
Cost end of year	23,341,046
Amortisation and impairment losses beginning of year	(18,658,617)
Amortisation for the year	(1,747,560)
Amortisation and impairment losses end of year	(20,406,177)
Carrying amount end of year	2,934,869

7 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	354,490,019	48,064,392
Exchange rate adjustments	0	(2,708,886)
Additions	804,163	2,786,775
Disposals	0	(1,317,160)
Cost end of year	355,294,182	46,825,121
Revaluations beginning of year	204,797,622	0
Revaluations end of year	204,797,622	0
Depreciation and impairment losses beginning of year	(135,275,372)	(38,976,149)
Exchange rate adjustments	(1,260,527)	1,313,911
Depreciation for the year	(8,212,037)	(2,252,437)
Reversal regarding disposals	0	648,174
Depreciation and impairment losses end of year	(144,747,936)	(39,266,501)
Carrying amount end of year	415,343,868	7,558,620
Carrying amount if asset had not been revalued	241,766,133	7,558,620
Recognised assets not owned by Entity	0	726,024

8 Financial assets

	Deposits DKK
Cost beginning of year	150,220
Exchange rate adjustments	(9,034)
Cost end of year	141,186
Carrying amount end of year	141,186

9 Contributed capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
A shares	11,000	1	11,000	11,000
B shares	539,000	1	539,000	539,000
	550,000		550,000	550,000

10 Deferred tax

	2022	2021
Changes during the year	DKK	DKK
Beginning of year	75,416,322	75,136,116
Recognised in the income statement	381,503	280,206
End of year	75,797,825	75,416,322

11 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2022	2021	2022	2022
	DKK	DKK	DKK	DKK
Mortgage debt	11,256,176	11,217,522	119,548,980	81,111,126
Lease liabilities	0	0	690,989	480,639
Payables to owners and management	0	0	11,273,123	11,273,123
Other payables	0	0	594,365	485,804
	11,256,176	11,217,522	132,107,457	93,350,692

12 Deferred income

Deferred income comprises of income received for recognition in subsequent financial years.

13 Changes in working capital

	2022	2021
	DKK	DKK
Increase/decrease in inventories	(295,160)	174,606
Increase/decrease in receivables	1,305,435	172,881
Increase/decrease in trade payables etc.	(1,592,429)	776,090
	(582,154)	1,123,577

14 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties.

The carrying amount of properties is DKK 415,344k.

Mortgage deeds registered to the mortgagor of DKK 291,421k are provided as security for commitments with credit institutions

15 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Scandinavian Hotels A/S, Aarhus

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Scandinavian Hotels A/S, Aarhus

16 Subsidiaries

	Registered in	Corporate form	Ownership %	Equity DKK	Profit/loss DKK
Helnan Phønix Hotel A/S	Aalborg	A/S	100%	48,588,292	2,818,737
Helnan Marselis Hotel A/S	Aarhus	A/S	100%	122,849,960	6,237,137
Scandinavian International Hotels A/S	Aarhus	A/S	100%	32,157,677	(4,086,027)
Helnan Hotel Management	Egypt	SAE	99,5%	4,438,633	24,412
Helnan International Hotels Company	Egypt	Branch	100%	462,663	813,398
Helnan Chellah Hotel	Morocco	SA	99%	15,903,165	(2,432,010)

Parent income statement for 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		(83,441)	(93,504)
Income from investments in group enterprises		3,808,831	(3,654,467)
Other financial income	1	82,592	50,254
Other financial expenses	2	(128,487)	(91,197)
Profit/loss before tax		3,679,495	(3,788,914)
Tax on profit/loss for the year		28,454	20,276
Profit/loss for the year	3	3,707,949	(3,768,638)

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Investments in group enterprises		205,736,695	205,222,314
Financial assets	4	205,736,695	205,222,314
Fixed assets		205,736,695	205,222,314
Receivables from group enterprises		4,157,049	2,620,290
Deferred tax	5	112,597	84,143
Tax receivable		440,000	424,000
Receivables		4,709,646	3,128,433
Cash		221,651	4,555
Current assets		4,931,297	3,132,988
Assets		210,667,992	208,355,302

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		550,000	550,000
Reserve for net revaluation according to equity method		156,310,448	159,604,898
Retained earnings		49,135,664	45,427,715
Equity		205,996,112	205,582,613
Trade payables		55,000	55,000
Payables to group enterprises		4,577,537	2,714,748
Tax payable		39,343	0
Other payables		0	2,941
Current liabilities other than provisions		4,671,880	2,772,689
Liabilities other than provisions		4,671,880	2,772,689
Equity and liabilities		210,667,992	208,355,302

Contingent liabilities	6
Assets charged and collateral	7
Related parties with controlling interest	8
Transactions with related parties	9

Parent statement of changes in equity for 2022

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	550,000	159,604,898	45,427,715	205,582,613
Exchange rate adjustments	0	(3,294,450)	0	(3,294,450)
Profit/loss for the year	0	0	3,707,949	3,707,949
Equity end of year	550,000	156,310,448	49,135,664	205,996,112

Notes to parent financial statements

1 Other financial income

	2022	2021
	DKK	DKK
Financial income from group enterprises	78,726	49,394
Other interest income	0	860
Other financial income	3,866	0
	82,592	50,254

2 Other financial expenses

	2022	2021
	DKK	DKK
Financial expenses from group enterprises	89,756	48,895
Other interest expenses	38,731	42,302
	128,487	91,197

3 Proposed distribution of profit and loss

	2022	2021
	DKK	DKK
Retained earnings	3,707,949	(3,768,638)
	3,707,949	(3,768,638)

4 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	45,617,418
Cost end of year	45,617,418
Revaluations beginning of year	159,604,896
Exchange rate adjustments	(3,294,450)
Amortisation of goodwill	(1,161,017)
Revaluations for the year	4,969,848
Revaluations end of year	160,119,277
Carrying amount end of year	205,736,695

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

5 Deferred tax

	2022	2021
	DKK	DKK
Tax losses carried forward	112,597	84,143
Deferred tax	112,597	84,143

	2022	2021
	DKK	DKK
Changes during the year		
Beginning of year	84,143	63,867
Recognised in the income statement	28,454	20,276
End of year	112,597	84,143

Deferred tax assets

Deferred tax relates to tax losses carried forward.

6 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

7 Assets charged and collateral

Collateral provided for group enterprises

The Entity has guaranteed the group enterprises' debt with Nykredit Bank. Bank loans of group enterprises amounts to DKK 138,206k.

8 Related parties with controlling interest

Enan Raouf El-Galaly, Cairo, Egypt, owns all A shares in the Entity, thus exercising control.

9 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

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. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, costs of raw materials and consumables and 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.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividends 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 or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and 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 or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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. The estimated useful life of goodwill is 10 years.

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

Property, plant and equipment

Land and buildings are measured at cost plus revaluation, and for buildings, less accumulated depreciation and impairment losses. Revaluation is calculated on the basis of regular, independent fair value measurements.

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

The basis of depreciation is cost plus revaluation and minus 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:

	Useful life
Buildings	35-50 years
Other fixtures and fittings, tools and equipment	3-20 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 in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to

acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share 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 one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. Useful lives are reassessed annually.

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 the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

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

Cash comprises cash in hand and bank deposits.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

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.

Lease liabilities

Lease liabilities 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 liabilities 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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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 financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash.