RSM Beierholm

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Scandinavian International Hotels A/S

Strandvejen 25, 8000 Aarhus

CVR no. 73 52 87 12

Annual report for 2017

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 25.04.18

Finn Bødstrup
Dirigent

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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Group information etc.

The company

Scandinavian International Hotels A/S
Strandvejen 25
8000 Aarhus
Registered office: Aarhus
CVR no.: 73 52 87 12
Financial year: 01.01 - 31.12

Executive Board

Mark Nykjær Fisher

Board Of Directors

Advokat Finn Bødstrup
Hans Jørgen Malmmose Nyegaard
Margrete Monir Gorgy
Mark Nykjær Fisher

Auditors

RSM Beierholm
Statsautoriseret Revisionspartnerselskab

Bank

Handelsbanken

Subsidiaries

Helnan Hotel Management, Company S.A.E., Egypt
Helnan International Hotels Company (Egypt Branch), Egypt
Helnan Chellah Hotel S.A., Morocco

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.17 - 31.12.17 for Scandinavian International Hotels A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.17 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.17 - 31.12.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Aarhus, April 25, 2018

Executive Board

Mark Nykjær Fisher

Board Of Directors

Finn Bødstrup Chairman	Hans Jørgen Malmmose Nyegaard
Margrete Monir Gorgy	Mark Nykjær Fisher

Independent auditor's report

To the Shareholder of Scandinavian International Hotels A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of Scandinavian International Hotels A/S for the financial year 01.01.17 - 31.12.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.17 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.17 - 31.12.17 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and parent company 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company 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 per-formance 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.

Aalborg, April 25, 2018

RSM Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

John Dahl Larsen

State Authorized Public Accountant
MNE-no. mne21338

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2017	2016	2015	2014	2013
Profit/loss					
Gross profit	33,631	47,730	45,541	4,467	25,211
Operating profit/loss	5,727	7,541	3,567	-27,525	-2,749
Total net financials	7,547	-3,970	-2,251	-3,262	-2,489
Profit/loss for the year	10,191	845	-77	-31,943	-5,785
Balance					
Total assets	64,851	49,939	51,013	53,633	105,814
Investments in property, plant and equipment	2,670	2,344	3,088	2,964	998
Equity	31,543	9,984	8,718	7,122	9,457

Ratios

	2017	2016	2015	2014	2013
Profitability					
Return on equity	49%	9%	-1%	-385%	-43%
Equity ratio					
Equity interest	49%	20%	17%	13%	9%

Return on equity: $\dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\dfrac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The company's activities comprise investing in and hotel management and related activities, in countries where The Industrialisation Fund for Developing Countries can invest.

Development in activities and financial affairs

The income statement for the period 01.01.17 - 31.12.17 shows a profit/loss of DKK 10,191,405 against DKK 845,304 for the period 01.01.16 - 31.12.16. The balance sheet shows equity of DKK 31,543,199.

The company's management expects that earrings in coming years will be stabilized and the unrest in Egypt will decrease, so the Group will continue to be profitable.

The Groups has activities in Egypt where there has been a current devaluation of the Egyptian pund. It has had a positive impact on the profit of the year, but a negative impact on the equity.

Based on extern evaluation the management has revaluated the hotel building in Morocco, so the booked value is 46 million DKK. This leads to increase of depreciation of 0,8 million DKK. and increase equity of 20,5 million DKK.

Through the last 30 years the company has established a powerful trademark and knowhow which the management expects to create and maintain earnings in the Group. There are 7 hotels in Egypt, which employes 1261 employees. The hotels makes profit and the assessment of the business activity is not recognized in the financial statements.

Outlook

The level of activity in 2017 has been as expected, therefor the company's management find the result satisfying.

The company is currently planning to implement a change in ownership to other related shareholders including company key position employees to secure future stability and developing plan.

Subsequent events

No important events have occurred after the end of the financial year.

The company has bought all B-shares in 2018 from the Danish Industrialisation Fund for Developing countries.

Income statement

Note		Group 2017 DKK	Group 2016 DKK	Parent 2017 DKK	Parent 2016 DKK
	Gross profit	**33,630,767**	**47,730,378**	**2,360,361**	**3,269,384**
2	Staff costs	-24,052,120	-35,280,409	-399,811	-286,221
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**9,578,647**	**12,449,969**	**1,960,550**	**2,983,163**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-3,851,501	-4,909,093	0	0
	Profit/loss before net financials	**5,727,146**	**7,540,876**	**1,960,550**	**2,983,163**
3	Income from equity investments in group enterprises	0	0	1,681,273	-2,207,185
4	Financial income	8,811,377	1,063,141	8,769,537	945,151
5	Financial expenses	-1,264,068	-5,033,038	-888,267	-896,935
	Profit/loss before tax	**13,274,455**	**3,570,979**	**11,523,093**	**824,194**
	Tax on profit or loss for the year	-3,083,050	-2,725,675	-1,355,046	0
	Profit/loss for the year	**10,191,405**	**845,304**	**10,168,047**	**824,194**

6 Distribution of net profit

Balance sheet

ASSETS

Note		Group 31.12.17 DKK	Group 31.12.16 DKK	Parent 31.12.17 DKK	Parent 31.12.16 DKK
	Goodwill	4,219,594	4,873,451	0	0
7	**Total intangible assets**	**4,219,594**	**4,873,451**	**0**	**0**
	Land and buildings	47,331,312	25,306,610	0	0
	Other fixtures and fittings, tools and equipment	2,832,641	4,865,456	0	0
8	**Total property, plant and equipment**	**50,163,953**	**30,172,066**	**0**	**0**
9	Equity investments in group enterprises	0	0	55,232,164	45,826,014
	Receivables from group enterprises	0	0	0	98,032
9	Other investments	983,391	914,207	0	0
	Total investments	**983,391**	**914,207**	**55,232,164**	**45,924,046**
	Total non-current assets	**55,366,938**	**35,959,724**	**55,232,164**	**45,924,046**
	Raw materials and consumables	435,536	866,262	0	0
	Total inventories	**435,536**	**866,262**	**0**	**0**
	Trade receivables	3,709,644	4,511,599	52,500	0
12	Deferred tax asset	0	343,602	0	0
	Other receivables	2,205,127	4,659,819	0	0
	Total receivables	**5,914,771**	**9,515,020**	**52,500**	**0**
	Cash	**3,134,240**	**3,597,644**	**229,740**	**87,682**
	Total current assets	**9,484,547**	**13,978,926**	**282,240**	**87,682**
	Total assets	**64,851,485**	**49,938,650**	**55,514,404**	**46,011,728**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.17 DKK	31.12.16 DKK	31.12.17 DKK	31.12.16 DKK
10	Share capital	36,450,000	36,450,000	36,450,000	36,450,000
	Revaluation reserve	19,921,442	0	19,921,442	0
	Retained earnings	-25,318,897	-26,806,082	-25,318,897	-26,806,082
		31,052,545	**9,643,918**	**31,052,545**	**9,643,918**
11	Non-controlling interests	490,654	339,877	0	0
	Total equity	**31,543,199**	**9,983,795**	**31,052,545**	**9,643,918**
12	Provisions for deferred tax	4,974,313	0	0	0
13	Other provisions	0	0	356,260	3,951,214
	Total provisions	**4,974,313**	**0**	**356,260**	**3,951,214**
14	Payables to group enterprises	0	0	5,128,774	13,738,267
14	Other payables	8,801,556	10,903,431	8,604,487	9,732,184
	Total long-term payables	**8,801,556**	**10,903,431**	**13,733,261**	**23,470,451**
14	Short-term portion of long-term payables	3,889,282	4,002,178	2,909,690	2,905,586
	Payables to other credit institutions	0	5,891,370	0	0
	Trade payables	6,663,587	10,907,034	99,972	0
	Income taxes	2,373,247	1,021,593	1,355,046	0
	Other payables	6,606,301	7,229,249	6,007,630	6,040,559
	Total short-term payables	**19,532,417**	**29,051,424**	**10,372,338**	**8,946,145**
	Total payables	**28,333,973**	**39,954,855**	**24,105,599**	**32,416,596**
	Total equity and liabilities	**64,851,485**	**49,938,650**	**55,514,404**	**46,011,728**

15 Contingent liabilities
16 Charges and security
17 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Revaluation reserve	Retained earnings	Non-controlling interests
Group:				
Statement of changes in equity for 01.01.17 - 31.12.17				
Balance pr. 01.01.17	36,450,000	0	-26,806,082	339,877
Foreign currency translation adjustment of foreign enterprises	0	0	-9,303,407	174,124
Revaluations during the year	0	20,543,987	0	0
Depreciation and amortisation during the year	0	-622,545	0	0
Total depreciation, amortisation, impairment losses and write-downs during the year	0	0	622,545	0
Other changes in equity	0	0	-46,715	0
Net profit/loss for the year	0	0	10,214,762	-23,357
Balance as at 31.12.17	36,450,000	19,921,442	-25,318,897	490,644
Parent:				
Statement of changes in equity for 01.01.17 - 31.12.17				
Balance pr. 01.01.17	36,450,000	0	-26,806,082	0
Foreign currency translation adjustment of foreign enterprises	0	0	-9,303,407	0
Revaluations during the year	0	20,543,987	0	0
Depreciation and amortisation during the year	0	-622,545	0	0
Total depreciation, amortisation, impairment losses and write-downs during the year	0	0	622,545	0
Net profit/loss for the year	0	0	10,168,047	0
Balance as at 31.12.17	36,450,000	19,921,442	-25,318,897	0

Consolidated cash flow statement

Note		Group 2017 DKK	Group 2016 DKK
	Net profit/loss for the year	**10,191,405**	**845,304**
18	Adjustments	-3,794,584	11,110,586
	Change in working capital:		
	Inventories	430,726	-180,862
	Receivables	3,256,647	-1,657,420
	Trade payables	-4,243,447	955,150
	Other payables relating to operating activities	-622,949	-920,750
	Cash flows from operating activities before net financials	**5,217,798**	**10,152,008**
	Interest income and similar income received	8,811,377	1,048,166
	Interest expenses and similar expenses paid	-1,264,068	-5,018,063
	Income tax paid	-1,021,593	-1,912,808
	Cash flows from operating activities	**11,743,514**	**4,269,303**
	Purchase of property, plant and equipment	-2,669,742	-2,343,076
	Sale of property, plant and equipment	378,773	183,993
	Disposal of investments	-69,184	181
	Cash flows from investing activities	**-2,360,153**	**-2,158,902**
	Repayment of credit institutions	-3,955,395	-3,716,271
	Cash flows from financing activities	**-3,955,395**	**-3,716,271**
	Total cash flows for the year	**5,427,966**	**-1,605,870**
	Cash, beginning of year	3,597,644	3,517,825
	Short-term payables to credit institutions, beginning of year	-5,891,370	-4,205,681
	Cash, end of year	**3,134,240**	**-2,293,726**
	Cash, end of year, comprises:		
	Cash	3,134,240	3,597,644
	Short-term payables to credit institutions	0	-5,891,370
	Total	**3,134,240**	**-2,293,726**

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

		2017	2016
Foreign exchange gains	Financial income	8,769,537	0
Tax	Tax	-1,355,046	0
Total		7,414,491	0

	Group		Parent	
	2017 DKK	2016 DKK	2017 DKK	2016 DKK
2. Staff costs				
Wages and salaries	18,223,967	24,681,126	392,575	282,264
Pensions	5,820,916	10,595,326	0	0
Other social security costs	2,272	1,893	2,272	1,893
Other staff costs	4,965	2,064	4,964	2,064
Total	24,052,120	35,280,409	399,811	286,221
Average number of employees during the year	1,333	1,148	1	1
Remuneration for the management:				
Remuneration paid to each member of the management:				
Board of Directors	395,931	289,310	0	0
3. Income from equity investments in group enterprises				
Share of profit or loss of group enterprises	0	0	2,267,817	-1,620,641
Amortisation of goodwill	0	0	-586,544	-586,544
Total	0	0	1,681,273	-2,207,185

Notes

	Group		Parent	
	2017 DKK	2016 DKK	2017 DKK	2016 DKK

4. Financial income

Other interest income	0	4,344	0	4,344
Foreign exchange gains	8,769,537	940,807	8,769,537	940,807
Other financial income	41,840	117,990	0	0
Total	8,811,377	1,063,141	8,769,537	945,151

5. Financial expenses

Interest, group enterprises	0	0	0	14,975
Other interest expenses	888,267	896,934	888,267	881,960
Other financial expenses	375,801	4,136,104	0	0
Other financial expenses total	1,264,068	5,033,038	888,267	881,960
Total	1,264,068	5,033,038	888,267	896,935

6. Distribution of net profit

Non-controlling interests	-23,357	-21,110	0	0
Retained earnings	10,214,762	866,414	10,168,047	824,194
Total	10,191,405	845,304	10,168,047	824,194

7. Intangible assets

Figures in DKK	Goodwill
Group:	
Cost pr. 01.01.17	12,899,222
Foreign currency translation adjustment of foreign enterprises	-42,407
Cost as at 31.12.17	12,856,815
Amortisation and impairment losses pr. 01.01.17	-8,021,523
Amortisation during the year	-615,698
Amortisation and impairment losses as at 31.12.17	-8,637,221
Carrying amount as at 31.12.17	4,219,594

8. Property, plant and equipment

Figures in DKK	Land and buildings	Other fixtures and fittings, tools and equipment
Group:		
Cost pr. 01.01.17	60,116,835	16,886,422
Additions during the year	1,182,288	1,487,454
Disposals during the year	0	-285,450
Cost as at 31.12.17	61,299,123	18,088,426
Revaluations pr. 01.01.17	26,604,488	0
Revaluations as at 31.12.17	26,604,488	0
Depreciation and impairment losses pr. 01.01.17	-34,810,223	-12,020,966
Foreign currency translation adjustment of foreign enterprises	-3,329,232	-2,526,787
Depreciation during the year	-2,432,844	-802,958
Reversal of impairment losses in respect of previous years	0	94,926
Depreciation and impairment losses as at 31.12.17	-40,572,299	-15,255,785
Carrying amount as at 31.12.17	47,331,312	2,832,641
Carrying amount in the balance sheet if revaluation to fair value had not been carried out as at 31.12.17	21,524,959	0

9. Investments

Figures in DKK	Equity investments in group enterprises	Other investments
Group		
Cost pr. 01.01.17	0	983,391
Cost as at 31.12.17	0	983,391
Carrying amount as at 31.12.17	0	983,391
Parent:		
Cost pr. 01.01.17	60,796,694	0
Cost as at 31.12.17	60,796,694	0
Revaluations during the year	20,543,987	0
Revaluations as at 31.12.17	20,543,987	0
Depreciation and impairment losses pr. 01.01.17	-18,921,894	0
Foreign currency translation adjustment of foreign enterprises	-9,303,407	0
Amortisation of goodwill	-586,544	0
Net profit/loss from equity investments	2,267,817	0
Dividend relating to equity investments	-1,707,038	0
Other equity adjustments relating to equity investments	1,786,289	0
Negative equity value impaired in receivables	356,260	0
Depreciation and impairment losses as at 31.12.17	-26,108,517	0
Carrying amount as at 31.12.17	55,232,164	0

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Helnan Hotel Management, Company S.A.E., Egypt	99,50%	6,223,628	825,180
Helnan International Hotels Company (Egypt Branch), Egypt	100,00%	-356,260	-456,934
Helnan Chellah Hotel S.A., Morocco	99,00%	45,953,632	1,922,928

10. Share capital

The share capital consists of:

Share capital at 1. Janary 2016	20,000,000
Capital reduction on 23. December 2008	-17,000,000
Capital increase on 11. Martch 2010	4,500,000
Capital increase on 30 December 2010	2,500,000
Capital increase on 23 December 2014	26,450,000
Total	36,450,000

	Group		Parent	
	31.12.17 DKK	31.12.16 DKK	31.12.17 DKK	31.12.16 DKK
11. Non-controlling interests				
Non-controlling interests, beginning of year	339,887	318,766	0	0
Foreign currency translation adjustment of foreign enterprises	174,124	42,221	0	0
Net profit/loss for the year (distribution of net profit)	-23,357	-21,110	0	0
Total	490,654	339,877	0	0

12. Deferred tax

	Group		Parent	
	31.12.17 DKK	31.12.16 DKK	31.12.17 DKK	31.12.16 DKK
Additions relating to mergers and acquisition of enterprises pr. 01.01.17	4,974,313	-343,602	0	0
Additions relating to mergers and acquisition of enterprises as at 31.12.17	4,974,313	-343,602	0	0
Deffered tax comprises:				
Deferred tax asset	0	-343,602	0	0
Deferred tax liability	4,974,313	0	0	0
Total	4,974,313	-343,602	0	0
Deffered tax comprises:				
Property, plant and equipment	-4,974,313	343,602	0	0

13. Other provisions

Figures in DKK	Provisions for subsidiaries
Parent:	
Provisions pr. 01.01.17	3,951,214
Provisions during the year	-3,951,214
Provisions as at 31.12.17	0

Parent:	
Provisions pr. 01.01.17	3,951,214
Provisions during the year	-3,594,954
Provisions as at 31.12.17	356,260

	31.12.17 DKK	31.12.16 DKK	31.12.17 DKK	31.12.16 DKK
Other provisions are expected to be distributed as follows:				
Non-current liabilities	356,260	3,951,214	356,260	3,951,214

14. Longterm payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.17	Total payables at 31.12.16
Group:				
Other payables	3,889,282	0	12,690,838	14,905,609
Total	3,889,282	0	12,690,838	14,905,609
Parent:				
Payables to group enterprises	0	0	5,128,774	13,738,267
Other payables	2,909,690	0	11,514,177	12,637,770
Total	2,909,690	0	16,642,951	26,376,037

15. Contingent liabilities

The enterprise has no contingent liabilities as at 31.12.17.

Parent:

Recourse guarantee commitments

The company has issued a guarantee for group affiliated account with The Industrialisation Fund for Development Contries, total 1,2 million DKK.

16. Charges and security

Group:

The enterprise has not provided any other security over assets.

Parent:

The company has not provided any other security over assets.

17. Related parties

Controlling influence:	Basis of influence
Enan Galaly	100% voting rights

18. Adjustments for the cash flow statement

	Group 2017 DKK	Group 2016 DKK
Depreciation, amortisation, impairment losses and write-downs	3,851,501	4,909,093
Financial income	-8,811,377	-1,063,141
Financial expenses	1,264,068	5,033,038
Tax on profit or loss for the year	3,083,050	2,725,675
Other adjustments	-3,181,826	-494,079
Total	-3,794,584	11,110,586

19. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

Non-controlling interests

The financial items of the subsidiaries are recognised in full in the consolidated financial statements.

19. Accounting policies - continued -

The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Purchase and sale of non-controlling interests in a subsidiary which do not result in the parent losing control of the subsidiary are treated in the consolidated financial statements as equity transactions, and the difference between the consideration and the carrying amount is allocated to the parent's equity interest.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

19. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the sale of services is recognised as delivery takes place. Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

19. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Goodwill	20	0
Buildings	20-40	0
Other plant, fixtures and fittings, tools and equipment	3-8	0

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity

19. Accounting policies - continued -

with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise land and buildings as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost, for land and buildings with revaluation at fair value recognised under the revaluation reserve in equity, however, and less accumulated depreciation and impairment losses. The fair value for land and buildings is calculated by applying an individually determined discount rate to the capitalisation of a market-based operating income from the property. A valuer has been used to determine the fair value.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

19. Accounting policies - continued -

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

19. Accounting policies - continued -

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Other investments

Other securities are measured at fair value, equivalent to the market value at the balance sheet date.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

Revaluation reserve comprises in the financial statements of the parent revaluation of land and buildings at fair value. The revaluation reserve is measured less deferred tax and reduced by depreciation and amortisation of the revalued assets. On the disposal of the assets, the remaining amount is transferred from the revaluation reserve to retained earnings.

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between

19. Accounting policies - continued -

the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

19. Accounting policies - continued -

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.