

REKOM Group A/S
Lavendelstræde 17C, 4.
1462 Copenhagen K
Central Business Registration
No 19415201

Annual report 2016/17

The Annual General Meeting adopted the annual report on 30.11.2017

Chairman of the General Meeting

Name: Rasmus Berger Frederiksen

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Entity details

Entity

REKOM Group A/S
Lavendelstræde 17C, 4.
1462 Copenhagen K

Central Business Registration No: 19415201
Registered in: Copenhagen
Financial year: 01.07.2016 - 30.06.2017

Board of Directors

Rasmus Berger Frederiksen, Chairman
Jesper Schaltz
Jonathan Andreas Grumme
Adam Nederby Falbert
Allan Steen Lynge

Executive Board

Adam Nederby Falbert, CEO
Jesper Schaltz, CFO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
PO Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of REKOM Group A/S for the financial year 01.07.2016 - 30.06.2017.

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 30.06.2017 and of the results of their operations as well as the consolidated cash flows for the financial year 01.07.2016 - 30.06.2017.

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.

Copenhagen, 30.11.2017

Executive Board

Adam Nederby Falbert
CEO

Jesper Schaltz
CFO

Board of Directors

Rasmus Berger Frederiksen
Chairman

Jesper Schaltz

Jonathan Andreas Grumme

Adam Nederby Falbert

Allan Steen Lynge

Independent auditor's report

To the shareholders of REKOM Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of REKOM Group A/S for the financial year 01.07.2016 - 30.06.2017, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or 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

Independent auditor's report

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.

Independent auditor's report

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.

Copenhagen, 30.11.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Claus Jorch Andersen
State-Authorised Public Accountant

Thomas Hermann
State-Authorised Public Accountant

Management commentary

	<u>2016/17</u> <u>DKK'000</u>	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
Financial highlights			
Key figures			
Gross profit	161.064	128.653	105.030
EBITDA	61.048	51.354	38.900
Operating profit/loss	39.014	33.358	24.110
Net financials	3.068	(942)	(4.660)
Profit/loss for the year	32.911	24.023	14.124
Total assets	233.767	197.728	145.630
Investments in property, plant and equipment	39.160	28.125	15.388
Equity incl minority interests	123.665	105.648	85.988
Ratios			
Return on equity (%)	28,7	25,1	16,4
Equity ratio (%)	52,9	53,4	59,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Group's activities consist mainly in running bars and other related business. The core activities of the Parent, Rekom Group A/S, include acting as management and holding company to the Group's complete portfolio of companies.

Development in activities and finances

In the financial year 2016/17, the Group achieved a satisfactory operating profit (EBITDA) of DKK 61.0 million against DKK 51.4 million in 2015/16, corresponding to a growth rate of 18.7%.

In 2016/17, the Rekom Group carried out a restructuring entailing that Rekom Group ApS, Restaurations Kompagniet Øst A/S and Restaurations Kompagniet Vest ApS merged with retroactive effect on 1 July 2016, with Restaurations Kompagniet Øst A/S as the surviving company. The Company changed its name to Rekom Group A/S. The comparative figures for 2015/16 of the Parent have been restated using the pooling-of-interests method. The merger has not affected the consolidated figures. Moreover, the annual report has been presented in accordance with the new Danish Financial Statements Act involving a number of presentational changes without any impact on the accounting figures. Also, the Group has reached a satisfactory consolidated profit after tax of DKK 32.9 million. The development in activities involves that Rekom, with effect from the next financial year, must present its annual report in accordance with the provisions governing reporting class C enterprises (large).

Outlook

Rekom expects that the growth and the development of the Group will continue to speed up in 2017/18 compared to previous years. Management has prepared an aggressive growth strategy implying that Rekom will continue to acquire and open new venues in Denmark, Norway and at the very least a new country in 2018. Consequently, Management expects that the growth rates will be much higher in 2017/18 compared to the rates realised in 2016/17, with a similar increase in and improvement of the performance and EBITDA. After the end of the financial year, Rekom has already acquired 18 businesses in Scandinavia that will contribute positively to the increase in the earning capacity. Management has decided not to distribute any dividend from the Rekom Group, but instead allocate the entire profit to further growth.

Concurrently with the significant growth, Rekom focuses sharply on developing the Group in other areas enabling it to strengthen its position.

Research and development activities

Rekom focuses on digitisation and is in the process of developing a new communication platform with its customers to enhance the customer experience and to strengthen the loyalty between the Group and its customers. The platform is expected to be completed in the middle of 2018. In the financial year, we invested millions in the improvement of this area.

Furthermore, Rekom has invested a large amount in a training and education platform which has been put into operation after the end of the financial year. For instance, the platform is meant to help securing that we develop, qualify and retain our motivated staff in the Group.

Management commentary

Events after the balance sheet date

From the balance sheet date till today the Group has acquired 18 businesses in Scandinavia that will contribute positively to the increase in the earning capacity in the next financial year. Apart from this, no events have occurred which would influence the evaluation of this annual report.

Consolidated income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Gross profit		161.063.972	128.652.579
Staff costs	1	(100.015.532)	(77.298.737)
Depreciation, amortisation and impairment losses	2	(22.034.612)	(17.995.406)
Operating profit/loss		39.013.828	33.358.436
Income from other fixed assets investments		0	1.999.603
Other financial income from group enterprises	3	5.839.358	0
Other financial income	4	1.719.592	1.038.891
Other financial expenses	5	(4.491.197)	(3.980.630)
Profit/loss before tax		42.081.581	32.416.300
Tax on profit/loss for the year	6	(9.170.259)	(8.392.895)
Profit/loss for the year	7	32.911.322	24.023.405

Consolidated balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Goodwill		48.425.036	45.215.972
Development projects in progress		1.154.000	0
Intangible assets	8	49.579.036	45.215.972
Land and buildings		1.665.847	1.702.325
Other fixtures and fittings, tools and equipment		22.617.666	20.395.237
Leasehold improvements		54.143.784	35.008.050
Property, plant and equipment in progress		2.912.211	399.000
Property, plant and equipment	9	81.339.508	57.504.612
Investments in associates		0	1.019.344
Deposits		8.788.790	9.756.040
Other receivables		18.301.184	13.180.179
Fixed asset investments	10	27.089.974	23.955.563
Fixed assets		158.008.518	126.676.147
Manufactured goods and goods for resale		9.887.949	7.935.416
Inventories		9.887.949	7.935.416
Trade receivables		8.344.669	7.359.067
Receivables from associates		0	491.789
Other receivables	11	23.985.961	15.902.859
Prepayments		4.342.720	1.280.624
Receivables		36.673.350	25.034.339
Other investments		2.352.447	735.607
Other investments		2.352.447	735.607
Cash		26.845.072	37.346.618
Current assets		75.758.818	71.051.980
Assets		233.767.336	197.728.127

Consolidated balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Contributed capital		500.000	500.000
Reserve for development expenditure		900.120	0
Retained earnings		110.221.252	94.839.104
Equity attributable to the Parent's owners		111.621.372	95.339.104
Share of equity attributable to minority interests		12.043.384	10.308.478
Equity		123.664.756	105.647.582
Deferred tax	12	5.257.313	2.690.508
Provisions		5.257.313	2.690.508
Mortgage debts		768.683	821.450
Bank loans		21.574.272	12.803.010
Income tax payable		6.599.647	5.999.327
Other payables		8.054.618	8.226.582
Non-current liabilities other than provisions	13	36.997.220	27.850.369
Current portion of long-term liabilities other than provisions	13	8.707.658	6.783.625
Bank loans		7.076.308	6.716.110
Trade payables		26.416.257	16.931.271
Payables to associates		0	172.579
Payables to shareholders and management		387.500	4.005.000
Income tax payable		276.957	3.534.805
Other payables	14	24.983.367	23.396.278
Current liabilities other than provisions		67.848.047	61.539.668
Liabilities other than provisions		104.845.267	89.390.037
Equity and liabilities		233.767.336	197.728.127
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Mortgages and securities	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK
Equity beginning of year	500.000	0	94.839.104	10.308.478
Effect of divestments of entities etc	0	0	0	(1.605.270)
Ordinary dividend paid	0	0	0	(3.907.500)
Exchange rate adjustments	0	0	(324.328)	(69.042)
Other equity postings	0	0	(8.988.008)	0
Profit/loss for the year	0	900.120	24.694.484	7.316.718
Equity end of year	500.000	900.120	110.221.252	12.043.384
				Total DKK
Equity beginning of year				105.647.582
Effect of divestments of entities etc				(1.605.270)
Ordinary dividend paid				(3.907.500)
Exchange rate adjustments				(393.370)
Other equity postings				(8.988.008)
Profit/loss for the year				32.911.322
Equity end of year				123.664.756

Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Operating profit/loss		39.013.828	33.358.436
Amortisation, depreciation and impairment losses		22.034.612	17.995.406
Working capital changes	15	5.369.218	10.151.597
Cash flow from ordinary operating activities		66.417.658	61.505.439
Financial income received		1.719.592	3.256.519
Financial income paid		(4.491.197)	(3.980.630)
Income taxes refunded/(paid)		(9.257.175)	(4.776.643)
Cash flows from operating activities		54.388.878	56.004.685
Acquisition etc of intangible assets		(12.144.409)	(10.126.577)
Acquisition etc of property, plant and equipment		(38.292.850)	(28.506.516)
Acquisition of fixed asset investments		(5.704.328)	(18.334.131)
Sale of fixed asset investments		8.409.275	9.440.064
Other cash flows from investing activities		(10.785.410)	94.890
Cash flows from investing activities		(58.517.722)	(47.432.270)
Loans raised		10.470.565	9.614.031
Dividend paid		(3.907.500)	(4.000.000)
Other cash flows from financing activities		(11.679.125)	(5.714.915)
Cash flows from financing activities		(5.116.060)	(100.884)
Increase/decrease in cash and cash equivalents		(9.244.904)	8.471.531
Cash and cash equivalents beginning of year		31.366.115	22.894.584
Cash and cash equivalents end of year		22.121.211	31.366.115
Cash and cash equivalents at year-end are composed of:			
Cash		26.845.072	37.346.618
Securities		2.352.447	735.607
Short-term debt to banks		(7.076.308)	(6.716.110)
Cash and cash equivalents end of year		22.121.211	31.366.115

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
1. Staff costs		
Wages and salaries	87.713.334	70.447.726
Pension costs	723.988	591.323
Other social security costs	3.147.798	1.526.560
Other staff costs	8.430.412	4.733.128
	100.015.532	77.298.737

Average number of employees	298	233
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	Remunera- tion of manage- ment 2016/17 DKK	Remunera- tion of manage- ment 2015/16 DKK
Total amount for management categories	1.954.920	1.555.509
	1.954.920	1.555.509

	2016/17 DKK	2015/16 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	7.212.897	5.908.047
Depreciation of property, plant and equipment	13.104.855	12.087.359
Impairment losses on property, plant and equipment	1.716.860	0
	22.034.612	17.995.406

3. Other financial income from group enterprises

Other financial income from group enterprises mainly comprises gain on the sale of shares in Rekom Norge Invest ApS.

	2016/17 DKK	2015/16 DKK
4. Other financial income		
Interest income	227.855	1.035.223
Fair value adjustments	146.046	0
Other financial income	1.345.691	3.668
	1.719.592	1.038.891

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
5. Other financial expenses		
Financial expenses from associates	0	321.935
Interest expenses	1.148.015	1.534.721
Fair value adjustments	0	1.133.316
Other financial expenses	3.343.182	990.658
	4.491.197	3.980.630
6. Tax on profit/loss for the year		
Tax on current year taxable income	6.599.647	7.208.465
Change in deferred tax for the year	2.780.180	1.278.860
Adjustment concerning previous years	(209.568)	(94.430)
	9.170.259	8.392.895
7. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	0	4.000.000
Transferred to other statutory reserves	900.120	0
Retained earnings	24.694.484	13.884.273
Minority interests' share of profit/loss	7.316.718	6.139.132
	32.911.322	24.023.405
8. Intangible assets		
Cost beginning of year	67.093.966	0
Additions	10.542.407	1.154.000
Disposals	(437.053)	0
Cost end of year	77.199.320	1.154.000
Amortisation and impairment losses beginning of year	(21.877.994)	0
Exchange rate adjustments	25.238	0
Amortisation for the year	(7.212.897)	0
Reversal regarding disposals	291.369	0
Amortisation and impairment losses end of year	(28.774.284)	0
Carrying amount end of year	48.425.036	1.154.000

Notes to consolidated financial statements

Rekom focuses on digitisation and is in the process of developing a new communication platform with its customers to enhance the customer experience and to strengthen the loyalty between the Group and its customers. In the financial year, DKK 1,154 thousand has been invested in the development and the platform is expected to be completed in the middle of 2018.

With reference to section 83(2) of the Danish Financial Statement Act, the deferred tax recognised in the balance sheet is set off against the capitalised costs concerning development projects through equity under the development cost reserve.

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
9. Property, plant and equipment				
Cost beginning of year	1.757.175	49.666.512	63.546.660	399.000
Exchange rate adjustments	0	(89.815)	(109.773)	0
Additions	0	10.428.746	25.819.105	2.912.211
Disposals	0	(20.210)	0	(399.000)
Cost end of year	1.757.175	59.985.233	89.255.992	2.912.211
Depreciation and impairment losses beginning of the year	(54.850)	(29.271.275)	(28.538.610)	0
Exchange rate adjustments	0	51.906	63.441	0
Impairment losses for the year	0	(558.634)	(1.158.226)	0
Depreciation for the year	(36.478)	(7.589.564)	(5.478.813)	0
Depreciation and impairment losses end of the year	(91.328)	(37.367.567)	(35.112.208)	0
Carrying amount end of year	1.665.847	22.617.666	54.143.784	2.912.211

Notes to consolidated financial statements

	Investments in associates DKK	Deposits DKK	Other receivables DKK
10. Fixed asset investments			
Cost beginning of year	2.232.566	9.756.040	13.180.179
Additions	0	583.323	5.121.005
Disposals	(2.232.566)	(1.550.573)	0
Cost end of year	0	8.788.790	18.301.184
Revaluations beginning of year	(1.213.222)	0	0
Share of profit/loss for the year	(300.340)	0	0
Reversal regarding disposals	1.513.562	0	0
Revaluations end of year	0	0	0
Carrying amount end of year	0	8.788.790	18.301.184

Other financial receivables mainly comprise receivables in the nature of debt instruments to minority interests and a subordinated loan granted to the sister group Rekom Ejendomme ApS of DKK 9,180 thousand.

11. Other receivables

Other receivables mainly comprise receivables in the nature of an ongoing account with the sister group Rekom Ejendomme ApS of DKK 15,251 thousand.

	2016/17 DKK
12. Deferred tax	
Changes during the year	
Beginning of year	2.690.508
Recognised in the income statement	2.780.180
Recognised directly in equity	(213.375)
End of year	5.257.313

Notes to consolidated financial statements

	Instalments within 12 months 2016/17 DKK	Instalments within 12 months 2015/16 DKK	Instalments beyond 12 months 2016/17 DKK	Outstanding after 5 years DKK
13. Liabilities other than provisions				
Mortgage debts	51.438	50.000	768.683	562.932
Bank loans	7.914.071	5.454.860	21.574.272	1.700.000
Income tax payable	0	0	6.599.647	0
Joint taxation contribution payable	0	0	0	0
Other payables	742.149	1.278.765	8.054.618	614.300
	8.707.658	6.783.625	36.997.220	2.877.232

14. Other short-term payables

Other short-term payables mainly comprise payables to the public authorities, employees and other accrued expenses.

	2016/17 DKK	2015/16 DKK
15. Change in working capital		
Increase/decrease in inventories	(1.868.825)	(1.850.416)
Increase/decrease in receivables	(3.834.032)	(1.895.151)
Increase/decrease in trade payables etc	11.072.075	13.897.164
	5.369.218	10.151.597

	2016/17 DKK	2015/16 DKK
16. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	23.714.534	20.120.030

17. Contingent liabilities

At 1 July 2013, the Group demerged a number of properties to the present affiliated company Rekom Ejendomme ApS. At the time of the demerger, loans were raised on the properties. At 30 June 2017, Rekom Ejendomme ApS still owed DKK 8,218 thousand on the loans which were part of the demerger. Rekom Group ApS was still liable for these loans at 30 June 2017. Subsequently, the loans have, however, been repaid through raising of new loans in Rekom Ejendomme ApS. Today, Rekom Group ApS no longer has liabilities related to the demerger.

Except for guarantees common to the industry, the Group has not assumed any guarantee commitments or contingent liabilities other than those stated above and in the balance sheet.

Notes to consolidated financial statements

18. Mortgages and securities

The Group's bank debt is secured by way of several deposited mortgage deeds on movable property amounting to DKK 9,900 thousand on movables and operating fixtures and equipment in rented premises at different locations in Denmark.

The Group has provided several guarantees to Rekom Ejendomme ApS. The guarantees are maximised to DKK 64,085 thousand at 30.06.2017.

The Group's bank debt is secured by way of a charge granted on deposited securities with the carrying amount of DKK 2.352 thousand at 30.06.2017.

Notes to consolidated financial statements

	Registered in	Equity inte- rest %	Equity DKK	Profit/loss DKK
19. Subsidiaries				
Dandy Cph. ApS	Copenhagen	45,8	(165.873)	(215.873)
The Australian Bar København ApS	Copenhagen	100,0	5.438.413	3.828.159
LA Bar, København ApS	Copenhagen	100,0	4.906.943	3.871.372
Heidi's Bier Bar ApS	Copenhagen	100,0	3.917.280	2.992.673
Den Glade Gris ApS	Copenhagen	100,0	2.421.948	1.652.866
Løvstræde 4 ApS	Copenhagen	100,0	416.173	42.965
Guldhornene KBH. ApS	Copenhagen	55,0	695.060	1.420.087
Tyrolia Bier Klub ApS	Copenhagen	100,0	3.762.321	2.265.631
LaLa, Aalborg ApS (*)	Copenhagen	80,0	42.727	(7.273)
Rekom Øst Drift Delta ApS	Copenhagen	100,0	34.378	(15.622)
KBH Invest II ApS	Copenhagen	75,0	3.585.828	1.074.420
Butchers ApS	Copenhagen	80,0	3.112.476	918.808
The Drunken Flamingo ApS	Copenhagen	100,0	3.087.278	2.454.945
Hornsleth Bar ApS	Copenhagen	65,0	1.581.484	1.429.263
Musen & Elefanten ApS	Copenhagen	100,0	49.160	(124.436)
SKAAL ApS	Copenhagen	100,0	41.297	(550.332)
KBH Invest af 1.3.2002 A/S	Copenhagen	51,0	6.151.193	1.176.814
BFP af 1.9.1997. København ApS	Copenhagen	51,0	(577.351)	(52.123)
High Voltage Aalborg ApS	Copenhagen	80,0	48.656	(1.344)
Hive ApS	Copenhagen	53,8	3.021.596	1.270.087
Den Nordiske Ambassade ApS (*)	Copenhagen	80,0	51.420	(468.580)
Rekom Øst Drift Echo ApS	Copenhagen	70,5	(479.679)	(529.679)
LouLou Århus ApS	Copenhagen	75,0	29.168	(265.832)
Heidi's Bier Bar Odense ApS	Copenhagen	100,0	2.765.771	1.772.434
L.A. Tequila Bar Odense ApS	Copenhagen	100,0	3.967.209	2.880.040

Notes to consolidated financial statements

	Registered in	Equity inte- rest %	Equity DKK	Profit/loss DKK
19. Subsidiaries (continued)				
Heidi's Bier Bar Århus ApS	Copenhagen	100,0	2.440.489	1.214.495
Heidi's Bier Bar Svendborg ApS	Copenhagen	100,0	230.095	(106.033)
Heidi's Bier Bar Aalborg ApS	Copenhagen	80,0	3.005.831	1.768.599
BFP Aalborg ApS	Copenhagen	80,0	138.256	(15.996)
Guldhornene Aalborg ApS	Copenhagen	80,0	1.507.676	801.085
The Australian Bar Aarhus ApS	Copenhagen	100,0	1.169.120	126.895
Guldhornene, Århus ApS	Copenhagen	100,0	2.067.438	1.351.440
H-Bar Århus ApS	Copenhagen	87,5	787.080	(147.013)
The Australian Bar Odense ApS	Copenhagen	100,0	1.700.869	643.885
Rekom & Jyrgen Thisted Invest ApS	Copenhagen	51,0	1.596.482	521.230
Rekom & Jyrgen Dampmøllen ApS	Copenhagen	51,0	884.327	497.675
Heidi's Bier Bar Sønderborg ApS	Copenhagen	60,0	777.510	516.710
Heidi's Bier Bar Thisted ApS	Copenhagen	51,0	284.271	31.423
Heidi's Bier Bar Vejle ApS	Copenhagen	100,0	53.659	(1.742.773)
Hornsleth Bar Vejle ApS	Copenhagen	100,0	53.547	(1.766.538)
ReKom Event ApS (*)	Copenhagen	100,0	(4.103)	(45.897)
Forfedesthed ApS	Copenhagen	100,0	48.700	(1.300)
Rekom Aalborg ApS	Copenhagen	80,0	(3.439.472)	(3.366.992)
Giraffen ApS	Copenhagen	80,0	581.064	20.505
Fabrikken, Aalborg ApS	Copenhagen	80,0	561.170	86.925
Viggo's Værtshus ApS	Copenhagen	80,0	82.568	(521.325)
Hr. Nielsen ApS	Copenhagen	80,0	250.185	(892.346)
Mexi Bar ApS	Copenhagen	80,0	543.306	33.301
LA Bar/Rockcafeen ApS	Copenhagen	80,0	3.992.225	81.667
Andys/Sprutten ApS	Copenhagen	80,0	616.951	(106.485)
Rekom Norge Invest ApS	Copenhagen	70,0	12.772.577	10.345.997

Notes to consolidated financial statements

	Registered in	Equity inte- rest %	Equity DKK	Profit/loss DKK
19. Subsidiaries (continued)				
Rekom Norge AS	Norway	70,0	12.879.175	10.104.283
Heidis Bier Bar Oslo AS	Norway	70,0	5.826.234	8.433.290
Engene 12 Drammen AS	Norway	70,0	812.252	995.769
Heidi's Bier Bar Drammen AS	Norway	70,0	773.480	(409.657)
Location CPH ApS	Copenhagen	100,0	50.481	281.787
Oak Room ApS	Copenhagen	55,0	(49.427)	(70.125)
HBB Bergen AS	Norway	70,0	416.841	24.521
Rekom Norge Drift 3 AS (*)	Norway	70,0	15.614	(7.696)
HBB Trondheim AS	Norway	70,0	1.264.065	1.240.755
KJ10 AS	Norway	70,0	939.404	916.094
La Belle Drift AS	Norway	63,0	1.951.772	420.248
Rekom Norge Drift 4 AS (*)	Norway	70,0	25.109	1.799
ReKom Vest Drift 9 ApS (*)	Copenhagen	100,0	48.818	(1.182)
The Drunken Flamingo, Aalborg ApS	Copenhagen	80,0	51.078	(548.922)

(*) The annual report of the Entity has not yet been presented for the first financial year.

Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Gross profit		8.964.530	5.484.049
Staff costs	1	(16.846.831)	(13.888.359)
Depreciation, amortisation and impairment losses	2	(4.187.506)	(4.185.349)
Operating profit/loss		(12.069.807)	(12.589.659)
Income from investments in group enterprises		35.190.293	29.306.668
Other financial income	3	3.486.601	2.723.149
Other financial expenses	4	(2.866.638)	(3.714.187)
Profit/loss before tax		23.740.449	15.725.971
Tax on profit/loss for the year	5	1.854.151	2.158.304
Profit/loss for the year	6	25.594.600	17.884.275

Parent balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Goodwill		27.952.188	31.945.357
Intangible assets	7	27.952.188	31.945.357
Other fixtures and fittings, tools and equipment		571.734	481.918
Leasehold improvements		187.547	196.148
Property, plant and equipment in progress		57.000	60.000
Property, plant and equipment	8	816.281	738.066
Investments in group enterprises		43.138.386	30.406.383
Receivables from group enterprises		9.766.575	10.391.681
Other receivables		17.807.395	12.700.139
Fixed asset investments	9	70.712.356	53.498.203
Fixed assets		99.480.825	86.181.626
Manufactured goods and goods for resale		167.083	98.027
Inventories		167.083	98.027
Trade receivables		5.469.370	7.151.323
Receivables from group enterprises		24.430.241	17.548.428
Dividends receivable from group enterprises		24.511.250	18.773.500
Receivables from associates		0	491.789
Other receivables	10	19.550.019	10.243.159
Income tax receivable		6.938.492	5.911.003
Joint taxation contribution receivable		4.301.339	0
Receivables		85.200.711	60.119.202
Other investments		2.352.114	731.171
Other investments		2.352.114	731.171
Cash		1.128.964	3.320.761
Current assets		88.848.872	64.269.161
Assets		188.329.697	150.450.787

Parent balance sheet at 30.06.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Contributed capital		500.000	500.000
Reserve for net revaluation according to the equity method		2.859.341	9.467.809
Retained earnings		108.262.027	85.371.303
Equity		111.621.368	95.339.112
Deferred tax		72.216	39.457
Provisions		72.216	39.457
Bank loans		19.381.448	12.581.108
Payables to shareholders and management		0	1.507.428
Income tax payable		4.301.339	0
Non-current liabilities other than provisions	11	23.682.787	14.088.536
Current portion of long-term liabilities other than provisions	11	7.166.725	5.702.273
Bank loans		2.312.024	1.888.644
Trade payables		4.188.144	8.685.199
Payables to group enterprises		35.884.371	18.718.311
Payables to shareholders and management		387.500	4.005.000
Income tax payable		0	27.296
Other payables	12	3.014.562	1.956.959
Current liabilities other than provisions		52.953.326	40.983.682
Liabilities other than provisions		76.636.113	55.072.218
Equity and liabilities		188.329.697	150.450.787
Contingent liabilities	13		
Mortgages and securities	14		
Transactions with related parties	15		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	9.467.809	85.371.303	95.339.112
Exchange rate adjustments	0	(324.328)	0	(324.328)
Other equity postings	0	(8.988.016)	0	(8.988.016)
Profit/loss for the year	0	2.703.876	22.890.724	25.594.600
Equity end of year	500.000	2.859.341	108.262.027	111.621.368

Notes to parent financial statements

	2016/17 DKK	2015/16 DKK
1. Staff costs		
Wages and salaries	14.979.577	12.985.041
Other social security costs	175.247	78.359
Other staff costs	1.692.007	824.959
	16.846.831	13.888.359
Average number of employees	48	22
	Remunera- tion of manage- ment 2016/17 DKK	Remunera- tion of manage- ment 2015/16 DKK
Total amount for management categories	1.954.920	1.555.509
	1.954.920	1.555.509
	2016/17 DKK	2015/16 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	3.993.169	3.993.169
Depreciation of property, plant and equipment	194.337	192.180
	4.187.506	4.185.349
	2016/17 DKK	2015/16 DKK
3. Other financial income		
Financial income arising from group enterprises	2.597.337	2.506.216
Interest income	853.991	157.827
Interest regarding tax paid on account	35.273	59.106
	3.486.601	2.723.149
	2016/17 DKK	2015/16 DKK
4. Other financial expenses		
Financial expenses from group enterprises	1.499.074	1.070.398
Interest expenses	1.281.513	2.615.903
Other financial expenses	86.051	27.886
	2.866.638	3.714.187

Notes to parent financial statements

	2016/17 DKK	2015/16 DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	(1.677.342)	(2.223.427)
Change in deferred tax for the year	32.759	105.106
Adjustment concerning previous years	(209.568)	(39.983)
	(1.854.151)	(2.158.304)
	2016/17 DKK	2015/16 DKK
6. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	2.703.876	(6.292.540)
Retained earnings	22.890.724	24.176.815
	25.594.600	17.884.275
		Goodwill DKK
7. Intangible assets		
Cost beginning of year		39.931.694
Cost end of year		39.931.694
Amortisation and impairment losses beginning of year		(7.986.337)
Amortisation for the year		(3.993.169)
Amortisation and impairment losses end of year		(11.979.506)
Carrying amount end of year		27.952.188

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	Property, plant and equipment in progress DKK
8. Property, plant and equipment			
Cost beginning of year	1.175.717	230.144	60.000
Additions	256.587	18.965	57.000
Disposals	0	0	(60.000)
Cost end of year	1.432.304	249.109	57.000
Depreciation and impairment losses beginning of the year	(693.799)	(33.996)	0
Depreciation for the year	(166.771)	(27.566)	0
Depreciation and impairment losses end of the year	(860.570)	(61.562)	0
Carrying amount end of year	571.734	187.547	57.000
	Investments in group enterprises DKK	Receivables from group enterprises DKK	Other receivables DKK
9. Fixed asset investments			
Cost beginning of year	20.938.574	10.391.681	12.700.139
Transfers	25.000	0	0
Additions	21.989.514	57.910	6.777.002
Disposals	(2.554.043)	(683.016)	(1.669.746)
Cost end of year	40.399.045	9.766.575	17.807.395
Revaluations beginning of year	9.467.809	0	0
Exchange rate adjustments	(324.328)	0	0
Transfers	(25.000)	0	0
Amortisation of goodwill	(10.502.049)	0	0
Share of profit/loss for the year	30.464.034	0	0
Dividend	(27.580.250)	0	0
Investments with negative equity depreciated over receivables	242.261	0	0
Other adjustments	(230.882)	0	0
Reversal regarding disposals	1.227.746	0	0
Revaluations end of year	2.739.341	0	0
Carrying amount end of year	43.138.386	9.766.575	17.807.395

Notes to parent financial statements

Other financial receivables mainly comprise receivables in the nature of debt instruments to minority interests and a subordinated loan granted to the sister group Rekom Ejendomme ApS of DKK 9,180 thousand.

Consolidated goodwill of DKK 2,988 thousand has been recognised in investments in group enterprises.

10. Other receivables

Other receivables mainly comprise receivables in the nature of an ongoing account with the sister group Rekom Ejendomme ApS of DKK 15,251 thousand.

	Instalments within 12 months 2016/17 DKK	Instalments within 12 months 2015/16 DKK	Instalments beyond 12 months 2016/17 DKK	Outstanding after 5 years DKK
11. Liabilities other than provisions				
Bank loans	7.166.725	5.165.660	19.381.448	1.700.000
Payables to shareholders and management	0	536.613	0	0
Income tax payable	0	0	4.301.339	0
	7.166.725	5.702.273	23.682.787	1.700.000
			2016/17 DKK	2015/16 DKK
12. Other payables				
VAT and duties			1.366.260	369.356
Wages and salaries, personal income taxes, social security costs, etc payable			1.168.251	1.088.100
Holiday pay obligation			131.008	69.335
Other costs payable			349.043	430.168
			3.014.562	1.956.959

13. Contingent liabilities

The Entity serves as an 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.

Notes to parent financial statements

14. Mortgages and securities

REKOM Group A/S has provided several guarantees to subsidiaries and Rekom Ejendomme ApS. The guarantees are maximised to DKK 80,232 thousand at 30.06.2017.

15. Transactions with related parties

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

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises.

Changes in accounting estimates

Management has decided to change the depreciation period for leasehold improvements from 7 years to 7-10 years based on the Group's experiences from previous years and the industry in general.

The change has a positive effect on assets, equity and liabilities and profit for the year of DKK 1,225 thousand.

No other changes have been made to the accounting policies.

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.

Business combinations

Mergers with consolidated companies are included applying the pooling-of-interests method with restatement of the comparative figures from previous years.

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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Accounting policies

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' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of sales 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, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

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

Accounting policies

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Income from other fixed asset investments

Income from other fixed asset investments comprises sale of investments in group enterprises.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

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

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on securities, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 7-10 years.

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

Intellectual property rights etc

Intellectual property rights etc comprise development projects in progress.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7-10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 7-10 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates 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 associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 7-10 years.

Accounting policies

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

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

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.

Prepayments

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

Other investments

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Mortgage debt

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

Accounting policies

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.