

# **Board of Directors' report**

The financial year 2023/24 has been a year of transition where the company's multi-year €100m investment-program was finalized and focus was shifted to operational performance. Revenues and EBITDA have increased significantly from last year (45% and 80% respectively), and there is more to come when all hotels in our portfolio enter operation and complete ramp-up. The demand for hotel stays in the Canary-Island mid-market continues to be high despite higher cost of living.

The operational performance in 2023/24 was strong, driven by a larger size of the hotel portfolio as well as improved unit-economics. The average number of rooms in operation increased by 30% from last year. Unit-economics was strong with 91% occupancy (same as last year), like-for-like increase of daily-rates of about 9%, and like-for-like cost-inflation of about 2%. This has in sum resulted in revenues increasing by 45% and EBITDA by 80% compared to last year. The company is still early in the ramp-up phase, and we expect substantial growth in revenues and EBITDA over the next couple of years.

During the year, Servatur finalized the EUR 100m investment program that was launched in 2020/21 The program has comprised acquisition of four

hotels, full renovation of two hotels, expansion of nine hotels through long-term rental agreements, and acquisition of single hotel rooms at existing operated hotels. Servatur will continue to invest in renovation and modernization of our existing hotel portfolio as part of the normal operation. However, investments over the next few years are expected to be moderate.

Demand for hotel stays in our markets continued to be strong, evident by the number of international tourist-arrivals to Canary Island surpassing pre-Covid level. This is notably in a period with high inflationary pressure and high cost of living for our customers, and underpins the robustness of the demand for tourism at the Canary Island.

#### The nature and location of the business

Servatur Holding AS is a holding company for investments in the Spanish hospitality industry. The company primarily holds the following assets:

- 100% of the equity in Servatur SA a Spanish hotel company (the main entity in the group)
- 100% of the equity in Servatur Properties SL a holding company of a single hotel-SPV that is rented to Servatur
- Two loans to Servatur SA and Servatur Properties with total principal outstanding amount of EUR 17.1m

The main investment in the group is the Spanish hotel company Servatur SA. Servatur SA is a fully integrated hotel company with focus on operating hotels. As of April 2024, the group operated a total of 2,792 rooms of which 1,542 were owned by the Group and 1,250 rented from various other owners. Average number of employees was 910.

The group's operations take place in the Canary Islands (Spain). 86% of the rooms that the company operates are located in the island of Gran Canaria as of April 2024. The headquarters of Servatur Holding AS is located in Gjøvik, Norway.

#### Statement of the annual accounts

Turnover in the Group was EUR 81.7m for the financial year 2023/24 (12 months ending April 30th 2024), compared to EUR 56.5m the prior year. The growth in revenues is related to a larger portfolio of rooms in operation as well as an increase in daily rates. About 20% of the group's total

rooms have been closed for operation due to renovation or new rental agreements that commenced during the year or next year.

The profit for the year was EUR 15.2m compared to EUR 9.5m in 2022/23.

Total cash flow from operations in the Group was negative EUR 1.0m (EUR 14.6m in 2022/23). The negative cash flow is related working capital build including a EUR 7m receivable government grant. Cash flow from investment was negative EUR 21.3m (negative EUR 24.3m in 2022/23), primarily related to the finalization of a renovation project in one hotel. Cash flow from financing was EUR 22.8m (EUR 5.9m in 2022/23) which comprise new net debt and buyback of own B-shares.

Total assets for the Group at the end of the year was EUR 204.2m, compared to EUR 169.2m in 2022/23. The equity ratio as of 30.04.2024 was 31%, same as last year. The Group's current liabilities amounted to 19% of total liabilities in the Group as of 30.04.24, compared to 24% per 30.04.23. The Group's cash position was EUR 2.6m compared to EUR 2.0m in 2022/23.

#### Parent company accounts

There has been limited activity in the parent company during the year.

The Parent company's revenues were EUR 0, compared to EUR 0 last year. The profit for the year was negative EUR 0.8m, compared to EUR 1.8m last year. Total assets for the company at the end of the year was EUR 20.2m compared to EUR 22.2m last year.

### **Future development**

We see revenues and EBITDA increasing 50-80% over the next two years driven by phase-in and ramp-up of the existing hotels as well as phase-in of new rental agreements signed in the financial year 2024/25.

The hotel market in the Canary Island continues to be strong in 2024/25 with new records expected in number tourists and rates. There is inflationary pressure on personnel expenses.

Servatur will continue to invest in maintenance and repositioning of the existing real-estate portfolio. However, we expect significantly lower investments over the next few years compared to the past three years.

#### Financial risk

#### Credit risk

The company is exposed to changes in interest rates and effect on interest costs and property values. Interest cost is partially hedged through interest rate swaps and fixed-rate loans. Property values have a natural hedge on interest rates through inflation-adjusted cash flows.

The risk of losses on receivables is considered low and has proven to be so historically despite challenging market conditions and bankruptcies among some our customers.

#### Liquidity risk

The Group held EUR 2.5m cash as of April 2024. In addition, the group held bank-deposits of EUR 8.5m and about EUR 8.5m available undrawn credit lines. The company voluntarily repaid NOK 208m on the shareholder loan to Fredensborg ahead of maturity in May 2025. The Group has an adequate financial position and generally good

access to new credit through Spanish banks and other sources of capital (evident by new €19m bank debt issuance as subsequent event – see note 17 for details).

#### Foreign exchange risk

Servatur Holding AS is exposed to financial risk through its NOK-denominated shareholder loan and underlying EUR-denominated assets and cash flows. The risk exposure is not material to the overall financial risk in the Group. The loan was repaid after closing of the financial year.

#### **Continued operations**

In accordance with section 3-3a of the Norwegian Accounting Act, it is confirmed that the preconditions for continued operation are present. The Group is in a healthy economic position with an adequate financial position.

The group has negative net working capital of EUR 4.2m. The nature of the business with prepayment from customers results in a low/negative net working capital. The group has good access to long-term credit (evident by issuance of EUR 18.9m debt after the end of the financial year) as well as strong cash flow generation (budget EBITDA financial year 2024/25 is more than EUR 40m). To address Spanish auditors' unwarranted concern on the condition for continued operation being satisfied (the condition related to positive net working capital), the shareholder Fredensborg Horeca AS has issued a comfort letter to the Spanish subsidiaries.

#### Performance allocation

The Board of Directors proposes the following allocation of Servatur Holding AS's annual profit:

EUR	GROUP	PARENT
Annual profit	15 210 314	-752 571
Transfer to other equity	15 210 314	-752 571

## Organization and work environment

Servatur acknowledges that the human team is fundamental for the development of the business and is committed to promote equal opportunities, personal development, and good work-life balance. Any form of discrimination based on gender, sexual orientation, race, religion, origin, marital or social status is categorically rejected. Personnel whose function involves recruitment or promotion of staff will be guided on their decision-making by objective criteria.

Gender balance for the group's total workforce is 55% female, 45% male. Gender balance for executive management positions is 30% female and 70% male. Foreign employees represent 14% of the total workforce. Sick leave was 6.8% (6.0% last year).

Total number of registered accidents was 90, of which 59 resulted in sick leave.

The parent company does not have any employees.

## **Environmental impact**

Sustainability is embedded in everything we do, ensuring a fair trustworthy and transparent company that strives to help preserve the planet for future generations and improve society and people's well-being.

Scope 1 CO2 emission for the period was 1,241.77 t CO2 eq (1,015,330 last year). Scope 2 emission is zero because Servatur purchased 100% renewable energy (electricity purchased with Guarantee of Origin, an accreditation issued by the National Commission of Markets and Competition with a guarantee stating that the electricity has been obtained from renewable sources and high-efficiency cogeneration). Scope 3 emission is not measured. Scope 1 and 2 emission is calculated in accordance with the procedure described by the Spanish Ministry for Ecological Transition. The increase in Scope 1 CO2 emission is due to increase in number of operated hotel rooms and number guests. CO2 intensity, measured as CO2 equivalent per guest-night, decreased with 0.5% compared to last year (from 0,627 Kg Co2 / guest-night in 2022/23 to 0,623Kg Co2 / guest-night in 2023/24. The two primary means of making a positive environmental impact are i) continue to purchase electricity with Guarantee of Renewable Origin and ii) invest in solar PVs.

#### Insurance for the Board of Directors and CEO

The parent company do not insure members of the Board of Directors nor the CEO.

## Gjøvik, Norway

October 29th, 2024

**Kai Robert Mikaelsen**Chairman

Ivar Erik Tollefsen
Director

**Erik Glæsel Gullestad**Director

Crik Gullestad

Melvin Teigen
Director

## Financial statements

## **Income Statement**

PARENT 2023 / 2024 EURO	PARENT 2022 / 2023 EURO		NOTE	GROUP 2023/ 2024 EURO	GROUP 2022 / 2023 EURO
-	-	Sales revenue	2	81 021 152	56 023 307
-	-	Other income	2	707 117	450 820
-	-	Total income		81 728 269	56 474 127
-	-	Raw materials and consumables used		10 430 706	9 016 309
-	-	Employee benefits expense	3	25 719 681	18 999 992
-	-	Depreciation of tangible and intangible fixed assets	4,5	3 801 001	2 924 566
111 523	120 796	Other expenses	6	19 465 763	13 864 954
111 523	120 796	Total expenses		59 417 151	44 805 821
(111 523)	(120 796)	Operating profit/loss		22 311 118	11 668 306
887 686	928 916	Interest income from group companies		-	-
47 472	393	Other interest income		47 472	393
174 180	2 607 699	Other financial income		201443	2 719 494
1 674 280	1 648 550	Other interest expenses		6 696 285	1 648 550
76 107	118	Other financial expenses		76 107	2 621 422
(641 048)	1 888 340	Net financial items	7,14	(6 523 476)	(1 550 085)
(752 571)	1 767 544	Result before tax		15 787 642	10 118 221
-	-	Tax expense	8	577 328	589 975
(752 571)	1 767 544	Result of the year		15 210 314	9 528 246
(752 571)	1 767 544	Majority share		15 210 314	9 528 246
-	1 767 544	Losses prior years		-	1 767 544
-	-	Other equity		15 210 314	7 760 702
752 571	-	Loss brought forward		-	-
(752 571)	1 767 544	Total brought forward		15 210 314	9 528 246

SHAREHOLDERS & CORPORATE STRUCTURE

## **Balance sheet**

GROU 2022 / 202 EUR	GROUP 2023/ 2024 EURO	NOTE		PARENT 2022 / 2023 EURO	PARENT 2023 / 2024 EURO
23 92	36 229	4	Licences, patents etc.	-	-
23 92	36 229		Total intangible assets	-	-
113 898 80	170 435 604		Land, buildings and other real estate	-	-
40 143 94	1 121 433		Construction in progress	-	-
154 042 74	171 557 037	5	Total property, plant and equipment	-	-
	-	9	Investments in subsidiaries	5 513 541	5 502 341
	-	10	Loans to group companies	15 487 114	14 354 441
3 00	3 000		Investments in associated companies	-	-
6 148 42	10 423 602	16	Other receivables	989 968	-
10 426 60	10 426 602		Total financial fixed assets	21 990 623	19 856 783
160 218 10	182 019 869		Total non-current assets	21 990 623	19 856 783
268 91	449 619	11	Inventories	-	-
268 91	449 619		Total inventories	-	-
4 521 66	8 344 895		Accounts receivables	6 400	-
2 147 22	10 684 215		Other short-term receivables	-	-
10 06	182 115	8	Tax receivable	-	-
	19 211 225		Total debtors	6 400	-
6 678 96		12	Bank deposits, cash and cash equivalents	240 085	330 995
6 678 96 2 020 73	2 554 202	. —			
	2 554 202 22 215 046		Total current assets	246 485	330 995

SHAREHOLDERS & CORPORATE STRUCTURE

PARENT 2023 / 2024 EURO	PARENT 2022 / 2023 EURO		NOTE	GROUP 2023/ 2024 EURO	GROUP 2022 / 2023 EURO
3 634 697	3 642 096	Share capital	13,15	3 634 697	3 642 095
(2 890 964)	_	Treasury shares		(2 890 964)	-
4 283 682	4 292 401	Share premium reserve		4 283 682	4 292 401
5 027 415	7 934 497	Total paid-up equity		5 027 415	7 934 497
(1 952 854)	-	Other equity	15	58 830 044	44 074 777
-	(1 220 021)	Uncovered loss		-	-
-1 952 854	(1 220 021)	Total retained earnings		58 830 044	44 074 777
3 074 562	6 714 476	Total equity		63 857 459	52 009 274
-	-	Deffered tax		430 952	407 326
-	-	Other provisions		-	6 480
-	-	Total provisions		430 952	413 806
-	-	Other non-current liabilities		-	-
-	-	Liabilities to financial institutions	16	80 284 284	61 183 916
17 113 216	15 522 633	Other non-current liabilities	16	33 239 817	27 020 449
17 113 216	15 522 633	Total non-current liabilities		113 524 101	88 204 365
-	-	Liabilities to financial institutions	16	10 484 475	9 560 942
-	-	Trade payables		2 363 420	10 098 725
-	-	Public duties payable		1 356 645	772 007
-	-	Other current liabilities		12 217 862	8 127 591
-	-	Total current liabilities		26 422 402	28 559 266
17 113 216	15 522 633	Total liabilities		140 377 455	117 177 437
20 187 778	22 237 108	Total equity and liabilities		204 234 914	169 186 712

## Cash flow statement

PARENT 2023 / 2024 EURO	PARENT 2022 / 2023 EURO		GROUP 2023/ 2024 EURO	GROUP 2022 / 2023 EURO
(752 571)	1 767 544	Profit/loss before tax	15 787 642	10 118 221
-	-	Tax paid for the period	(556 988)	10 067
-	-	Ordinary depreciations	3 801 001	2 924 566
(98 073)	(2 607 699)	Other financial income or expenses	(125 336)	-
-	-	Change in inventory	(180 707)	(47 737)
-	630	Change in accounts receivable	(3 829 630)	943 339
-	-	Change in accounts payable	(7 735 305)	8 799 175
(10 743)	(1 159 814)	Change in other accrual items	(8 122 723)	(8 193 847)
(861 387)	(1 999 339)	Net cash flow from operating activities	(962 046)	14 553 784
-	-	Changes in intangible assets	(31 202)	(7 674)
-	-	Changes in fixed assets	(21 295 938)	(24 346 424)
-	-	Payments from the sales of shares in other companies	-	-
-	-	Changes in other investments	-	-
-	-	Net cash flow from investment activities	(21 327 140)	(24 354 098)
1 590 584	(1 465 697)	Changes in long term liabilities	25 319 736	1 784 088
-	-	Changes in short term liabilities	5 013 804	3 460 217
989 968	-	Changes in long term receivables	(4 275 173)	-
1 132 673	2 833 132	Changes in intergroup balances	-	-
(2 760 928)	1 763 993	Changes in share capital	(3 235 714)	1 763 993
-	(1 116 836)	Payments for purchase of minority shares	-	(1 116 836)
-	-	Dividend payments	-	-
952 297	2 014 592	Net cash flow from financing activities	22 822 653	5 891 462
90 910	15 253	Net change in cash and cash equivalents	533 467	(3 908 852)
240 085	224 832	Cash and cash equivalents 01.05.2023	2 020 735	5 929 587
330 995	240 085	Cash and cash equivalents 30.04.2024	2 544 202	2 020 735

## Notes to the financial statements

## Note 1: Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

#### Presentation currency and foreign currency translation

The parent company uses NOK as the operating currency. The subsidiaries use euro as operating currency.

The parent company and the Group's consolidated financial statement are presented in euro. Since most of the business takes place in the subsidiaries which use euro as the operating currency, the consolidated financial statement is presented in euro.

Monetary items in NOK are translated into EUR using the exchange rate applicable on the balance sheet date at 11,815. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into EUR using the average exchange rate per year at 11,54403. Currency differences are shown in the equity.

#### **Basis for consolidation**

The Group's consolidated financial statements comprise Servatur Holding AS and companies in which Servatur Holding AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Minority interests are included in the Group's equity. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

An associate is an entity in which the Group has a significant influence but does not exercise control of the management of its finances and operations (normally when the Group owns 20%-50% of the company). The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases.

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognized unless the Group

has an obligation to cover any such loss. The cash flow statement is prepared according to the indirect method.

#### Use of estimates

Preparation of accounts in accordance with the Accounting Principles requires the use of estimates.

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway, as described in the notes.

#### Revenue recognition

The company recognizes revenue in the ordinary course of business when control of the goods or services promised to customers is transferred. Services are recognized as income in line with the performance. Income from the sale of services is valued at the fair value of the consideration.

#### Hedge accounting

The group hedges the interest rate risk of its floating financial liabilities in euros by means of financial interest rate options. Hedging derivates are recognized at fair value, and hedge accounting applies. The gain and loss on the hedging instrument, to the extent that it is an effective hedge, is recognized directly in equity.

#### Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 25 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions. The tax rate used for calculating temporary differences corresponds to the general income tax of Spanish subsidiaries.

#### Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

#### Property, plant and equipment

Property, plant and equipment is capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realizable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

The company is renting hotel rooms. The rental agreements are classified as operating leases. Annual rent from operating leases is expensed on an ongoing basis.

#### Subsidiaries and investment in associates

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

#### **Inventories**

Inventories are recognized at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

#### Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

#### Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

#### Public grants

Public grants are recorded in the balance as a gross sum in both assets (receivable) and liabilities. The revenue of such grants is recognized as profit & loss when received and according to the use of the investments the grants are given for.

#### Note 2: Revenues

	PARENT	PARENT	GROUP	GROUP
	2023/2024	2022/2023	2023/2024	2022/2023
Per business line				
Operation of hotels	0	0	79 959 109	53 786 591
Management fee, lease income on owned-not-operated real estate, and other	0	0	1 769 160	2 236 716
Total	0	0	81 728 269	56 023 307
Geographical distribution				
Gran Canaria	0	0	75 057 201	52 238 633
Tenerife	0	0	2 613 785	2 277 845
Fuerteventura	0	0	4 057 283	1 506 830
Total	0	0	81 728 269	56 023 307

## Note 3: Personnel expenses, number of employees, remuneration

	PARENT	PARENT	GROUP	GROUP
Payroll expenses	2023/2024	2022/2023	2023/2024	2022/2023
Salaries/wages	0	0	18 798 363	14 055 226
Social security fees	0	0	6 498 590	4 719 706
Pension expenses	0	0	0	0
Other social charges	0	0	422 728	225 060
Total	0	0	25 719 681	18 999 992
Benefits to senior executives or members of the board:*	2023/2024	2022/2023	2023/2024	2022/2023
CEO - salary / wages	0	0	262 504	300 000
CEO - other remuneration	0	0	0	2 000
Total	0	0	262 504	302 000
Board - salary / wages	0	0	751 506	768 776
Board - other remuneration	0	0	522 506	280 040
Total	0	0	1 274 012	1 048 816
Expensed audit fee	2023/2024	2022/2023	2023/2024	2022/2023
Statutory audit fee	41 133	44 802	74 733	82 802
Other assistance	838	10 328	10 563	7 000
Total	41 971	55 130	85 296	89 802
Number of employees	0	0	910	720

The parent company has no employees and is not obliged to have mandatory occupational (OTP). The subsidiaries are foreign and are not covered by the law of mandatory occupational.

## Note 4: Intangible assets

ABOUT SERVATUR

	2023/2024	2022/2023
Acquisition cost 01.05	635 973	617 914
Additions	31 202	18 059
Disposals	0	0
Acquisition cost 30.04	667 175	635 973
Acc. Depreciation	630 946	612 044
Acc. impairment	0	0
Reversed impairment	0	0
Book value 30.04	36 229	23 929
Depreciation in the year	18 902	10 386
Impairment in the year	0	0
Reversed impairment this year	0	0
Economic useful life	3 years	
Depreciation plan	Linear	

The group's intangible fixed assets consist of computer applications costs. The future economic advantages related to the assets will benefit the group and the acquisition cost can be measured reliably. The criteria to post these costs in the balance sheet is therefore met.

<sup>\*</sup>Change in presentation of Board remuneration:

The group previously presented the Board remuneration only related to Servatur Holding AS.

Management considers it to be more relevant to also include the remuneration related to Servatur SA. 2022/23 numbers in Note 3 have been restated to include this amount.

**AUDITORS REPORT** 

Servatur Holding AS parent and Group  Tangible fixed assets	Land and buildings	Technical installations and other property, plant and equipment	Advances and fixed assets under constructions	Total
Acquisition cost 01.05	115 166 386	24 114 925	40 143 940	179 425 251
Additions	35 955 998	24 369 374	20 829 825	81 155 197
Disposals	0	-6 927	-59 852 332	-59 859 259
Acquisition cost 30.04	151 122 384	48 477 372	1 121 433	200 721 189
Acc. Depreciation	-10 419 236	-18 744 916	0	-29 164 152
Acc. impairment	0	0	0	0
Reversed impairment	0	0	0	0
Book value 30.04	140 703 148	29 732 456	1 121 433	171 557 037
Depreciation in the year	1 561 264	2 220 835	0	3 782 099
Impairment in the year	0	0	0	0
Reversed impairment this year	0	0	0	0
Economic useful life	4-50 years	4-10 years	n.a.	n.a.
Depreciation plan	Linear	Linear	n.a.	n.a.

Investment during the year is primarily related to completion of the renovation at hotel Puerto Azul.

## Note 6: Other expenses

The Company is renting about 1,250 (1,033 last year) hotel rooms out of the 2,792 (2,109 last year) rooms it operates\*. The rental agreements are classified as operating leases. Annual rent from operating leases is expensed on an ongoing basis. Expenditure (rent) on these contracts amounted to €6,232,363 in the financial year 2023/24 (€4,270,013 in 2022/23). The weighted-average remaining duration of the rental contracts is 8.1 years.

		Rent	Weighted-average
	Number	2023/24	remaining duration
Leased hotel rooms	1 250	6,232,363	8.1 years
Owned hotel rooms	1 542	n.a.	n.a.

\*Of the 2,792 rooms, 859 rooms were not in operation in the year (weighted average) due to renovation and preparation for start-up.

## Note 7: Financial and expenses

	PARENT	PARENT	GROUP	GROUP
Financial Income	2023/2024	2022/2023	2023/2024	2022/2023
Interest income from group companies	887 686	928 916	0	0
Other interest income	47 472	393	47 472	393
Other financial income	174 180	2 607 699	201 443	2 719 494
Total financial income	1 109 338	3 537 008	248 915	2 719 887

	PARENT	PARENT	GROUP	GROUP
Financial Expenses	2023/2024	2022/2023	2023/2024	2022/2023
Interest income from group companies	0	0	0	0
Other interest expenses	1 674 280	1 648 550	6 696 285	1 648 550
Other financial expenses	76 107	118	76 107	2 621 422
Total financial expenses	1 750 387	1 648 668	6 772 392	4 269 972

Other interest expenses primarily comprise interest expenses on debt to external lenders.

**AUDITORS REPORT** 

This year's tax expense	PARENT 2023/2024	PARENT 2022/2023	GROUP 2023/2024	GROUP 2022/2023
Current tax assets	0	0	0	0
Payable tax	0	0	384 939	315 302
Currency change	0	0	0	0
Changes in deffered taxes	0	0	192 389	274 672
Total tax expense	0	0	577 328	589 974
Payable tax in the balance:	0	0	0	0
Payable tax on this years result	0	0	-384 939	-315 302
Tax receivable from government	0	0	567 055	325 369
Tax receivable in the balance	0	0	182 116	10 067
Taxable income  Ordingry profit/loss before tax	750 571	1 747 544	15 957 042	10 119 221
Ordinary profit/loss before tax	-752 571	1 767 544	15 857 943	10 118 221
Permanent differances	0	0	-13 597 362	-5 751 449
Changes temporary differences	-15 949	-2 863 131	-722 541	5 441 666
Taxable income	0	0	1 538 040	9 808 438
Temporary differences	2023/2024	2022/2023	2023/2024	2022/2023
Loss carried forward	-3 827 999	-3 083 002	-3 809 798	-4 217 686
Other temporary differences	2 458 520	2 447 751	4 145 922	6 482 241
Foundation deferred tax	-1 369 479	-635 251	3 075 083	2 264 555
Foundation deferred tax asset, not booked	1 369 479	635 251	1 351 277	635 251
Deferred tax asset	0	0	430 951	407 326

For the financial period of 2023/2024 the permanent differences mainly consist of reserves for investments in the Canary Islands, in accordance with local law of the subsidiary Servatur SA. Permanent differences arising from the arrangement in 2023/2024 = 13 560 000 (2022/2023 = 6 230 000).

## Note 9: Investments in subsidiaries and other companies

	Business office	Country	Stake	Voting share
Servatur SA	Calle Doramas 4, 35129 Mogán, Las Palmas	Spain	100%	100%
Hotel Don Miguel SL	Calle Doramas 4, 35129 Mogán, Las Palmas	Spain	100%	100%
Servatur Properties SL	Calle Doramas 4, 35129 Mogán, Las Palmas	Spain	100%	100%
Servatur Playa Bonita SLU (previous Taurito Tropical Hotel S.L)	Calle Doramas 4, 35129 Mogán, Las Palmas	Spain	100%	100%

Shares in subsidiaries are listed for historical cost.

Investments posted by historical cost Name of the subsidiary	Share-capital	Number of shares	Book value	Equity pr. 30.04.	Annual net profit
Taurito Torpical Hotel S.L	3 000	30	3 000	128	-1 860
Servatur SA	102 389	335 700	5 499 752	63 808 772	15 274 129
Hotel Don Miguel SL	3 000	30	3 000	2 448 917	723 191
Servatur Properties SL	3 000	30	2 589	30 550	35 866

Taurito Tropical Hotel S.L is not consolidated because the company is not considerd as significantly. The investment is classified as investments in shares and other securities.

## Note 10: Intra-group balances

Servatur Holding AS		
Receivables	2023/2024	2022/2023
Receivables from group companies	14 354 441	15 487 114
Other receivables	0	0
Total	14 354 441	15 487 114
Liabilities	2023/2024	2022/2023
This year's given intra-group contribution	0	0
Other short term liabilities	0	0
Total	0	0

The most significant transactions within the Group are interest on intra company balances and lease of Hotel Don Miguel.

Transactions with related parties correspond to transactions in the normal course of business of the Company and are carried out at market prices, which are similar to those applied to nonrelated parties.

#### **Note 11: Inventories**

	PARENT	PARENT	GROUP	GROUP
	2023/2024	2022/2023	2023/2024	2022/2023
Trade goods	0	0	449 619	268 912
Total	0	0	449 619	268 912
Inventories valued at purchased cost	0	0	449 619	268 912
Inventories valued at net realizable value	0	0	0	0
Total	0	0	449 619	268 912

## Note 12: Restricted bank deposits, cash in hands, etc.

	PARENT	PARENT	GROUP	GROUP
	2023/2024	2022/2023	2023/2024	2022/2023
Restricted funds deposited int the tax deduction account	0	0	0	0
Other bank deposits and cash in hand	330 995	240 085	2 554 202	2 020 735
Total	330 995	240 085	2 554 202	2 020 735

There are no restrictions on the availability of the subsidiaries' cash balance.

## Note 13: Share capital and shareholder information

Share class		Number	Nominal value	Book value
Common shares		6 000 000	7,00	42 000 000
B-shares		134 850	7,00	943 950
Total		6 134 850	7,00	42 943 950
Owner	Org.nr	Number of shares	Share class	Ownership
Fredensborg Horeca AS	925 173 851	3 000 000	Common shares	48,90 %
Kai Canari Holding 3 AS	913 025 695	2 400 000	Common shares	39,12 %
Simto AS	984 384 254	600 000	Common shares	9,78 %
Servatur Holding AS		134 850	B shares	2,20 %
Total		6 134 850		100,00 %

Common shares carry full economic rights and voting rights.

B-shares carry full economic rights and no voting rights.

During the year, Servatur Holding AS bought back 134,850 B-shares representing 100% of the B-shares.

## Note 14: Financial instruments

ABOUT SERVATUR

The company hedges the interest rate risk of its floating financial liabilities in euros by means of financial interest rate options. Financial instruments have been assessed at fair value. The fair value has been set in accordance with the value observable in the market at the balance sheet date. The last swaps matures in 2034.

	Nominal amount	Nominal amount	Fair Value	Fair Value
Interest rate swap	2023/2024	2022/2023	2023/2024	2022/2023
Servatur SA	16 424 521	17 824 259	1 357 663	1 671 969
Servatur Properties SA	12 825 000	13 365 000	1 716 971	2 002 799
Consolidated	29 249 521	31 189 259	3 074 634	3 674 768

Details of and movements in value adjustments are as follows:

	Opening balance in		Tax effect of income	Closing balance in
Interest rate swap	equity	Income/ (expenses)	/(expenditures)	equity
Interest rate swap	2 756 076	-600 135	150 034	2 305 975

## Note 15: Equity and treasury share

		Share premium			
Servatur Holding AS	Share capital	reserve	Other equity	Minority Interest	Total
Equity 30.04.2023	3 642 095	0	4 292 401	-1 220 020	6 714 476
Changes in paid in capital	0	-3 017 380	0	0	-3 017 380
Given intra-group contribution	0	0	0	0	0
Annual net profit	0	0	0	-752 571	-752 571
Currency difference	-7 398	126 416	-8 719	19 738	130 038
Equity 30.04.2024	3 634 697	-2 890 964	4 283 682	-1 952 853	3 074 563
Servatur Holding AS Group					Total
Equity 30.04.2023	3 642 095	0	4 292 401	44 074 778	52 009 274
Currency difference	0	-3 017 380	0	0	-3 017 380
Other equity changes	0	126 416	0	-474 786	-348 370
Reduction minority interest	0	0	0	0	0
Sale/purchase of own shares	0	0	0	15 210 314	15 210 314
Annual net profit	-7 398	0	-8 719	19 738	3 622
Equity 30.04.2024	3 634 697	-2 890 964	4 283 682	58 830 045	63 857 460

Other equity mainly relates to legal reserves as per Spanish laws and regulations.

During the year, Servatur Holding AS bought back 134,850 B-shares representing 100% of the B-shares.

## Note 16: Receivables, debtors, liabilities, pledged assets and guarantees, etc.

Long term receivables	2023/2024	2022/2023
Other receivables	10 423 602	6 148 429

Breakdown other non-current liabilities						
Facility	Туре	Outstanding	Interest	Final maturity	Amortization	Mortgage
Fredensborg Horeca AS loan	Shareholder loan	17 113 216	10% (PIK)	2025	Bullet	No
RIC PE	Participative loan	4 970 018	2,0%	2027	Bullet	No
Seller's credit - Carlota	Seller's credit	2 222 224	6,9%	2030	Yearly (linear)	No
Gvm't grant / debt 1 (PA)		5 505 951				No
Gvm't grant / debt 2 (Carlota)		1 469 167				No
Other non-current liabilities		1 608 645				No
Liabilities to employees		350 596				No
Sum		33 239 817				

- The Fredensborg Horeca AS loan is a shareholders loan provided by a subsidiary of Fredensborg. The loan carries a 10% interest rate (PIK). The shareholders have guaranteed for this loan. The loan was repaid in full in September 2024 (subsequent event).
- The RIC PE loan is a credit facility established by RIC Private Equity to finance the renovation of Puerto Azul. The loan is a pooled facility from multiple individual investors managed by RIC PE. The interest is minimum of 2% and 15% of the hotel's EBITDA.
- The seller's credit relates to the group's acquisition of hotels and portfolio of hotel-rooms.
- The Caballero loan relates to Servatur SA's acquisition of own shares from an entity controlled by Mr. Caballero.

Breakdown liabilities to finance institutions	2023/2024	2022/2023
Breakdown short/long-term		
Of which long-term	80 284 284	61 183 916
Of which short-term	10 484 475	9 560 942
Total liabilities to finance institutions	90 768 759	70 744 858
Breakdown on maturity date		
2023/24	-	9 560 942
2024/25	10 484 475	6 970 745
2025/26	7 163 919	6 754 441
2026/27	7 433 868	6 869 920
2027/28	7 978 565	-
Subsequent years	57 707 931	40 588 810
Sum	90 768 759	70 744 859
Mortgage coverage		
Liabilities to finance institution with mortgage security	92 285 789	59 542 674
Applicable mortgaged assets' carrying value	170 435 604	115 964 475
Interest rate		
Average cost of debt during the year (including interest rate swaps)	3,8%	2,7%

Liabilities to finance institution comprise a total of 27 facilities from 8 Spanish and international banks. The facilities comprise mortgage loans, unsecured loans, and RCFs. Interest rates on the loans have a combination of fixed and floating. The company hedges part of the floating interest rate exposure through swaps (see note 10).

Servatur SA has one loan facility with covenants. Covenants are tested on pro-forma consolidated financials of "Don Miguel SL" and "Servatur SA" (except LTV covenant that is only tested based on the legal entity "Don Miguel SL"). See covenants and respective metrics below.

Covenants	Metric 2023/2024	Covenant 2022/2023
1: Consolidated debt service coverage ratio	2,53x	1,20x
2: Consolidated net financial expenses coverage ratio	5,35x	4,25x
3: Hotel Don Miguel gross LTV	41,9%	65,0%
4: Consolidated net debt of total assets	32,4%	65,0%

SHAREHOLDERS & CORPORATE STRUCTURE

Servatur SA has issued a guarantee to the entity "Don Miguel SL" in related to the "€18m Don Miguel mortgage facility".

#### Note 17: Conditional outcomes and events after the balance date

Between May and August, Servatur raised a total of €18.9m new debt through a combination of new unsecured debt facilities and upsizing of an existing mortgage debt facility.

In July and September, Servatur repaid the full amount of the shareholder loan to Fredensborg HORECA AS (NOK 208m).

In September 2024, Servatur signed multiple rental agreements for a total of 5 hotels (752 rooms) with contract duration of 10-50 years.

## Note 18: Going concern / continued operations

In accordance with section 3-3a of the Norwegian Accounting Act, it is confirmed that the preconditions for continued operation are present. The Group is in a healthy economic position with adequate financial position.

The group has negative net working capital of EUR 4.2m. The nature of the business with prepayment from customers results in a low/negative net working capital. The group has good access to long-term credit (evident by issuance of EUR 18.9m debt after the end of the financial year) as well as strong cash flow generation (budget EBITDA financial year 2024/25 is more than EUR 40m). To address Spanish auditors' unwarranted concern on the condition for continued operation being satisfied (the condition related to positive net working capital), the shareholder Fredensborg Horeca AS has issued a comfort letter to the Spanish subsidiaries.



Statsautoriserte revisorer Ernst & Young AS

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#### **INDEPENDENT AUDITOR'S REPORT**

To the Annual Shareholders' Meeting of Servatur Holding AS

#### Opinion

We have audited the financial statements of Servatur Holding AS (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 30 April 2024, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 30 April 2024 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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.

#### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and CEO) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

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#### Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or

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

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's report - Servatur Holding AS 30.04.2024

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SERVATUR HOLDING AS ANNUAL REPORT 2023/24

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We communicate with the board of directors 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.

Oslo, 30 October 2024 ERNST & YOUNG AS

The auditor's report is signed electronically

Kristian Dalby
State Authorised Public Accountant (Norway)

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Independent auditor's report - Servatur Holding AS 30.04.2024

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