
KIRK KAPITAL A/S

Damhaven 5D, DK-7100 Vejle

Annual Report for 1 January - 31 December 2017

CVR No 31 15 98 57

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/4 2018

Søren Lindgaard
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KIRK KAPITAL A/S for the financial year 1 January - 31 December 2017.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017.

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

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

Vejle, 25 April 2018

Executive Board

Kim Gulstad

Søren Lindgaard

Board of Directors

Casper Kirk Johansen
Chairman

Leif Hasager

Birgitte Nielsen

Jens Jørgen Madsen

Independent Auditor's Report

To the Shareholders of KIRK KAPITAL A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of KIRK KAPITAL A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company 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 and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 in preparing the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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

Independent Auditor's Report

may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the 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.

Aarhus, 25 April 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Christian Fredensborg Jakobsen
State Authorised Public Accountant
mne16539

Henrik Kragh
State Authorised Public Accountant
mne26783

Company Information

The Company

KIRK KAPITAL A/S
Damhaven 5D
DK-7100 Vejle

CVR No: 31 15 98 57

Financial period: 1 January - 31 December

Municipality of reg. office: Vejle

Board of Directors

Casper Kirk Johansen, Chairman
Leif Hasager
Birgitte Nielsen
Jens Jørgen Madsen

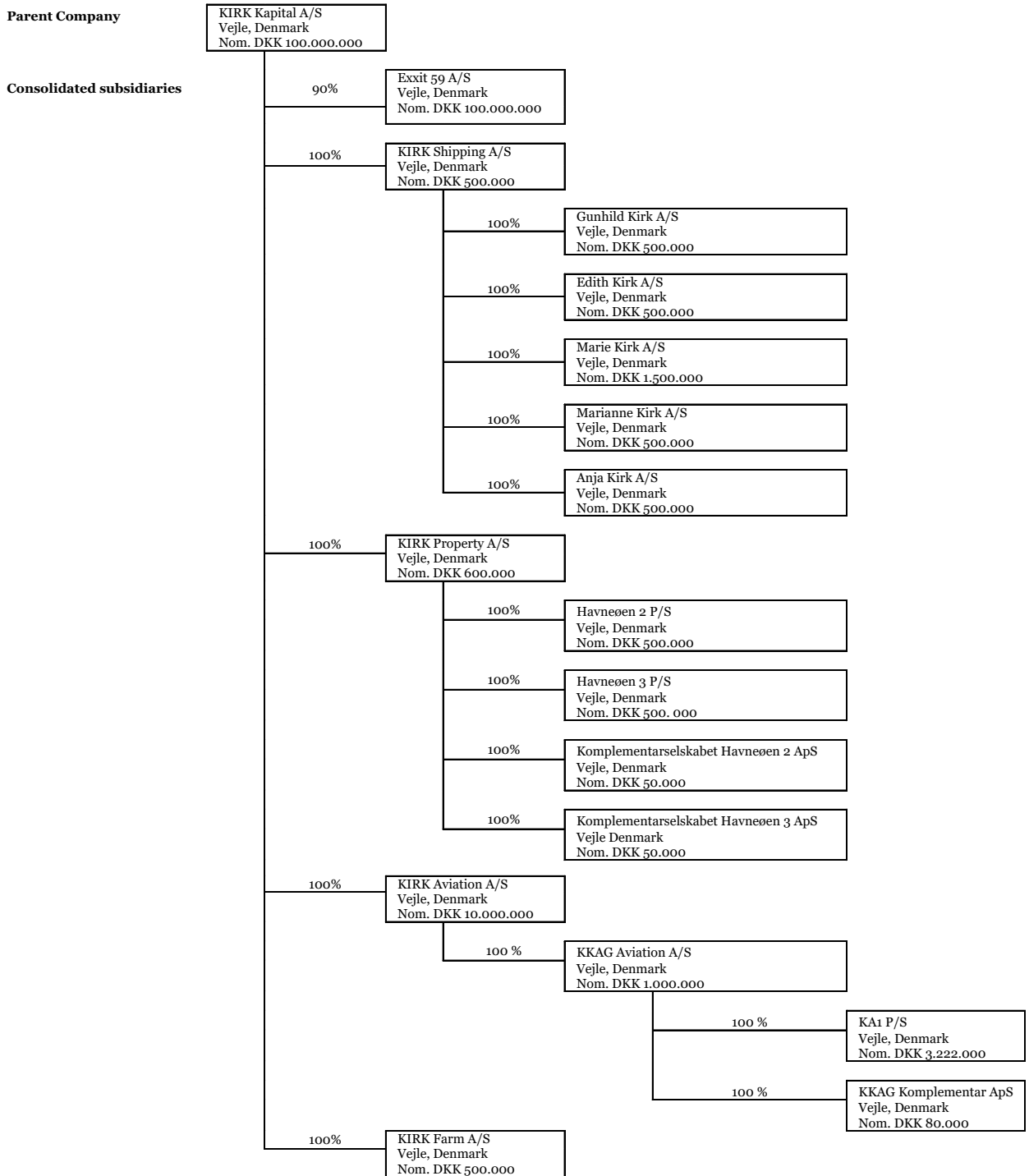
Executive Board

Kim Gulstad
Søren Lindgaard

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Group Chart



Financial Highlights

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

	Group				
	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Profit/loss					
Revenue	121,317	125,118	334,494	326,553	400,221
Gross profit/loss	119,043	132,324	203,787	97,318	176,535
Profit/loss before financial income and expenses	-43,168	20,406	42,216	-57,708	-46,497
Net financials	118,317	179,028	140,640	46,624	344,948
Profit/loss from continuing activities	41,396	155,785	0	0	0
Profit/loss from discontinuing activities	-223,729	-2,745	0	0	0
Net profit/loss for the year	-182,333	153,040	145,281	-25,965	228,177
Comprehensive income	-239,171	169,890	176,315	105,407	134,035
Balance sheet					
Balance sheet total	6,159,915	6,643,436	6,643,105	5,659,163	5,155,727
Equity	4,330,354	4,611,580	4,486,891	4,251,235	4,185,573
Investment in property, plant and equipment	142,151	116,904	537,107	232,546	176,566
Ratios					
Solvency ratio	70.3%	69.4%	67.5%	75.1%	81.2%
Return on equity	-4.1%	3.4%	3.3%	-0.6%	5.5%

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

In connection with changes to accounting policies last year, the comparative figures in the period 2013 - 2014 have not been restated. The changed accounting policies regards measurement of investment properties.

The comparative figures in the period 2015-2013 have not been restated with discontinuing activities.

Management's Review

2017; a year in transition

2017 marked the 10-year anniversary of Kirk Kapital and the beginning of a new chapter

In 2017, KIRK KAPITAL reorganized its business in order to build a strong foundation for realizing its strategy of creating a long-term capital return for the benefit of the current Kirk Johansen shareholders and generations to follow.

In May, Kim Gulstad was appointed new CEO of KIRK KAPITAL. Following the CEO transition, a new organizational structure has been implemented and today KIRK KAPITAL's key business areas are 'strategic investments', 'financial investments', 'Vejle Investments' and 'family office services'. A number of new recruitments have been made, to further strengthen the organization.

Within 'strategic investments', KIRK KAPITAL has a strategy of acquiring larger minority positions in medium and larger sized companies which have market leading positions in long-term growth industries. The companies' headquarter is typically in Denmark, secondarily Scandinavia. In the companies that KIRK KAPITAL acquires an ownership interest in, we seek to actively support the further successful development of the companies. In 2017, KIRK KAPITAL acquired a significant minority position in TACTON (a Stockholm based software company), and a sales agreement to dispose of KIRK KAPITAL's ownership in EasyPark was entered into. In early January 2018, KIRK KAPITAL acquired a significant minority position in GlobeTeam (a Copenhagen based IT service consultancy firm).

Within 'financial investments' KIRK KAPITAL has a portfolio of fixed income investments, quoted equities and other alternative investments. In addition to managing KIRK KAPITAL's own investments, it also provides investment advice on its shareholders' financial investments as well as to the Edith & Godtfred Kirk Christiansen Foundation. KIRK KAPITAL has a strategy which is focused on long-term capital return.

Within 'Vejle investments', KIRK KAPITAL has continued to invest in the Vejle area, most notably acquiring AP Pension's 50% ownership in Havneøen A/S in the beginning of 2018. These investments are a testimony of our shareholders' veneration and continued support to the area.

While the majority of our investment activities in 2017 generated a satisfactory return, in particular EasyPark, KIRK KAPITAL has carried out a thorough review of its asset base. Following the review, KIRK KAPITAL has chosen to carry out a few unrealized mark-downs, among others of its KIRK SHIPPING activities and Alliance+. This has resulted in an overall unsatisfactory investment result for 2017. Following a strategic review, KIRK SHIPPING is now categorized as a discontinued business activity. KIRK KAPITAL will at an opportune time seek to dispose of its KIRK SHIPPING activities and will not invest further into this line of business.

In December, KIRK KAPITAL marked its 10-year anniversary. In this light, we would like to thank the employees for their past dedication and efforts in delivering on our strategy.

Management's Review

Key activities

The key activities of the Group include investments in manufacturing, trading, rental, aviation, services, property management, financing and investment activities of any kind, both directly and/or through other companies, in Denmark and abroad.

Additionally, the Company provide administrative services to several companies and entities on an arms lengths basis.

Development in the year and outlook for 2018

The income statement of the Group for 2017 shows a profit from continuing activities of DKK 41,396k and a loss from discontinuing activities of DKK 223,729k. Consequently, the total result for the Group for 2017 amount to DKK -182,333k, which is significantly lower than expected, and at 31 December 2017 the balance sheet of the Group shows equity of DKK 4,330,354k.

For 2018 a higher result of continuing activities is expected compared to this year.

Special risks

The Company has not taken on any risks that could be referred to as special considering the nature and extent of the investments.

Statement of corporate social responsibility

With reference to Section 99a of the Danish Financial Statements Act relating to the Company's policies regarding corporate social responsibility, we state that KIRK KAPITAL A/S has no such policies.

In this connection we would like to point out that it is the Group's clearly defined intention to run an honest and responsible business in every respect and at any time.

External environment

The Company has only a limited effect on the external environment, and consequently, no special measures have been implemented in order to prevent, reduce or rectify any damage.

Intellectual capital resources

The intellectual capital resources represented by the Company's employees are maintained and improved through both internal and external development activities.

Research and development activities

Due to the scope of business KIRK KAPITAL A/S as parent company does not engage in any research and development activities. Where relevant affiliates carry out these activities.

Management's Review

Report on the Gender Distribution in Management, cf. Section 99 b of the Danish Financial Statements Act

KIRK KAPITAL A/S always selects candidates based on qualifications and suitability. This will also be the case in future. The distribution of female/male members on the Parent Company's Board of Directors is 25%/75%, which is defined as equal distribution of gender according to guidelines issued by the Danish Business Authority. Therefore, no further reporting on Board of Directors level is performed.

Due to the fact that KIRK KAPITAL during the financial year has had less than 50 employees, the company has not prepared a policy on the gender distribution on other management levels, in accordance with the rules.

Income Statement 1 January - 31 December 2017

	Note	Group		Parent Company	
		2017	2016	2017	2016
		DKK'000	DKK'000	DKK'000	DKK'000
Revenue	1	121,317	125,118	6,510	6,110
Value adjustments of assets held for investment		1,714	53,924	1,821	10,647
Other operating income		45,860	5,654	46,050	7,497
Expenses for raw materials and consumables		-10,989	-5,692	-4,933	-3,812
Other external expenses		-38,859	-46,680	-24,738	-25,215
Gross profit/loss		119,043	132,324	24,710	-4,773
Staff expenses	2	-55,087	-28,443	-51,547	-24,110
Depreciation and impairment of property, plant and equipment	3	-107,124	-83,475	-268	-338
Profit/loss before financial income and expenses		-43,168	20,406	-27,105	-29,221
Income from investments in subsidiaries		0	0	-255,846	19,182
Income from investments in associates		-254,047	-70,341	-255,313	-94,748
Financial income	4	499,670	377,195	464,667	329,922
Financial expenses	5	-127,306	-127,826	-92,014	-80,340
Profit/loss before tax		75,149	199,434	-165,611	144,795
Tax on profit/loss for the year	6	-33,753	-43,649	-19,183	2,840
Profit/loss from continuing activities		41,396	155,785	-184,794	147,635
Profit/loss from discontinuing activities	7	-223,729	-2,745	0	0
Net profit/loss for the year		-182,333	153,040	-184,794	147,635

Balance Sheet 31 December 2017

Assets

	Note	Group		Parent Company	
		2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Goodwill		3,757	5,613	0	0
Intangible assets	8	3,757	5,613	0	0
Investment properties	9	985,875	987,761	124,023	147,289
Other fixtures and fittings, tools and equipment	10	2,937	2,469	2,189	1,900
Airplanes	10	306,318	496,376	0	0
Property, plant and equipment in progress	10	421,255	345,829	0	0
Property, plant and equipment		1,716,385	1,832,435	126,212	149,189
Investments in subsidiaries	11	0	0	1,400,124	1,608,567
Investments in associates	12	1,053,913	1,017,328	877,268	916,168
Other investments	13	796,763	629,652	795,393	622,929
Other receivables	13	408,503	520,553	67,019	58,309
Fixed asset investments		2,259,179	2,167,533	3,139,804	3,205,973
Fixed assets		3,979,321	4,005,581	3,266,016	3,355,162

Balance 31. december 2017

Assets

	Note	Group		Parent Company	
		2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Trade receivables		1,033	1,622	47	70
Receivables from group enterprises		0	0	2,860	78
Receivables from associates		100	35	0	0
Other receivables	14	49,944	31,737	33,727	29,127
Deferred tax asset	15	0	437	0	0
Corporation tax		20,688	7,149	20,000	0
Prepayments	16	1,954	2,303	0	0
Receivables		73,719	43,283	56,634	29,275
Current Asset Investments		1,581,469	1,599,715	1,581,469	1,599,715
Cash at bank and in hand		53,379	193,549	10,528	73,867
Assets relating to discontinued activities	7	472,027	801,308	0	0
Currents assets		2,180,594	2,637,855	1,648,631	1,702,857
Assets		6,159,915	6,643,436	4,914,647	5,058,019

Balance Sheet 31 December 2017

Liabilities and equity

	Note	Group		Parent Company	
		2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Share capital		100,000	100,000	100,000	100,000
Retained earnings		4,153,630	4,435,801	4,153,630	4,435,801
Proposed dividend for the year		43,000	45,000	43,000	45,000
Equity attributable to shareholders of the Parent Company		4,296,630	4,580,801	4,296,630	4,580,801
Minority interests		33,724	30,779	0	0
Equity	17	4,330,354	4,611,580	4,296,630	4,580,801
Provision for deferred tax	15	108,804	143,668	10,225	10,441
Provisions		108,804	143,668	10,225	10,441
Mortgage loans		349,393	358,545	0	0
Credit institutions		601,041	746,266	400,000	400,000
Deposits		10,356	9,833	0	0
Other payables		0	68,592	0	0
Long-term debt	18	960,790	1,183,236	400,000	400,000

Balance 31. december 2017

Liabilities and equity

	Note	Group		Parent Company	
		2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Mortgage loans	18	9,159	9,082	0	0
Credit institutions	18	286,898	132,823	164,836	0
Prepayments received from customers		13,316	15,129	0	0
Trade payables		10,883	18,384	2,447	551
Payables to group enterprises		0	0	175	221
Corporation tax		40,698	19,892	0	4,224
Other payables	14/18	134,456	185,366	40,334	61,781
Deferred income	19	250	0	0	0
Liabilities relating to discontinued activities	7	264,307	324,276	0	0
Short-term debt		759,967	704,952	207,792	66,777
Debt		1,720,757	1,888,188	607,792	466,777
Liabilities and equity		6,159,915	6,643,436	4,914,647	5,058,019
Subsequent events	20				
Distribution of profit	21				
Cash Flow statment - adjustments	22				
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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Proposed dividend for the year	Equity excl. minority interests	Minority interests	Total
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January	100,000	4,435,801	45,000	4,580,801	30,779	4,611,580
Exchange adjustments	0	-90,617	0	-90,617	0	-90,617
Ordinary dividend paid	0	0	-45,000	-45,000	0	-45,000
Fair value adjustment of hedging instruments	0	46,462	0	46,462	484	46,946
Tax on equity movements	0	-10,222	0	-10,222	0	-10,222
Net profit/loss for the year	0	-227,794	43,000	-184,794	2,461	-182,333
Equity at 31 December	100,000	4,153,630	43,000	4,296,630	33,724	4,330,354

Parent Company

Equity at 1 January	100,000	4,435,801	45,000	4,580,801	0	4,580,801
Exchange adjustments	0	-90,617	0	-90,617	0	-90,617
Ordinary dividend paid	0	0	-45,000	-45,000	0	-45,000
Fair value adjustment of hedging instruments	0	46,462	0	46,462	0	46,462
Tax on equity movements	0	-10,222	0	-10,222	0	-10,222
Net profit/loss for the year	0	-227,794	43,000	-184,794	0	-184,794
Equity at 31 December	100,000	4,153,630	43,000	4,296,630	0	4,296,630

Cash Flow Statement 1 January - 31 December 2017

	Note	Group	
		2017 DKK'000	2016 DKK'000
Net profit/loss for the year		-184,794	147,635
Adjustments	22	344,232	-47,403
Change in working capital	23	-27,972	-45,507
Cash flows from operating activities before financial income and expenses		131,466	54,725
Financial income		122,143	133,550
Financial expenses		-46,006	-34,889
Cash flows from ordinary activities		207,603	153,386
Corporation tax paid		-60,713	-15,512
Cash flows from operating activities		146,890	137,874
Purchase of property, plant and equipment		-142,150	-116,904
Fixed asset investments made etc		-818,103	-521,943
Sale of property, plant and equipment		145,137	19,848
Sale of fixed asset investments etc		630,899	618,795
Dividends received from associates		8,400	69,353
Cash flows from investing activities		-175,817	69,149
Repayment of mortgage loans		-84,646	312,725
Repayment of loans from credit institutions		5,527	-449,938
Repayment of other long-term debt		523	-873
Raising of loans from credit institutions		0	52,732
Dividend paid		-45,000	-43,000
Cash flows from financing activities		-123,596	-128,354
Change in cash and cash equivalents		-152,523	78,669
Cash and cash equivalents at 1 January		198,246	119,577
Cash and cash equivalents at 31 December		45,723	198,246
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		64,323	213,522
Overdraft facility		-18,600	-15,276
Cash and cash equivalents at 31 December		45,723	198,246

Notes to the Financial Statements

	Group		Parent Company	
	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
1 Revenue				
Rental property	58,739	55,002	6,510	6,110
Aircraft leasing	62,578	70,116	0	0
	121,317	125,118	6,510	6,110
2 Staff expenses				
Wages and salaries	52,018	25,270	48,697	22,015
Pensions	1,233	1,910	1,053	883
Other social security expenses	142	185	113	150
Other staff expenses	1,694	1,078	1,684	1,062
	55,087	28,443	51,547	24,110
Including remuneration to the Executive Board and Board of Directors of:				
Executive Board and Board of Directors	0	6,867	0	6,867
Board of Directors	1,250	0	1,250	0
Executive Board	29,040	0	29,040	0
	30,290	6,867	30,290	6,867
Average number of employees	27	28	24	22

Notes to the Financial Statements

	Group		Parent Company	
	2017	2016	2017	2016
	DKK'000	DKK'000	DKK'000	DKK'000
3 Depreciation and impairment of property, plant and equipment				
Amortisation of intangible assets	1,855	1,341	0	0
Depreciation of property, plant and equipment	36,049	41,134	268	338
Impairment of property, plant and equipment	46,000	41,000	0	0
Gain and loss on disposal	23,220	0	0	0
	107,124	83,475	268	338
4 Financial income				
Income from fixed asset investments	363,105	270,925	363,104	270,824
Interest received from group enterprises	0	0	119	172
Other financial income	91,715	95,866	57,103	49,081
Exchange gains	44,850	10,404	44,341	9,845
	499,670	377,195	464,667	329,922
5 Financial expenses				
Impairment losses on financial assets	20,080	43,667	20,241	43,667
Interest paid to group enterprises	0	0	75	335
Other financial expenses	100,367	77,466	66,823	30,157
Exchange loss	6,859	6,693	4,875	6,181
	127,306	127,826	92,014	80,340

Notes to the Financial Statements

	Group		Parent Company	
	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
6 Tax on profit/loss for the year				
Current tax for the year	82,502	27,432	41,445	18,664
Deferred tax for the year	-26,726	19,231	-215	-3,827
Adjustment of current tax concerning previous years	-11,801	-4,325	-11,825	-21,530
Adjustment of deferred tax concerning previous years	0	-2,542	0	0
	43,975	39,796	29,405	-6,693
which breaks down as follows:				
Tax on profit/loss for the year	33,753	43,649	19,183	-2,840
Tax on changes in equity	10,222	-3,853	10,222	-3,853
	43,975	39,796	29,405	-6,693

Notes to the Financial Statements

	Group	
	2017 DKK'000	2016 DKK'000
7 Discontinuing activities		
Revenue	232,278	218,675
Expenses for raw materials and consumables	-203,715	-145,367
Other external expenses	-1,335	-1,542
Gross profit/loss	27,228	71,766
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-243,513	-64,935
Profit/loss before financial income and expenses	-216,285	6,831
Financial income	133	61
Financial expenses	-7,932	-8,352
Profit/loss before tax	-224,084	-1,460
Tax on profit/loss for the year	355	-1,285
Profit/loss from discontinuing activities	-223,729	-2,745
Property, plant and equipment	416,610	733,518
Fixed assets	416,610	733,518
Other investments	22,348	25,390
Corporation tax	334	0
Receivables	21,791	22,427
Cash at bank and in hand	10,944	19,973
Currents assets	55,417	67,790
Assets relating to discontinued activities	472,027	801,308
Provisions	803	1,962
Debt	263,504	322,314
Liabilities relating to discontinued activities	264,307	324,276

Notes to the Financial Statements

8 Intangible assets

Group

	Goodwill DKK'000
Cost at 1 January	7,297
Cost at 31 December	7,297
Impairment losses and amortisation at 1 January	1,684
Amortisation for the year	1,856
Impairment losses and amortisation at 31 December	3,540
Carrying amount at 31 December	3,757

9 Assets measured at fair value

	Group	Parent Company
	Investment pro- perties DKK'000	Investment pro- perties DKK'000
Cost at 1 January	1,087,503	182,072
Net effect from change of accounting policy	0	0
Exchange adjustment	0	0
Additions for the year	1,546	0
Disposals for the year	-42,089	-42,013
Transfers for the year	19,683	0
Cost at 31 December	1,066,643	140,059
Value adjustments at 1 January	-99,742	-34,783
Revaluations for the year	1,714	1,820
Reversal of revaluations of sold assets	17,260	16,927
Value adjustments at 31 December	-80,768	-16,036
Carrying amount at 31 December	985,875	124,023

Assumptions underlying the determination of fair value of investment properties

Investment properties are measured at fair value. The fair value is calculated by using generally accepted valuation methods. The valuation methods are described in the section Notes, Accounting Policies.

Notes to the Financial Statements

9 Assets measured at fair value (continued)

The average rate of return used for valuation of the company's investment properties' is based on the investment properties location and condition. The buildings are measured at an average return of 5.0 % - 6.1 % compared to 5.0 % - 6.5 % last year. A change of the rate of return at 0,1 % point will impact the value of investment property of approx. DKK 14 million before tax.

10 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Airplanes	Property, plant and equipment in progress	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Cost at 1 January	5,724	804,017	505,829	1,315,570
Exchange adjustment	0	-96,342	0	-96,342
Additions for the year	1,041	0	141,109	142,150
Disposals for the year	-935	-173,813	0	-174,748
Transfers for the year	0	0	-19,683	-19,683
Cost at 31 December	5,830	533,862	627,255	1,166,947
Impairment losses and depreciation at 1 January	3,255	307,641	160,000	470,896
Exchange adjustment	0	-36,864	0	-36,864
Impairment losses for the year	0	21,838	46,000	67,838
Depreciation for the year	454	33,474	0	33,928
Impairment and depreciation of sold assets for the year	-254	0	0	-254
Reversal of impairment and depreciation of sold assets	-562	-98,545	0	-99,107
Impairment losses and depreciation at 31 December	2,893	227,544	206,000	436,437
Carrying amount at 31 December	2,937	306,318	421,255	730,510
Depreciated over	3-6 years	10-20 years		

Notes to the Financial Statements

10 Property, plant and equipment (continued)

Parent Company

	Other fixtures and fittings, tools and equipment
	<u>DKK'000</u>
Cost at 1 January	4,072
Additions for the year	557
Disposals for the year	<u>-254</u>
Kostpris at 31 December	<u>4,375</u>
Impairment losses and depreciation at 1 January	2,172
Depreciation for the year	268
Impairment and depreciation of sold assets for the year	<u>-254</u>
Impairment losses and depreciation at 31 December	<u>2,186</u>
Carrying amount at 31 December	<u>2,189</u>

Notes to the Financial Statements

	Parent Company	
	2017	2016
	DKK'000	DKK'000
11 Investments in subsidiaries		
Cost at 1 January	2,492,067	2,324,672
Additions for the year	184,000	167,395
Cost at 31 December	<u>2,676,067</u>	<u>2,492,067</u>
Value adjustments at 1 January	-883,500	-738,881
Exchange adjustment	-87,309	34,731
Net profit/loss for the year	-255,846	19,217
Dividend to the Parent Company	-53,647	-196,515
Fair value adjustment of hedging instruments for the year	4,359	-2,052
Value adjustments at 31 December	<u>-1,275,943</u>	<u>-883,500</u>
Carrying amount at 31 December	<u>1,400,124</u>	<u>1,608,567</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
KIRK Farm A/S	Vejle	100%
Exxit 59 A/S	Vejle	90%
KIRK Shipping A/S	Vejle	100%
Anja Kirk A/S	Vejle	100%
Gunhild Kirk A/S	Vejle	100%
Edith Kirk A/S	Vejle	100%
Marie Kirk A/S	Vejle	100%
Marianne Kirk A/S	Vejle	100%
KIRK Aviation A/S	Vejle	100%
KKAG Aviation A/S	Vejle	100%
KKAG Komplementarselskab ApS	Vejle	100%
KA1 P/S	Vejle	100%
KIRK Property A/S	Vejle	100%
Havneøen 2 P/S	Vejle	100%
Havneøen 3 P/S	Vejle	100%
Komplementarselskabet Havneøen 2 ApS	Vejle	100%
Komplementarselskabet Havneøen 3 ApS	Vejle	100%

Notes to the Financial Statements

	Group		Parent Company	
	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
12 Investments in associates				
Cost at 1 January	1,242,426	989,632	1,094,997	924,806
Exchange adjustment	-37,714	0	0	0
Additions for the year	<u>303,120</u>	<u>252,794</u>	<u>228,120</u>	<u>170,191</u>
Cost at 31 December	<u>1,507,832</u>	<u>1,242,426</u>	<u>1,323,117</u>	<u>1,094,997</u>
Value adjustments at 1 January	-225,098	-42,867	-178,829	-71,936
Disposals for the year	0	-22,826	0	0
Exchange adjustment	33,626	0	-3,306	0
Net profit/loss for the year	-102,163	-57,135	-103,430	-65,979
Dividends received	-8,400	-69,356	-8,400	-8,000
Other equity movements, net	0	-6,197	0	-6,197
Amortisation of goodwill	<u>-151,884</u>	<u>-26,717</u>	<u>-151,884</u>	<u>-26,717</u>
Value adjustments at 31 December	<u>-453,919</u>	<u>-225,098</u>	<u>-445,849</u>	<u>-178,829</u>
Carrying amount at 31 December	<u>1,053,913</u>	<u>1,017,328</u>	<u>877,268</u>	<u>916,168</u>
Remaining positive difference included in the above carrying amount at 31 December 2017 (goodwill)	<u>170,796</u>	<u>316,183</u>	<u>170,796</u>	<u>316,183</u>

Notes to the Financial Statements

12 Investments in associates (continued)

Investments in associates are specified as follows:

Name	Place of registered office	Votes	Ownership
ApS FMD 1 (Ferrosan Medical Devices)	Gladsaxe	30%	30%
Høje-Taastrup ApS	Kolding	31%	31%
K/S Høje-Taastrup	Kolding	31%	31%
Erria A/S	Køge	28%	28%
Kolor Invest A/S (Kompan)	Odense	25%	25%
PNO Holding A/S	København	48%	48%
P-AP 2009 A/S	Brøndby	40%	67%
P-A2017 Holding 1 A/S (Alliance+)	Brøndby	50%	50%
Act Holding ApS (Tacton)	København	50%	50%
Havneøen 1 P/S*	Vejle	50%	50%
Komplementarselskabet Havneøen 1 ApS*	Vejle	50%	50%
Hafnia Managemant A/S	Denmark	20%	20%
KN Operating Ltd.	Ireland	50%	50%

*Associates are only Investments in Group, not in Parent Company.

13 Other fixed asset investments

	Group		Parent Company	
	Other investments DKK'000	Other receivables DKK'000	Other investments DKK'000	Other receivables DKK'000
Cost at 1 January	711,137	825,777	686,442	98,505
Exchange adjustment	-2,149	-113,013	0	0
Additions for the year	43,119	119,161	43,119	2,867
Disposals for the year	0	-156,740	0	-75
Transfers for the year	-22,348	0	0	0
Cost at 31 December	729,759	675,185	729,561	101,297
Revaluations at 1 January	-56,096	-305,224	-63,514	-40,196
Exchange adjustment	-1,647	57,624	0	0
Revaluations for the year	124,747	-90,566	129,346	5,918
Reversal of revaluations on sold assets	0	33,522	0	0
Reversals for the year of revaluations in previous years	0	37,962	0	0
Revaluations at 31 December	67,004	-266,682	65,832	-34,278
Carrying amount at 31 December	796,763	408,503	795,393	67,019

Notes to the Financial Statements

14 Derivative financial instruments

Derivative financial instrument contracts in the form of forward exchange contracts, interest rate swaps and futures have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group		Parent Company	
	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Assets	11,649	0	11,649	0
Liabilities	31,075	66,613	0	16,950

Group

Agreements on interest swaps have been entered into to secure future interest payments on floating-rate loans or hedge financial contracts with fixed interests. The agreements have varying terms.

Agreements on interest swaps expiring in 2025 are recognised with a fair value of DKK -10,339k at the balance sheet date. In the agreements an interest of CIBOR 6 months is swapped with a fixed interest of 2.13 % on loans with a principal of DKK 102,592k.

Agreements on interest swaps expiring in 2035 are recognised at a fair value of DKK -15,927k at the balance sheet date. In the agreements an interest of CIBOR 6 months is swapped with a fixed interest of 2.56 % on loans with a principal of DKK 102,592k.

Interest rate swap contracts have been concluded to hedge financial contracts provided with a fixed interest rate. The contracts have a term of 0-21 months. Under the contracts, an interest rate of LIBOR + 3 months is exchanged for a fixed rate of interest of 1.4850 – 3.1750 %. At the balance sheet date, the fair value of the interest rate swap contracts amount to DKK -4,809k.

Forward exchange contracts have been concluded to hedge future transactions in USD and EUR. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK 8.407k. The forward exchange contracts have a term of up to 1 year.

Parent Company

Forward exchange contracts have been concluded to hedge future transactions in USD and EUR. At the balance sheet date, the fair value of the forward exchange contracts amounts to DKK 8.407k. The forward exchange contracts have a term of up to 1 year.

Notes to the Financial Statements

	Group		Parent Company	
	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
15 Provision for deferred tax				
Provision for deferred tax at 1 January	143,231	124,421	10,441	14,268
Amounts recognised in the income statement for the year	-26,726	19,231	-215	-3,827
Amounts recognised in equity for the year	-7,701	-421	-1	0
Provision for deferred tax at 31 December	108,804	143,231	10,225	10,441

16 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

17 Equity

The share capital is broken down as follow:

	Number	Nominal value DKK'000
A-shares	57,709	57,709
B-shares	42,291	42,291
		100,000

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

18 Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent Company	
	2017 DKK'000	2016 DKK'000	2017 DKK'000	2016 DKK'000
Mortgage loans				
After 5 years	312,812	322,294	0	0
Between 1 and 5 years	36,581	36,251	0	0
Long-term part	<u>349,393</u>	<u>358,545</u>	<u>0</u>	<u>0</u>
Within 1 year	<u>9,159</u>	<u>9,082</u>	<u>0</u>	<u>0</u>
	358,552	367,627	0	0
Credit institutions				
After 5 years	0	0	0	0
Between 1 and 5 years	601,041	746,266	400,000	400,000
Long-term part	<u>601,041</u>	<u>746,266</u>	<u>400,000</u>	<u>400,000</u>
Within 1 year	103,462	117,547	0	0
Other short-term debt to credit institutions	<u>183,436</u>	<u>15,276</u>	<u>164,836</u>	<u>0</u>
Short-term part	<u>286,898</u>	<u>132,823</u>	<u>164,836</u>	<u>0</u>
	887,939	879,089	564,836	400,000
Deposits				
Between 1 and 5 years	10,356	9,833	0	0
Long-term part	<u>10,356</u>	<u>9,833</u>	<u>0</u>	<u>0</u>
Within 1 year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	10,356	9,833	0	0
Other payables				
Between 1 and 5 years	0	68,592	0	0
Long-term part	<u>0</u>	<u>68,592</u>	<u>0</u>	<u>0</u>
Within 1 year	60,402	68,592	0	0
Other short-term payables	<u>74,054</u>	<u>116,774</u>	<u>40,334</u>	<u>61,781</u>
Short-term part	<u>134,456</u>	<u>185,366</u>	<u>40,334</u>	<u>61,781</u>
	134,456	253,958	40,334	61,781

Notes to the Financial Statements

19 Deferred income

Deferred income consist of interest.

20 Subsequent events

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

	Group		Parent Company	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	DKK'000	DKK'000	DKK'000	DKK'000
21 Distribution of profit				
Proposed dividend for the year	43,000	45,000	43,000	45,000
Minority interests' share of net profit/loss of subsidiaries	2,461	5,405	0	0
Retained earnings	<u>-227,794</u>	<u>102,635</u>	<u>-227,794</u>	<u>102,635</u>
	<u>-182,333</u>	<u>153,040</u>	<u>-184,794</u>	<u>147,635</u>

22 Cash flow statement - adjustments

	Group	
	<u>2017</u>	<u>2016</u>
	DKK'000	DKK'000
Financial income	-499,803	-377,256
Financial expenses	135,238	136,178
Depreciation, amortisation and impairment losses, including losses and gains on sales	348,923	94,486
Income from investments in associates	254,047	70,341
Tax on profit/loss for the year	33,398	44,934
Minority interests' share of net profit/loss of subsidiaries	2,461	5,405
Other adjustments	<u>69,968</u>	<u>-21,491</u>
	<u>344,232</u>	<u>-47,403</u>

Notes to the Financial Statements

	Group	
	2017 DKK'000	2016 DKK'000
23 Cash flow statement - change in working capital		
Change in receivables	16,698	33,409
Change in other provisions	-1,157	-508
Change in trade payables, etc	3,674	-60,636
Fair value adjustments of hedging instruments	-47,187	-17,772
	-27,972	-45,507

24 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Group

Contractual obligations relating to construction work in progress amount to a maximum of DKK 72,000k.

The Group is committed to providing a loan to third party which amounts to a value of up to DKK 18.623k. The loan provided at 31 December 2017 amounts to DKK 1.986k.

Contingent liabilities and remaining commitment regarding participation in investment projects amount to a maximum of DKK 36,100k.

Contingent liabilities regarding rent of property and leases amount to DKK 1,533k.

As collateral for bank debt, DKK 400,000k, the bank is given security in depositary with a carrying amount of DKK 732,475k at 31 December 2017.

The Group has provided a guarantee of a maximum of DKK 864,505k to financial institutions regarding loans and other engagements.

Notes to the Financial Statements

24 Contingent assets, liabilities and other financial obligations (continued)

As security for payables to financial institution, DKK 245,204k collateral has been given in vessels and cash funds which at 31 December 2017 have a carrying amount of DKK 416,612k and DKK 10,944k, respectively. Furthermore, shares and accompanying rights in KIRK Shipping A/S (carrying amount of DKK 211,422k at 31 December 2017) and KIRK Shipping A/S's subsidiaries Gunhild Kirk A/S, Edith Kirk A/S, Marianne Kirk A/S, Marie Kirk A/S and Anja Kirk A/S (carrying amounts of DKK 452,943k at 31 December 2017), have been placed as security. Furthermore, KIRK KAPITAL A/S, Gunhild Kirk A/S, Edith Kirk A/S, Marianne Kirk A/S, Marie Kirk A/S and Anja Kirk A/S have guaranteed payment to the bank and is jointly and severally liable for the unpaid bank debt.

As collateral for bank debt to financial institution, DKK 258,656k, the shares and accompanying rights in the subsidiary KKAG Aviation A/S have been placed as security (the carrying amount of which amounts to DKK 240,025k at 31 December 2017). Further, as collateral for the bank debt, the bank has been given security in KKAG Aviation A/S' shares and rights in KA1 P/S, with a carrying amount of DKK 280,984k at 31 December 2017. Furthermore, KIRK KAPITAL A/S, KIRK Aviation A/S and KKAG Aviation A/S have guaranteed payment to the bank and is jointly and severally liable for the unpaid bank debt.

As Security for mortgage debt, DKK 358,552k collateral has been given in land and buildings with a carrying amount of DKK 855,805k at 31 December 2017.

As security for payment obligations, a cash amount of DKK 23,260k has been deposited with Sydbank.

Parent Company

Contingent liabilities and remaining commitment regarding participation in investment projects amount to a maximum of DKK 36,100k.

Contingent liabilities regarding rent of property and leases in the Parent Company amount to DKK 1,533k.

As collateral for bank debt, DKK 400,000k, the bank is given security in depositary with a carrying amount of DKK 732,475k at 31 December 2017.

As security for payables to financial institution in KIRK Shipping A/S of DKK 245,204k, security has been given in shares and accompanying rights in the subsidiary KIRK Shipping A/S, which has a carrying value of DKK 211,422k at 31 December 2017.

The Parent Company has provided a guarantee of a maximum of DKK 864,505k to financial institutions in which the Company's subsidiaries have loans and other engagements.

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the Group and for Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax. The total payable corporation tax is disclosed in the Annual Report of KIRK KAPITAL A/S, which is the management company of the joint taxation.

Notes to the Financial Statements

25 Related parties

Transactions

	Group		Parent Company	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	DKK'000	DKK'000	DKK'000	DKK'000
Management Fee Income	12,903	2,980	13,703	3,780

Apart from the above, there have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions with fully owned subsidiaries and normal management remuneration.

26 Fee to auditors appointed at the general meeting

	Group	
	<u>2017</u>	<u>2016</u>
	DKK'000	DKK'000
Audit fee to PricewaterhouseCoopers	726	680
Other assurance engagements	174	173
Tax advisory services	978	1,343
Other non-audit services	986	1,158
	<u>2,864</u>	<u>3,354</u>

Notes to the Financial Statements

27 Accounting Policies

The Annual Report of KIRK KAPITAL A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2017 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

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

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

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

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, KIRK KAPITAL A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

27 Accounting Policies (continued)

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

Minority interests

Minority interests form part of the Group’s total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Translation policies

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

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

Notes to the Financial Statements

27 Accounting Policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Segment reporting

Segment information is presented in respect of business segments based on the Group's risks and returns and its internal financial reporting system.

Income Statement

Revenue

Revenue from the sales of service etc is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

27 Accounting Policies (continued)

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises as well as office expenses etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with the parent and all Danish group enterprises. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their

Notes to the Financial Statements

27 Accounting Policies (continued)

taxable incomes (full allocation with credit for tax losses).

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5-20 years.

Investment properties and other property, plant and equipment

Investment properties

Investment properties are measured at cost comprising the acquisition price and costs of acquisition. The cost of own constructed investment properties comprises the acquisition price and expenses directly related to the acquisition, including costs of acquisition and indirect expenses for labour, materials, components and suppliers up until the time when the asset is ready for use.

After the initial recognition the investment properties are measured at fair value.

Fair value is the amount for which the investment properties could be exchanged between knowledgeable, willing parties in an arm's length transaction of the balance sheet date. The determination of fair value involves material accounting estimates.

The fair value of investment properties has been determined at 31 December 2017 for each investment property by using a return-based model under which the expected future cash flows for the coming year combined with a rate of return form the basis of the fair value of the property. The calculations are based on the investment properties' budgets for the coming years. The budget takes into account developments in rentals, vacancies, operating expenses, maintenance and administration, etc. The budgeted cash flows is divided by the estimated rate of return to arrive at the fair value of the investment properties.

Other property, plant and equipment

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

Notes to the Financial Statements

27 Accounting Policies (continued)

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Aircraft	10-20 years
Vessels	20 years
Other fixtures and fittings, tools and equipment	3-6 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Notes to the Financial Statements

27 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

Other fixed asset investments

Other fixed asset investments are measured at estimated fair value.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning operating expenses relating to vessels.

Current asset investments

Current asset investments, which consist of listed bonds are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Equity

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is

Notes to the Financial Statements

27 Accounting Policies (continued)

measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Current tax receivables and liabilities

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

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Deferred income

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

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

27 Accounting Policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$