

KILROY Group Travel A/S

Annual Report for the year 2015

The Annual General Meeting adopted the annual report on 09.03.2016

Chairman of the General Meeting


Name _____

KILROY Group Travel A/S
Nytov 5
1450 Copenhagen K
Denmark

Reg. no. 25 49 77 59

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Statement by the Board of Directors and Management

The Company is a subsidiary of KILROY International A/S which is an international travel agency with headquarters in Denmark.

The board of directors and the managing director have today approved the annual report for the financial year January 1 to December 31, 2015 for KILROY Group Travel A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion, that the annual Report gives a fair and true view of the company's assets, liabilities and financial position as pr. December 31, 2015 and the result of the company's activities for the financial year January 1 - December 31, 2015.

In our opinion, Management's review includes a fair review of the development in the company's operations and financial conditions, the result for the year and financial position.

The Financial statement is sent for approval for the annual general meeting.

Copenhagen K, 9/3 2016

The Board of Directors:


Claus Hincheli Hejlesen
Chairman


Henrik Kaltoft

Elise Thorsen


Managing Director
Henrik Kaltoft

Independent Auditors' Report

To the shareholders of KILROY Group Travel A/S

Independent auditors' report on the financial statements

We have audited the financial statements of KILROY Group Travel A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, Income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen K, *9. marts* 2016

KPMG
Statsautoriseret Revisionspartnerselskab
CVR nr. 25578198
Jacob Lehmann
State Authorised Public Accountant

Management's review

Company information

KILROY Group Travel A/S
Nytorv 5
1450 Copenhagen K

Phone: 70 22 05 35
Web: www.kilroy.dk
Mail: hol@kilroy.dk

CVR-nr.: 25 49 77 59
Founded: 22. juni 2000
Registered in: Copenhagen K.
Accounting year: 1. january - 31. december

Board of directors:

Claus Hincheli Hejlesen (Chairman)
Henrik Kaltoft
Elise Thorsen

Managing Director:

Henrik Kaltoft

Auditors:

KPMG
Statsautoriseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Annual General Meeting:

The annual general meeting will take place on 09. March 2016 at the parent companys office at Nytorv 5, 1450 Copenhagen K.

Keyfigures

	2015	2014	2013	2012	2011	
Profit & Loss Accounts (mDKK)						
Turnover	225	212	228	236	261	
EBITDA	18,5	19,9	20,5	17,9	14,8	
Ordinary operating profit (EBIT)	18,4	19,8	20,4	17,7	14,3	
Net financial income	3,8	3,2	2,4	0,3	-0,8	
Profit before income tax (EBT)	22,2	23,1	22,8	18,1	13,6	
Net profit for the year	17,9	18,8	17,1	13,5	9,8	
Balance Sheet (mDKK)						
Non-current assets	4,2	3,9	3,9	4,0	4,0	
Current assets	93,1	95,2	93,1	99,0	102,0	
Total assets	97,3	99,2	97,0	103,0	107,0	
Share capital	1,1	1,1	1,1	1,0	1,0	
Equity	27,3	27,4	25,1	23,0	22,0	
Current liabilities	68,3	70,2	70,4	79,0	82,0	
Investments in tangible assets	0,4	0,0	0,0	0,0	0,1	
Key Figures						
EBITDA - Margin (%)	EBITDA / Turnover	8,2	9,4	9,0	7,5	5,5
Return on assets (%)	EBIT / total assets	18,9	20,0	21,0	17,2	13,5
Return on equity (%)	Net profit / average equity	65	72	71	60	43
Liquidity ratio (%)	Current assets / current liabilities	136	136	132	126	124
Equity ratio (%)	Equity / total assets	28	28	26	22	21
Average number of full-time employees (FTE)		44	46	52	57	69

Management's review

Main activities

The main activity – which remains unchanged from previous years – is to carry on sale of travel related services and products under the two brands KILROY and BENNS.

Sales are conducted from the premises in Holstebro.

Development in activities, finances, and other events during the year

The turnover increased compared to the preceding years. The operating profit is maintained close to that of 2014, which is considered very satisfactory. The operating profit must be seen in light of implementation of substantial structural changes and alignment with the rest of the KILROY Group.

Uncertainty relating to recognition and measurement

There have not been any uncertainty regarding recognition and measurement in the annual report.

Risk assessment

Operating globally, the travel industry is by nature impacted by numerous risks. The vast majority of these are beyond our control, such as war, terror, natural disasters and political unrest.

Each year brings new and sometimes extraordinary challenges to the travel industry and every link in the value chain is constantly challenged, either by traditional suppliers, new players or by the customers themselves. Like in many other industries, the Internet has created an atmosphere of "direct trading is cheapest." This challenge is addressed by constantly focusing on internal training and customer service, and by making value-addition tangible and apparent to customers.

The financial risk of doing business in multiple countries and currencies is reduced through cautious execution by the KILROY Group's cash management department, which has established policies to ensure that currency exposure is mitigated to the extent possible. The KILROY Group only hedges commercial exposures. The financial instruments used primarily include currency forward contracts.

Corporate Social Responsibility (CSR)

KILROY Group Travel A/S does not have an independent strategy or social responsibility policy, but the company is included in the consolidated financial statements of KILROY International A/S, which prepares a group policy on CSR.

The strategy and policy can be found on www.kilroy.net/policies

Intellectual capital

In order to maintain sustained development of the business areas and complementary areas, our employees are central. Hence, training and competence upgrade within travel are continuously prioritized.

Subsequent events and expectations for 2016

No material events have occurred since the balance sheet date that would affect the assessment of the annual report for 2015.

The expectation for 2016 is that KILROY Group Travel A/S will deliver a result similar to 2015, save for any external events beyond own control.

Profit & Loss Account 1 January to 31 December 2015

	Notes	2015 '000 DKK	2014 '000 DKK
Turnover	1	225.104	214.122
Cost of products		-180.444	-168.370
Gross profit		<u>44.660</u>	<u>45.752</u>
Salaries and other personnel expenses	2	-17.029	-18.360
Other operating expenses		-9.130	-7.526
		<u>-26.159</u>	<u>-25.886</u>
Operating profit before depreciation and amortization (EBITDA)		18.501	19.866
Depreciations and amortizations	3	-75	-20
Operating profit before net financial income (EBIT)		18.426	19.846
Financial income		3.822	3.221
Financial expenses		-1	-1
Net financial income	4	<u>3.821</u>	<u>3.220</u>
Profit before income tax (EBT)		22.247	23.066
Tax on profit of the year	5	-4.370	-4.232
Net profit for the year		<u>17.877</u>	<u>18.834</u>
Proposed appropriation of net result			
Dividend		17.000	18.000
Retained earnings		877	834
		<u>17.877</u>	<u>18.834</u>

Balance Sheet as at 31 December 2015

	Notes	2015 '000 DKK	2014 '000 DKK
Assets:			
Leasehold improvements		173	0
IT hardware and other equipments	6	143	27
Total property, plant and equipment		316	27
Equity investments in associates	7	3.912	3.912
Total financial fixed assets		3.912	3.912
Total non-current assets		4.228	3.939
Inventories		887	953
Trade receivables		14.148	17.865
Amounts due from group entities		67.654	64.860
Amounts due from affiliated companies		222	0
Tax receivables		764	477
Prepaid expenses and accrued income	8	754	547
Total Receivables		83.542	83.749
Cash and cash equivalents		8.646	10.523
Total current assets		93.075	95.225
Total assets		97.303	99.164
Equity:			
Share capital		1.100	1.100
Proposed dividend		17.000	18.000
Retained earnings		9.183	8.305
Total equity	9	27.283	27.405
Provisions:			
Deferred tax	10	1.748	1.515
Total provisions		1.748	1.515
Current liabilities:			
Trade creditors		24.659	19.344
Other payables		7.060	3.995
Accrued liabilities		0	7.974
Advance payments		36.553	38.931
Total current liabilities		68.272	70.244
Total liabilities		68.272	70.244
Total equity and liabilities		97.303	99.164
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Notes

1. Turnover

Pursuant to the damage clause in section 96(1) of the Danish Financial Statements Act, segment information has not been disclosed.

2. Salaries and other personnel expenses

Salaries and other personnel expenses are specified as follows:

	2015	2014
	'000 DKK	'000 DKK
Wages and salaries	15.421	16.779
Pensions	734	705
Other social security costs	161	181
Total salaries and related expenses	16.316	17.665
Other personnel expenses	713	695
Total salaries and other personnel expenses	17.029	18.360
 Average number of employees (full year equivalents)	 44	 46

Remuneration to executive board are included in the Management fee from the parent company.

3. Depreciations and amortizations

Depreciations and amortizations are specified as follows:

	2015	2014
	'000 DKK	'000 DKK
Depreciation of property, plant and equipment, see note 6	75	20
Depreciation and amortization recognised in the income statement	75	20

4. Financial income and expenses

Financial income and expenses are specified as follows:

	2015	2014
	'000 DKK	'000 DKK
Interest income from affiliated companies	0	138
Dividend associated companies	3.765	3.016
Other financial income	57	67
	3.822	3.221
Financial expenses	-1	-1
Total financial income and expenses	3.821	3.220

5. Tax on profit of the year

Tax on profit of the year are specified as follows:

	2015	2014
	'000 DKK	'000 DKK
Joint tax contribution	4.136	4.823
Adjustment previous year	0	-515
Adjustment of deferred tax for the year	233	-76
Change due to decreased tax percentage	0	0
	4.369	4.232

Notes, continued:

6. Property, plant and equipment

	Equipment '000 DKK	IT hardware '000 DKK	Leasehold improvement '000 DKK	Total '000 DKK
Cost at the beginning of 2015	1.119	418	302	1.839
Additions in year	0	169	195	364
Cost at the end of 2015	1.119	587	497	2.203
Depreciations at the beginning of 2015	-1.106	-404	-302	-1.812
Depreciations for the year	-13	-40	-22	-75
Depreciations at the end of 2015	-1.119	-444	-324	-1.887
Carrying amount at the end of 2015	0	143	173	316

7. Equity investments in associates

Equity investments in associates are specified as follows:

	Total '000 DKK
Cost at the beginning of 2015	3.912
Cost at the end of 2015	3.912

Name	City, country	Voting rights & ownership share
Associated companies:		
OurWorld A/S	Holstebro, Denmark	40,00%
SkiGroup A/S	Ringkøbing, Denmark	27,58%

According to latest official financial statements:

OurWorld A/S: net profit tDKK 46 and equity tDKK 660.

SkiGroup A/S : net profit tDKK 13.147 and equity tDKK 21.934.

8. Prepaid expenses and accrued income

Prepaid expenses and accrued income consists of payments to suppliers that relate to the following year and earned, but not paid incentive.

9. Equity

Changes in equity is specified as follows:

	Share capital '000 DKK	Retained earnings '000 DKK	Proposed dividend '000 DKK	Total equity '000 DKK
Equity 1.1.2015	1.100	8.305	18.000	27.405
Transferred over the profit appropriation	0	877	17.000	17.877
Dividends paid	0	0	-18.000	-18.000
Equity 31.12.2015	1.100	9.182	17.000	27.282

The share capital comprises of 11.000 shares of DKK 100 each.

There has been no changes to issued capital during the past five years.

Notes, continued:

10. Deferred tax asset

Changes in deferred income tax are as follows:	2015 '000 DKK	2014 '000 DKK
Deferred income tax asset at beginning of year	1.515	1.557
Change in deferred tax	233	-76
Change due to decreased tax percentage	0	0
Adjustment previous year	0	34
Deferred income tax asset at the end of 2015	1.748	1.515

11. Contingent assets, liabilities and secured debt

	2015 '000 DKK	2014 '000 DKK
Rent and lease obligations within one year	611	326
Rent and lease obligations between one and five years	2.190	5

The company is a member of Rejsegarantifonden and KILROY International A/S has issued a bank guarantee of tDKK 3.500 as security.

As a subsidiary to KILROY International A/S, KILROY Goup Travel A/S operates under joint taxation along with other danish companies in the KILROY Group.

The current Danish corporation tax is allocated among the jointly-taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses).

12. Related parties

KILROY Group Travel A/S' related parties comprise the following:

KILROY Group Travel A/S is 100% owned by KILROY International A/S, Nytorv 5, 1450 Copenhagen K.

KILROY Group Travel A/S is a part of the consolidated annual report for KILROY International A/S. The annual report for KILROY International A/S can be found at kilroy.net.

Accounting Policies

General

The Annual Report for 2015 for KILROY Group Travel A/S is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class large-C companies.

The accounting policies applied, as described below, are consistent with those applied last year.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement is included in the consolidated cash flow statement for KILROY International A/S.

Pursuant to section 96(3) of the Danish Financial Statements Act, fee paid to the Company's auditor appointed at the general meeting has not been disclosed.

The Annual Report for 2015 for KILROY Group Travel A/S is included in the consolidated financial statements for the KILROY Group.

Foreign currency conversion

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement in cost of products.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as intercompany other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Profit and Loss Account

Turnover

Turnover includes the year's sales of travel products and other services.

Turnover from individual-oriented products are booked at the time of invoicing, regardless of departure date.

Turnover from group travel products are booked in the accounting period that coincides with the departure date of the trip.

Turnover is measured at the fair value of the agreed remuneration excluding VAT. All discounts granted are included in revenue.

Cost of products

Cost of products comprises invoiced and accrued cost of travel related products and other services incurred by generated revenue of the year.

Other operating expenses

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

These are costs incurred indirectly from distributing travel products and other services sold during the year. Also included are other overhead costs, e.g., office premises, office expenses, IT and all costs for web-technology with an assessed lifetime of less than 3 years.

Accounting Policies

Salaries and other personnel expenses

Personnel costs mainly include costs for salaries, pensions and other social security costs.

Income from investment in associated companies

Income from investments in associated companies consists of dividends received.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest, capital gains and- losses on securities, liabilities and conversion in foreign currencies and surcharges/allowances regarding tax.

Tax

The current Danish corporation tax is allocated among the jointly-taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). Tax for the year comprises current tax, joint taxation and changes in deferred tax for the year, including adjustments to tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Deferred tax is provided under the liability method, and covers all temporary differences between accounting and tax values of the assets and liabilities.

The tax value of tax loss carry-forwards will be set off against deferred tax liabilities to the extent that the tax losses and other tax assets are expected to be utilised in the future taxable income. Deferred tax is calculated according to applicable tax laws and according to the expected tax rate.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Assets are written down if their value has depreciated and cannot be seen as appreciating in the near future.

Cost comprises the purchase price and any direct costs directly attributable to the acquisition until the date on which the asset is available for use.

Depreciation is calculated on a straight-line basis of the cost according to the following guidelines, based on the estimated economic life of the asset:

- Equipment 5 years
- Leasehold improvements 5 years
- IT and other equipment 3-5 years

Investments

Shares in associated companies are valued using the cost method. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Goods for resale are measured at cost price.

Write-downs are made according to obsolescence and other forms of value depreciation.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Accounting Policies

Equity

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Liabilities other than provisions

Prepayments from customers, trade payables and other payables are measured at net realizable value.