

Blue Water Property A/S
Trafikhavnskaj 9
6700 Esbjerg
Central Business Registration No
26919657

Annual report 2016

The Annual General Meeting adopted the annual report on 18.05.2017

Chairman of the General Meeting

Name: Niels Kaalund

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Entity details

Entity

Blue Water Property A/S
Trafikhavnskaj 9
6700 Esbjerg

Central Business Registration No: 26919657

Registered in: Esbjerg

Financial year: 01.01.2016 - 31.12.2016

Phone: (+45)79134144

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Board of Directors

Kurt Skov, chairman

Niels Kaalund

Jørgen Meyer

Preben Møller Nielsen

Executive Board

Allan Vahlun Junge Pedersen, managing director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

Postbox 200

6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Blue Water Property A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 18.05.2017

Executive Board

Allan Vahlun Junge Pedersen
managing director

Board of Directors

Kurt Skov
chairman

Niels Kaalund

Jørgen Meyer

Preben Møller Nielsen

Independent auditor's report

To the shareholders of Blue Water Property A/S

Opinion

We have audited the financial statements of Blue Water Property A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 18.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jørn Jepsen
State Authorised Public Accountant

Peder Rene Pedersen
State Authorised Public Accountant

Management commentary

Primary activities

The Company owns, rents out and administers real property.

Development in activities and finances

The Company's income statement for the financial year 2016 shows a profit of DKK 14,225k, and the balance sheet at 31 December 2016 shows a balance sheet total of DKK 528,174k and equity of DKK 45,687k.

Equity in 2016 is negatively affected by fair value adjustments of interest rate swap contracts of DKK 6,6m. At 31 December 2016 equity is negatively affected by fair value adjustments of interest rate swap contracts of DKK 48,4m.

In 2016, the Company has acquired a refrigerated warehouse in Padborg, Denmark worth DKK 17m. The property was previously owned by the associate Euroterminal – Blue Water/Frigoscandia ApS, which merged with Blue Water Property A/S in 2016.

Furthermore, the Company has invested another DKK 59m in the building of a new freight terminal at Taulov, Denmark. The new freight terminal was fully let from 1 September 2016.

The performance development of the Company's other letting activities has been positive.

A positive development in the Company's profit is expected for the coming year.

Outlook

Management expects the high occupancy rate to continue and to see a profit for 2017. The Company is expecting to have positive cash flow in 2017.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Gross profit		40,580	35,198
Depreciation, amortisation and impairment losses	1	(10,656)	(9,587)
Operating profit/loss		29,924	25,611
Income from investments in associates		146	(85)
Other financial income		499	1,028
Other financial expenses		(12,805)	(11,730)
Profit/loss before tax		17,764	14,824
Tax on profit/loss for the year		(3,539)	(3,612)
Profit/loss for the year		14,225	11,212
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		(951)	(85)
Retained earnings		15,176	11,297
		14,225	11,212

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Land and buildings		446,611	311,214
Property, plant and equipment in progress		0	71,185
Property, plant and equipment	2	446,611	382,399
Investments in associates		165	4,989
Fixed asset investments	3	165	4,989
Fixed assets		446,776	387,388
Trade receivables		6,505	9,346
Receivables from group enterprises		3,287	4,986
Other receivables		877	5,588
Income tax receivable		108	0
Prepayments		2,203	2,041
Receivables		12,980	21,961
Cash		68,418	20,139
Current assets		81,398	42,100
Assets		528,174	429,488

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	4	5,000	5,000
Reserve for net revaluation according to the equity method		106	1,057
Retained earnings		40,581	31,959
Equity		45,687	38,016
Deferred tax		14,109	10,390
Provisions		14,109	10,390
Mortgage debts		374,269	280,096
Other payables		68,142	62,728
Non-current liabilities other than provisions	5	442,411	342,824
Current portion of long-term liabilities other than provisions	5	12,930	10,347
Trade payables		2,125	17,717
Income tax payable		0	5,055
Other payables		5,146	2,365
Deferred income		5,766	2,774
Current liabilities other than provisions		25,967	38,258
Liabilities other than provisions		468,378	381,082
Equity and liabilities		528,174	429,488
Contingent liabilities	6		
Mortgages and securities	7		
Group relations	8		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5,000	1,057	31,959	38,016
Other equity postings	0	0	(6,554)	(6,554)
Profit/loss for the year	0	(951)	15,176	14,225
Equity end of year	5,000	106	40,581	45,687

Notes

	2016	2015
	DKK'000	DKK'000
1. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	12,083	9,587
Profit/loss from sale of intangible assets and property, plant and equipment	(1,427)	0
	10,656	9,587
		Property, plant and equipment in progress
	Land and buildings	DKK'000
	DKK'000	DKK'000
2. Property, plant and equipment		
Cost beginning of year	415,040	71,185
Addition through business combinations etc	17,007	0
Transfers	71,185	(71,185)
Additions	60,656	0
Disposals	(1,368)	0
Cost end of year	562,520	0
Depreciation and impairment losses beginning of the year	(103,826)	0
Depreciation for the year	(12,083)	0
Depreciation and impairment losses end of the year	(115,909)	0
Carrying amount end of year	446,611	0

Notes

	Investments in associates DKK'000
3. Fixed asset investments	
Cost beginning of year	3,932
Additions	8,500
Disposals	(12,373)
Cost end of year	59
Revaluations beginning of year	1,057
Share of profit/loss for the year	146
Reversal regarding disposals	(1,097)
Revaluations end of year	106
Carrying amount end of year	165

	Registered in	Corpo - rate form
Investments in partnerships and limited partnerships include:		
Kartoffelpakhuset I/S	Esbjerg	I/S

	Number	Par value DKK'000	Nominal value DKK'000
4. Contributed capital			
Share capital	5,000,000	1	5,000
	5,000,000		5,000

Notes

	Instalments within 12 months 2016 DKK'000	Instalments within 12 months 2015 DKK'000	Instalments beyond 12 months 2016 DKK'000	Outstanding after 5 years DKK'000
5. Liabilities other than provisions				
Mortgage debts	12,930	10,347	374,269	318,875
Other payables	0	0	68,142	68,142
	12,930	10,347	442,411	387,017

Financial instruments

The Company has entered into interest rate swap contracts at the balance sheet date relating to loans of DKK 270m. Unrealised net losses on these contracts at 31 December 2016 of DKK 62,021k are recognised under long-term liabilities, other payables and taken directly to equity by DKK 48,376k as well as deferred tax by DKK 13,645k. The interest rate swap with an interest rate of 3.76% relating to DKK 100m expires on 31 March 2021, the interest rate swap with an interest rate of 3.95% relating to DKK 100m expires on 29 March 2041, the interest rate swap with an interest rate of 2.05% relating to DKK 40m expires on 26 June 2035, the interest rate swap with an interest rate of 1.47% relating to DKK 30m expires on 28 December 2035.

Notes

	2016	2015
	DKK'000	DKK'000
6. Contingent liabilities		
Recourse and non-recourse guarantee commitments	7,300	7,300
Contingent liabilities in total	7,300	7,300
Recourse and non-recourse guarantee commitments	0	0
Hereof contingent liabilities to group enterprises	0	0

Recourse gurantee commitment for parent company's mortgage, which at the end of the financial year is DKK 0k.

The company is liable for mortgage in partnership with DKK 2,982k.

The Entity participates in a Danish joint taxation arrangement in which Blue Water Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Expert opinion and appraisal

In connection with the construction of a building, the contractor has filed a claim for a total additional payment of approx DKK 4,8m. Acceptance of this claim was refused because the Company has made a counterclaim for compensation for construction faults

7. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties.

Own as well as group enterprises' bank debt is secured by way of a mortgage registered to the owners of nominal DKK 10,950k on the properties.

The carrying amount of mortgaged properties amounts to DKK 446,597k.

8. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Blue Water Holding A/S, Esbjerg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Blue Water Holding A/S, Esbjerg

Accounting policies

Reporting class

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

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other external expenses

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

Depreciation, amortisation and impairment losses

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

Accounting policies

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

Land and buildings are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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

Buildings	5-50 years
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Items of property are written down to the lower of recoverable amount and carrying amount.

Investments in associates

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

Accounting policies

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

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

Receivables

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

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

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

Mortgage debt

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

Other financial liabilities

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.