

Blue Water Property A/S

Trafikhavnskaj 9

6700 Esbjerg

Business Registration No

26919657

Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting

Name: Niels Stie Kaalund

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Entity details

Entity

Blue Water Property A/S
Trafikhavnskaj 9
6700 Esbjerg

Central Business Registration No (CVR): 26919657
Registered in: Esbjerg
Financial year: 01.01.2018 - 31.12.2018

Phone: (+45)79134144
Website: www.bws.dk
E-mail: bwsebj@bws.dk

Board of Directors

Kurt Skov, chairman
Niels Stie Kaalund
Jørgen Meyer
Anne Roed Skov
Peter Damsboe

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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 29.05.2019

Executive Board

Allan Vahlun Junge Pedersen
managing director

Board of Directors

Kurt Skov
chairman

Niels Stie Kaalund

Jørgen Meyer

Anne Roed Skov

Peter Damsboe

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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, 29.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Peder Rene Pedersen
State Authorised Public Accountant
Identification No (MNE) mne23334

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 2018 shows a profit of DKK 23.096k, and the balance sheet at 31.12.2018 shows a balance sheet total of DKK 535,920k and equity of DKK 93.653k.

Equity in 2018 is positively affected by fair value adjustments of interest rate swap contracts of DKK 2,2m. At 31.12.2018 equity is negatively affected by fair value adjustments of interest rate swap contracts of DKK 40m.

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

Outlook

Management expects the high occupancy rate to continue and to see a profit of DKK 15m for 2019. The Company is expecting to have positive cash flow in 2019.

Particular risks

Cash Flow

As part of the Company's policy, capital procurement and placement of excess liquidity are controlled at group level insofar as is appropriate. Furthermore, the Company has liquidity measures in the shape of excess liquidity and credits, which is available to the company at any time.

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 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Gross profit		47.962	47.590
Depreciation, amortisation and impairment losses	2	(7.643)	(16.620)
Operating profit/loss		40.319	30.970
Income from investments in associates		81	49
Other financial income	3	2.462	3.362
Other financial expenses	4	(13.287)	(13.521)
Profit/loss before tax		29.575	20.860
Tax on profit/loss for the year	5	(6.479)	(4.591)
Profit/loss for the year		23.096	16.269
Proposed distribution of profit/loss			
Transferred to reserve for net revaluation according to the equity method		0	(106)
Retained earnings		23.096	16.375
		23.096	16.269

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Land and buildings		432.483	433.630
Property, plant and equipment in progress		0	6.732
Property, plant and equipment	6	432.483	440.362
Investments in associates		45	0
Fixed asset investments	7	45	0
Fixed assets		432.528	440.362
Trade receivables		6.402	7.466
Receivables from group enterprises		71.711	647
Other receivables		791	774
Prepayments		4.601	4.414
Receivables		83.505	13.301
Cash		19.887	83.865
Current assets		103.392	97.166
Assets		535.920	537.528

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Contributed capital	8	5.000	5.000
Retained earnings		88.653	63.344
Equity		93.653	68.344
Deferred tax		16.328	15.794
Provisions for investments in associates		0	36
Provisions		16.328	15.830
Mortgage debt		331.405	358.973
Other payables	9	58.004	59.950
Non-current liabilities other than provisions	10	389.409	418.923
Current portion of long-term liabilities other than provisions	10	13.550	13.627
Trade payables		6.084	8.474
Payables to group enterprises		2.275	0
Joint taxation contribution payable		6.570	4.645
Other payables		2.569	2.520
Deferred income		5.482	5.165
Current liabilities other than provisions		36.530	34.431
Liabilities other than provisions		425.939	453.354
Equity and liabilities		535.920	537.528
Staff costs	1		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		
Group relations	14		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5.000	63.344	68.344
Other entries on equity	0	2.213	2.213
Profit/loss for the year	0	23.096	23.096
Equity end of year	5.000	88.653	93.653

Notes

	<u>2018</u>	<u>2017</u>
1. Staff costs		
Average number of employees	<u>0</u>	
	2018	2017
	DKK'000	DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	16.691	16.620
Profit/loss from sale of intangible assets and property, plant and equipment	(9.048)	0
	<u>7.643</u>	<u>16.620</u>
	2018	2017
	DKK'000	DKK'000
3. Other financial income		
Financial income arising from group enterprises	2.113	875
Other interest income	313	1.117
Other financial income	36	1.370
	<u>2.462</u>	<u>3.362</u>
	2018	2017
	DKK'000	DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	1	2
Other interest expenses	13.059	13.316
Other financial expenses	227	203
	<u>13.287</u>	<u>13.521</u>
	2018	2017
	DKK'000	DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	(90)	(118)
Adjustment concerning previous years	(1)	64
Refund in joint taxation arrangement	6.570	4.645
	<u>6.479</u>	<u>4.591</u>

Notes

	Land and buildings DKK'000	Property, plant and equipment in progress DKK'000
6. Property, plant and equipment		
Cost beginning of year	566.159	6.732
Transfers	6.732	(6.732)
Additions	18.259	0
Disposals	(17.329)	0
Cost end of year	573.821	0
Depreciation and impairment losses beginning of year	(132.529)	0
Depreciation for the year	(16.691)	0
Reversal regarding disposals	7.882	0
Depreciation and impairment losses end of year	(141.338)	0
Carrying amount end of year	432.483	0
		Invest- ments in associates DKK'000
7. Fixed asset investments		
Cost beginning of year		59
Cost end of year		59
Revaluations beginning of year		(59)
Share of profit/loss for the year		81
Investments with negative equity value transferred to provisions		(36)
Revaluations end of year		(14)
Carrying amount end of year		45
	Registered in	Corpo - rate form
Investments in partnerships and limited partnerships include:		
Kartoffelpakhuset I/S	Esbjerg	I/S

Notes

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
8. Contributed capital			
Share capital	5.000.000	1	5.000
	<u>5.000.000</u>		<u>5.000</u>

	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
9. Other long-term payables		
Derivative financial instruments	50.992	53.829
Other costs payable	<u>7.012</u>	<u>6.121</u>
	<u>58.004</u>	<u>59.950</u>

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 2018 of DKK 50,992k are recognised under long-term liabilities, other payables and taken directly to equity by DKK 39,774k as well as deferred tax by DKK 11,218k. 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.

	<u>Due within 12 months 2018 DKK'000</u>	<u>Due within 12 months 2017 DKK'000</u>	<u>Due after more than 12 months 2018 DKK'000</u>	<u>Outstanding after 5 years DKK'000</u>
10. Liabilities other than provisions				
Mortgage debt	13.550	13.627	331.405	266.515
Other payables	<u>0</u>	<u>0</u>	<u>58.004</u>	<u>58.004</u>
	<u>13.550</u>	<u>13.627</u>	<u>389.409</u>	<u>324.519</u>

	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>72.845</u>	<u>78.012</u>

Notes

Liabilities under rental relates to port area. The area is subleased to an external party.

Besides this the company has entered into several lease agreements related to other port areas where notice of termination is 6 months.

	2018	2017
	DKK'000	DKK'000
12. Contingent liabilities		
Recourse and non-recourse guarantee commitments	83.639	31.154
Contingent liabilities in total	83.639	31.154
Recourse and non-recourse guarantee commitments	76.339	23.854
Contingent liabilities to group enterprises	76.339	23.854

Recourse guarantee commitment for group enterprises mortgage, which at the end of the financial year is DKK 76,339k.

The company is liable for mortgage in partnership with DKK 2,330k.

The Entity participates in a Danish joint taxation arrangement where 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, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in 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

13. Assets charged and collateral

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 432,483k.

Notes

14. 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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale 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

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

Income from investments in 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, net capital or exchange gains on securities, payables and transactions in foreign currencies, 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, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

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.

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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Estimated useful lives and residual values are reassessed annually.

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.

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.

Prepayments

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

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

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.

Other provisions

Other provisions comprise investments in associates with negative equity. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if there is a legal or constructive obligation to cover the liabilities of the relevant group enterprises and associates.

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.

Joint taxation contributions payable or receivable

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income

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