

SSTS A/S

Annual Report for the year 2018

The Annual General Meeting adopted the annual report on 12.04.2019

Chairman of the General Meeting



Henrik Kaltoft

SSTS A/S
Nytorv 5
1450 Copenhagen K
Denmark

Reg. no. 30 27 85 93

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Statement by the Board of Directors and Management

Today, the Board of Directors and the Management have discussed and approved the annual report of SSTS A/S for the financial year 2018.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at December 31, 2018 and of the results of the Group's and the Company's operations and cash flows for the financial year 2018.

Further, in our opinion, the report of the Board of Directors gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, April 12th 2019

The Board of Directors:



Arnar Thorisson
Chairman



Claus Hincheli Hejlesen

Tapio Kiiskinen



Sigurdur Kiernan

Managing director:



Claus Hincheli Hejlesen

Independent Auditors' Report

To the shareholders of SSTS A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of SSTS A/S for the financial year 1 January – 31 December 2018. The consolidated financial statements and the parent company financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes including accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 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 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 consolidated financial statements and the parent company 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists.

Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditors' Report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company 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 Parent 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 consolidated financial statements and the parent company 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 Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, April 12th 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR-no. 25 57 81 98



Anja Bjørnholt Lütcke
State Authorised
Public Accountant
mne26779

Management's review

Company information

SSTS A/S
Nytorv 5
1450 Copenhagen K

Phone: 33 48 07 00
Web: www.kilroy.net

CVR-nr.: 30 27 85 93
Founded: 1. January 2007
Registered in: Copenhagen K.
Accounting year: 1. january - 31. december

Board of directors:

Arnar Thorisson (Chairman)
Tapio Kiiskinen
Claus Hincheli Hejlesen
Sigurdur Kiernan

Managing Director:

Claus Hincheli Hejlesen

Auditors:

KPMG
Statsautoriseret Revisionspartnerskab
Dampfærgevej 28
2100 Copenhagen

Annual General Meeting:

The annual general meeting will take place on April 12th 2019 at the company address.

Keyfigures

	2018	2017	2016	2015	2014	
Profit & Loss Accounts (mDKK)						
Turnover	1.620	1.660	1.622	1.580	1.510	
EBITDA	24	40	52	52	49	
Ordinary operating profit (EBIT)	6	27	41	42	40	
Net financial income	-1	17	25	8	8	
Profit before income tax (EBT)	6	44	66	50	47	
Net profit for the year	1	35	55	37	36	
Balance Sheet (mDKK)						
Cash and bonds	203	200	215	241	222	
Current assets	388	386	348	319	288	
Total assets	445	433	392	364	331	
Capital expenditure	38	16	13	13	4	
Equity	99	125	119	91	80	
Current liabilities	340	305	270	271	249	
Cash flow from operating activities	44	37	25	54	37	
Key Figures						
EBITDA - Margin (%)	EBITDA / Turnover	1,5	2,4	3,2	3,3	3,2
EBIT - Margin (%)	EBIT / turnover	0,4	1,6	2,5	2,6	2,6
Return on assets (%)	EBIT / total assets	1,4	6,3	10,4	11,4	12,0
Return on equity (%)	Net profit / average equity	1,8	28,2	45,7	40,4	44,5
Liquidity ratio (%)	Current assets / current liabilities	113,4	126,7	129,3	117,8	115,7
Equity ratio (%)	Equity / total assets	22,2	28,8	30,4	25,0	24,2
Earnings per share (DKK)	Net profit / number of shares	6,7	233,3	366,7	246,7	238,2
Cash flow per share (DKK)	Cash flow from operating activities / number of shares	293,3	246,7	166,7	360,0	225,3
Dividend (DKK million)		35,0	35,0	35,0	20,0	20,0
Average number of full-time employees (FTE)		415	383	369	348	336

Management's review

To the Board of Directors and shareholder of SSTS A/S

Main activities

SSTS' only activity is share holding of the KILROY Group. Extended information about the financial year 2018 can be found in the annual report for the KILROY Group on kilroy.net/about.

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

The KILROY Group delivered a positive result for 2018, however with a profit before tax (EBT) of DKK 6 million, which equals a return on equity of 1%, compared with 31% in 2017 the financial result of the KILROY Group did not meet the targets set for 2018. Sales were below expectation and the profitability was disappointing.

Net sales for the Group totals to kDKK 1.620 (2017: kDKK 1.660). Profit after tax and minority interest amounts to tDKK 952 (2017: tDKK 35.144).

Equity after minority interests is per December 31, 2018 calculated at kDKK 97.804 (2017: kDKK 124.613) and total assets are kDKK 445.309 (2017: kDKK 433.201).

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 affected by numerous risks. The 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. Every link in the value chain is constantly challenged, either by traditional suppliers, new players or by the customers themselves. As in many other industries, the Internet has created an atmosphere of "direct trading is cheapest." We address this challenge 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 function, which has established policies to ensure that currency exposure is mitigated to the extent possible.

KILROY Group only hedges commercial exposures. The primary financial instruments include currency forward contracts.

Dividend

At an extraordinary general meeting in April 2018 it was decided to distribute kDKK 27.400 in extraordinary dividends.

As an ordinary dividend to be decided at the Annual General Meeting, the Board proposes a payment of DKK 10 million. Future dividends will be proposed in accordance with the Group's expansion plans, continued consolidation and liquidity requirements.

Organization

The average number of employees (full-time equivalents) was 415. There will continuously be invested in significant resources in training and upgrading of the Group's operating companies.

Corporate Social Responsibility (CSR)

It is a goal of the KILROY Group that employees, suppliers and customers all do their best to support the neighbouring community and, to the extent possible, limit any negative impact on the environment.

By its very nature, the KILROY Group business promotes understanding and respect among cultures. However, our business also involves a significant amount of air travel, and this carries an inevitable environmental impact. Our suppliers of hotel accommodation, cars and other ground products also make varying impact.

The KILROY Group has a formalized a CSR policy called "Walk-the-Talk." It defines goals for climate, sourcing, suppliers, social responsibility, human rights and animal welfare.

Our CSR policy aims to ensure that all our companies and employees act as good corporate citizens with due respect for differences in culture, history and economy. We encourage climate-friendly yet profitable investments with necessary consideration of human and labour rights.

Due to other priorities, the focus areas of 2018 did not get the attention that was originally intended. Thus, most focus areas of 2019 will remain as those for the previous year. However, increased focus will be allocated to the areas of climate and environment. A comprehensive plan for this is under preparation, and is expected to be launched before summer.

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

Management's review

Events after the balance sheet date and outlook for 2019

No material events have occurred since the balance sheet date that would affect the assessment of the Annual Report for 2018.

The expectation for 2019 is that the Group will deliver a turnover in the range of DKK 1.7-1.8 billion and an EBITDA in the range of DKK 30-35 million, except for any external events beyond the Group's control.

Profit & Loss Account 1 January to 31 December 2018

		Group		Parent	
	Notes	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Operating income:					
Turnover	1	1.620.099	1.659.899	0	0
Cost of products		-1.332.047	-1.376.862	0	0
Gross profit		288.052	283.037	0	0
Operating expenses:					
Salaries and other personnel expenses	2	-182.692	-166.446	0	0
Other operating expenses	3	-81.625	-76.514	-9	-21
		-264.317	-242.960	-9	-21
EBITDA		23.735	40.077	-9	-21
Depreciations and amortizations	4	-17.333	-12.768	0	0
EBIT		6.402	27.309	-9	-21
Dividend from subsidiaries		-	-	33.000	36.500
Financial income, net	5	-597	16.735	-80	-316
Net financial income		-597	16.735	32.920	36.184
EBT		5.805	44.044	32.911	36.163
Tax	6	-4.853	-8.900	19	74
Net profit for the year		952	35.144	32.930	36.237
Gain/loss attributable to minority interest		867	0	-	-
Result attributable to KILROY International A/S	7	1.819	35.144	32.930	36.237

Balance Sheet as at 31 December 2018

		Group		Parent	
	Notes	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Assets:					
Software		27.817	21.278	0	0
Goodwill		20.132	15.784	0	0
Total intangible fixed assets	4	47.949	37.062	0	0
Land and buildings		604	690	0	0
Leasehold improvements		4.154	2.803	0	0
IT hardware and other equipments		3.935	4.024	0	0
Total property, plant and equipment	4	8.693	7.517	0	0
Shares in subsidiaries	8, 13	-	-	37.400	37.400
Shares in associated companies	8	605	2.478	0	0
Total financial fixed assets		605	2.478	37.400	37.400
Total non-current assets		57.247	47.057	37.400	37.400
Inventories		1.880	1.438	0	0
Trade receivables		80.295	73.795	0	0
Amounts due from affiliated companies		0	7.817	0	0
Tax receivables		2.535	621	19	74
Other receivables		10.648	11.571	0	0
Prepaid expenses and accrued income	9	58.398	54.318	0	0
Intra group loans		31.767	36.520	0	0
Bonds and securities		88.535	89.343	0	0
Cash and cash equivalents		114.004	110.721	539	532
Total current assets		388.062	386.144	558	606
Total assets		445.309	433.201	37.958	38.006

Balance Sheet as at 31 December 2018

		Group		Parent	
	Notes	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Equity:					
Share capital		15.000	15.000	15.000	15.000
Reserve for own shares		0	-1.038	0	-1.038
Proposed dividend		10.000	0	10.000	0
Retained earnings		73.801	110.651	12.949	18.457
		98.801	124.613	37.949	32.419
Minority interests		-997	0	-	-
	Total equity	97.804	124.613	37.949	32.419
Provisions:					
Other provisions		1.891	28	0	0
Deferred tax	6	3.468	3.696	0	0
	Total provisions	5.359	3.724	0	0
Long-term liabilities:					
Long-term debt	10	1.873	0	0	0
	Total long-term liabilities	1.873	0	0	0
Current liabilities:					
Bank loan		373	0	0	0
Trade creditors		214.703	199.740	0	0
Loans from group entities		0	0	0	5.579
Other payables		27.636	24.162	0	8
Accrued liabilities	11	97.561	80.962	9	0
	Total current liabilities	340.273	304.864	9	5.587
	Total liabilities	342.146	304.864	9	5.587
	Total equity and liabilities	445.309	433.201	37.958	38.006
Contingent assets, liabilities and collaterals	12				
Subsidiaries	13				
Related parties	14				
Accounting policies	15				

Statement of changes in Equity

	Group		Parent	
	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Share capital at the beginning of the year	15.000	15.000	15.000	15.000
Capital adjustments	0	0	0	0
Share capital at the end of the year	15.000	15.000	15.000	15.000
Reserve for own shares beginning of the year	-1.038	-6.769	-1.038	-6.769
Additions	0	0	0	0
Disposals	1.038	5.731	1.038	5.731
Reserve for own shares at the end of the year	0	-1.038	0	-1.038
Retained earnings at the beginning of the year	110.651	111.123	18.457	17.220
Exchange rate and other adjustments	-1.269	-616	-1.038	0
Extraordinary dividend paid during the year	-27.400	-35.000	-27.400	-35.000
Proposed dividend	-10.000	0	-10.000	0
Net result of the year	1.819	35.144	32.930	36.237
Retained earnings at the end of the year	73.801	110.651	12.949	18.457
Proposed dividend beginning of the year	0	0	0	0
Proposed dividend	10.000	0	10.000	0
Paid dividend	0	0	0	0
Proposed dividend at the end of the year	10.000	0	10.000	0
Total equity	98.801	124.613	37.949	32.419
Minority shareholders' share of equity beginning of the year	0	0		
Additions/Disposals	-997	0		
Dividend paid	0	0		
Minority shareholders' share of equity end of the year	-997	0		
Total Group shareholders' equity	97.804	124.613		

The share capital comprises of 150.000 shares of DKK 100 each.
There has been no changes to issued capital during the past five years.

Cash Flow Statement

	Group	
	2018	2017
	(tDKK)	(tDKK)
Cash flows from operating activities:		
Profit for the year - before net finance income	6.402	27.309
Adjustment for:		
Depreciations and amortizations	17.333	12.768
Exchange rates and other adjustments	-243	-1.523
Working capital	23.492	38.554
Change in inventories	-442	-187
Change in receivables	-9.638	-36.816
Change in other provisions	0	28
Change in trade creditors	14.963	30.901
Change in other liabilities	22.319	6.294
Cash flow from operating activities before financial items	50.694	38.774
Net interest income	1.196	4.713
Paid taxes	-7.732	-6.689
	44.158	36.798
Cash flow from investing activities:		
Purchase/sale of shares	-4.447	15.320
Loan to affiliated companies	0	-5.807
Purchase/sale of bond	808	23.969
Net purchase of plant, operating equipment etc.	-16.444	-16.071
Cash flow from investing activities	-20.083	17.411
Cash flow from financial activities:		
Own shares	0	5.731
Loans to subsidiaries	4.753	-15.991
Bankdebt	1.873	0
Dividends paid/received	-27.400	-34.921
Cash flow from financial activities	-20.774	-45.181
Net cash flow from operating, investing and financing activities	3.301	9.028
Cash and cash equivalents at the beginning of the year	110.721	101.693
Cash and cash equivalents at the end of the year	114.022	110.721

Notes

1. Turnover

	Group		Parent	
	2018 (mDKK)	2017 (mDKK)	2018 (mDKK)	2017 (mDKK)
Belgium	39	39	0	0
Denmark	820	772	0	0
Finland	131	144	0	0
Iceland	34	38	0	0
Netherlands	208	228	0	0
Norway	224	248	0	0
Poland	13	16	0	0
Sweden	151	175	0	0
Total turnover	1.620	1.660	0	0

2. Salaries and other personnel expenses

	Group		Parent	
	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Wages and salaries	155.732	141.687	0	0
Pensions	10.185	8.509	0	0
Other social security costs	6.693	6.456	0	0
Total salaries and related expenses	172.610	156.652	0	0
Other personnel costs	10.082	9.794	0	0
Total salaries and other personnel expenses	182.692	166.446	0	0
Average number of employees (full year equivalents)	415	383	0	0

Information on remuneration of managers is omitted with reference to section 98b(3) of the Danish Financial Statements Act.

3. Fees to auditors appointed at the general meeting

	Group		Parent	
	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Statutory	949	1.104	6	8
Tax assistance	72	72	0	0
Other fees	342	283	0	0
	1.363	1.459	6	8

4. Non-current assets

GROUP	Goodwill (tDKK)	Land and buildings (tDKK)	Leasehold improve- ments (tDKK)	IT and other equipment (tDKK)	IT-software (tDKK)	Total (tDKK)
Cost at the beginning of 2018	56.349	1.297	8.007	11.211	60.739	137.603
Exchange rate adjustments	-48	0	-17	-38	0	-103
Additions in year	11.571	0	3.187	1.733	21.346	37.837
Disposals in year	0	0	-62	0	0	-62
Cost at the end of 2018	67.872	1.297	11.115	12.906	82.085	175.275
Depreciations and amortizations at the beginning of 2018	-40.565	-607	-5.204	-7.187	-39.461	-93.024
Additions in year	-3.434	0	-32	-156	-4.744	-8.366
Exchange rate adjustments	48	0	12	34	-4	90
Depreciations and amortizations in year	-3.789	-86	-1.737	-1.662	-10.059	-17.333
Depreciations and amortizations at the end of 2018	-47.740	-693	-6.961	-8.971	-54.268	-118.633
Carrying amount at the end of 2018	20.132	604	4.154	3.935	27.817	56.642
Carrying amount at the end of 2017	15.784	690	2.803	4.024	21.278	44.579

Notes, continued:

5. Financial income, net

	Group		Parent	
	2018	2017	2018	2017
	(tDKK)	(tDKK)	(tDKK)	(tDKK)
Financial income	-597	16.735	0	0
Financial expenses	0	0	-80	-316
Financial income, net	-597	16.735	-80	-316

Of the parent company's financial expenses, tDKK 76 is interest to subsidiaries (2017: tDKK 316).

6. Tax

	Group		Parent	
	2018	2017	2018	2017
	(tDKK)	(tDKK)	(tDKK)	(tDKK)
Current tax charge	5.790	7.526	-19	-74
Adjustments to previous year's tax charge	-824	488	0	0
Change in deferred tax and other changes	-113	886	0	0
	4.853	8.900	-19	-74
Deferred tax at the beginning of 2018	3.696	2.804	0	0
Exchange rate and other adjustments	-182	31	0	0
Change in deferred tax, net	-46	861	0	0
Deferred tax at the end of 2018	3.468	3.696	0	0
Paid corporate taxes	7.658	6.519	-74	-170

The deferred tax liability is based on the temporary difference between the book value and the statutory value of assets and liabilities. The parent company is taxed jointly with the Danish subsidiaries. The Danish companies are jointly and severally liable for the joint taxation.

7. Proposed appropriation of net result

	Group		Parent	
	2018	2017	2018	2017
	(tDKK)	(tDKK)	(tDKK)	(tDKK)
Extraordinary dividend paid during the year	27.400	35.000	27.400	35.000
Proposed dividend	10.000	0	10.000	0
Transfer from retained earnings	-35.581	144	-4.470	1.237
	1.819	35.144	32.930	36.237

8. Shares in associated companies and subsidiaries

	Group		Parent	
	2018	2017	2018	2017
	(tDKK)	(tDKK)	(tDKK)	(tDKK)
Cost at the beginning of the year	2.478	2.389	37.400	37.400
Exchange rates adjustments	0	89	0	0
Disposals of shares	-1.873	0	0	0
Book value at the end of the year	605	2.478	37.400	37.400

9. Prepaid expenses and accrued income

Deferred expenses and earned, but not paid incentives.

10. Long-term debt

	Group		Parent	
	2018	2017	2018	2017
	(tDKK)	(tDKK)	(tDKK)	(tDKK)
Bank loan	1.275	0	0	0
Capital loan	971	0	0	0
	2.246	0	0	0
Bank loan, short term	-373	0	0	0
	1.873	0	0	0

11. Advance payments

Primarily prepayments from travel ordered for 2019.

Notes, continued:

12. Contingent assets, liabilities and secured debt

	Group		Parent	
	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Rent, lease and other contractual obligations within one year	18.008	13.956	-	-
Rent and lease obligations between one and five years	45.394	41.984	-	-
The KILROY Group has issued guarantees/letters of credit, which are secured by an equal cash pledge of deposits	57.546	47.265	-	-

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

13. Subsidiaries

	Country of incorporation	Share Capital (tDKK)	Profit for the year (tDKK)	Equity (tDKK)	Capital share
KILROY International A/S	Denmark	0	2.348	94.591	100%

14. Related parties

Related parties are Eignarhaldsfélagið KILROY ehf., which owns and controls more than 50% of the shares in SSTS A/S. Other related parties are KILROY International A/S' management.

SSTS A/S is a part of the consolidated annual report of Islenskar Fjarfesting ehf., which is both the smallest and the largest group in which the Company is included as a subsidiary.

Eignarhaldsfélagið KILROY ehf is situated in Iceland.

The consolidated financial statements of Islenskar Fjarfesting ehf. can be obtained by contacting the company, at islenskfjarfesting.is.

Related party transactions

	Group		Parent	
	2018 (tDKK)	2017 (tDKK)	2018 (tDKK)	2017 (tDKK)
Sales of services to a subsidiary	0	0	0	0
Purchase of services from a subsidiary	0	0	-76	-316
	0	0	-76	-316

• Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered as part of senior management responsibilities, thus part of their ordinary remuneration."

Notes, continued:

15. Accounting Policies

General

The Annual Report for 2018 for SSTS A/S is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class large-C companies.

The consolidated accounts are presented in Danish kroner (DKK thousand), which is the Parent Company's functional currency.

The accounting policies used in the preparation of the financial statements are consistent with those of last year. There has been minor reclassifications between current receivables. Comparative figures have been restated accordingly.

Consolidated Accounts

The consolidated accounts comprise the parent company, SSTS A/S, and consolidated accounts of KILROY International A/S in which the parent company controls more than 50% of the voting rights, directly or indirectly.

The consolidated accounts are prepared by adding items of a similar nature in the accounts of SSTS A/S and the consolidated accounts of KILROY International A/S.

Subsidiary accounts that are included in the consolidated accounts are prepared in accordance with the accounting policies of the parent company.

Profit and loss statements of foreign subsidiaries are translated into Danish kroner (DKK) using the average exchange rates for the year. Balance sheet items are translated at the exchange rate at the end of the year.

Exchange rate adjustments of the equity of foreign subsidiaries at the beginning of the year, and exchange rate adjustments of the profit and loss accounts from average rates to year-end rates, are posted against the Group shareholders' equity. In the consolidation of the accounts, intercompany income and expenses, intercompany accounts, and intercompany profits and losses are eliminated. The parent company's share in a subsidiary is calculated as its share of the subsidiary's net assets.

Companies in which the Group holds between 20% and 50% of the share capital without having obtained significant influence are considered as associated companies and are valued at the share of the net asset value.

Upon acquisition of a subsidiary, the share of the net assets is calculated according to the Group's accounting policies. If the purchase price deviates from the value of the net assets, the difference is, to the extent possible, allocated to the assets or liabilities that have a higher or lower value. In addition, provisions are made for the expenses incurred at the time of purchase.

Goodwill in connection to acquisitions is capitalised and amortised over a maximum 10-year period.

Newly acquired or established companies are included in the consolidated accounts from the date when control is obtained.

Divested companies are included up to the date of disposal.

Other financial assets include investments in non-controlled companies.

Profit and Loss Account

Turnover

Turnover includes the year's sales of travel products, other services and incentives from suppliers.

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

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

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.

Sales and administrative costs

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.

Notes, continued:

Personnel costs

Personnel costs comprise expenses incurred during the year for all management, sales consultants and administrative staff.

Result from shares in subsidiaries

Net profits in subsidiaries contains only of received dividend by the cost method.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Tax

SSTS A/S is jointly taxed with Danish subsidiaries, in accordance with the Danish rules on mandatory joint taxation. Danish subsidiaries are either included or excluded in the joint taxation at the same time as they are included or excluded in the consolidation.

The parent company is the administrative company under the joint taxation scheme and, accordingly, pays all income taxes to the tax authorities. The jointly-taxed Danish companies are taxed under the on-account tax scheme.

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.

Corporate tax on account is recognized in the balance sheet under current assets.

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

Deferred tax is, furthermore, provided for re-taxation of tax-deductible losses realised in non-Danish associated companies, if the re-taxation is expected to be realised by the associated companies' departure from the Danish joint taxation scheme.

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

Intangible assets

Goodwill is initially recognised in the balance sheet at cost as described under consolidated accounts. Goodwill is amortised on a straight-line basis over the estimated useful life time determined on the basis of Management's experience within the individual business areas.

Software comprises external development cost of substantial IT systems that are capitalised over their estimated useful life.

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:

- Software 3-5 years
- Goodwill 2-10 years

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. The cost includes retirement obligations if it meets the conditions for recognition of provisions.

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:

- Buildings 33-50 years
- Leasehold improvements 5 years
- IT and other equipment 3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Notes, continued:

Shares in subsidiaries

Participating interests in subsidiaries are valued according to the equity method at proportionate share of the net assets and the residual value of goodwill calculated in accordance with the acquisition method.

Shares in associated companies

Are measured at cost. When the cost exceeds the recoverable amount, write-down is made to the lower amount.

Other financial assets include investments in non-controlled companies.

Other financial assets

Are recognised at amortised cost.

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 stated at amortized cost net of provisions for possible losses.

Prepaid expenses

Prepaid expenses are measured at cost.

Intra group loans

Intra group loans are measured at amortized cost, with deduction of a value adjustment for bad debts, if necessary.

The proceeds are recognized in financial income.

Bonds and securities

Publicly traded bonds are stated at the market value at year-end. Investments hold-to-maturity are measured at fair value. Realised and unrealised gains and losses are included in the profit and loss account.

Equity - treasury shares

Treasury shares are recognised at cost.

Other provisions

Provisions include asset retirement obligations. Provisions are recognised when, at the balance sheet date, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

When the Company is obligated to dismantle an asset or restore the site on which the asset is used, a liability equal to the present value of the expected future costs is recognised. After initial recognition of the present value, the accretion expense is recognised as a financial expense in the income statement.

Financial liabilities

These are stated at net realisable value, if not stated otherwise.

Rent and leasing

The Group have entered into operational rental agreements for offices and equipment for multi-year periods.

Rental and leasing expenses are stated in the profit and loss account for the applicable period.

The aggregate rental and leasing liability is stated under contingent liabilities.

Currency conversion

Accounts in foreign currency are stated at the exchange rate at year-end. Gains and losses are included in financial items.

Notes, continued:

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 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.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Changes in the fair value of derivative financial instruments used for hedging of net investments in separate foreign subsidiaries or associates are recognised directly in equity; see above.

Cash Flow Statement

The cash flow statement is presented according to the indirect method, based on the operating profit.

The cash flow statement shows the Group's cash flow for the year and is divided into cash flow from operating, investing and financial activities.

Cash flow from operating activities covers cash flow from the year's operations, adjusted for operating items of a non-cash nature and changes in working capital.

Working capital includes current assets less liquid assets and current, non-interest bearing liabilities and dividends.

Cash flow from investing activities covers cash flow in connection with the purchase and sale of fixed assets, including participating interests and other long-term securities.

Cash flow from financing activities covers payments to and from shareholders, together with the raising of, and repayment of, interest-bearing liabilities.

Liquid assets are cash holdings, money market deposits in banks, and marketable securities stated under current assets.