K III Denmark K/S

c/o Private Equity Administrators ApS

Gydevang 39-41, 3450 Allerød

CVR no. 32 07 44 72

Annual report 2017

Approved at the Company's annual general meeting on 8 June 2018

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors

The Board of Directors has today discussed and approved the annual report of K III Denmark K/S for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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

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

Copenhagen, 8 June 2018
Board of Directors:

Hans Eric Karlander	Peter Toyberg

Independent auditor's report

To the partners of K III Denmark K/S

Opinion

We have audited the financial statements of K III Denmark K/S for the financial year 1 January – 31 December 2017, which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the 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 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

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 International Financial Reporting Standards as adopted by the EU and additional requirements of 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.

Independent auditor's report

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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.

Copenhagen, 8 June 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised
Public Accountant
MNE no.: mne33234

Rasmus Bloch Jespersen
State Authorised
Public Accountant
MNE no.: mne35503

Management's review

Company details

Name	K III Denmark K/S
Address, zip code, city	c/o Private Equity Administrators ApS, Gydevang 39-41, 3450 Allerød
CVR no.	32 07 44 72
Registered office	Allerød, Denmark
Financial year	1 January - 31 December
Limited partners	European Investment Fund Finnish Industry Investment Ltd Nordea Bank Denmark A/S KGJ Partnership AS HAKA Norway AS PARI Norway AS
General partner	Karnell ApS
Board of Directors	Hans Eric Karlander Peter Toyberg
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bank	Nordea Danmark

Management's review

Principal activities of the Company

The Company's objective is – directly or indirectly – to make investments and carry on related activities.

Operational and financial review

The statement of comprehensive income for 2017 showed a profit for the year of EUR 3,176,350 against a loss of EUR 2,961,942 last year, and the statement of financial position 2017 showed equity of EUR 18,301,963 at 31 December 2017.

Investments

K III Denmark K/S invests in private equity companies, which are not quoted in an active market. During 2017, the Company had the following investments:

Kasthall Group AB

Kasthall is a designer and manufacturer of contemporary high-end carpets and rugs. The product range includes woven rugs, handtufted rugs, wall to wall carpets and wooden floors. The woven and tufted rugs are produced in the own factory, which since the company's inception is located in Kinna, in western Sweden. The production is industrial, with a strong touch of handcraft and care. Kasthall's largest market is Sweden, but the company is also targeting Western Europe and the US. Subsidiaries are established in Italy and the US.

Nordic Vehicle AB

Nordic Vehicle converts standard chassis into customized vehicles for passengers, cargo and emergency situations. End products include light trucks with cabinets, transportation vehicles for old/disabled, emergency vehicles such as ambulances and special police cars, etc. Nordic Vehicle is the largest vehicle converter in the Nordic region. The company has about 140 employees with two production sites in the Southern part of Sweden.

Silva Group AB

Silva develops, manufactures and markets outdoor and sports equipment. The company has a long heritage starting from the invention of liquid filled compasses in the 1930s and the brand is very well known in the Nordics. The product assortment includes compasses, headlamps, pedometers and other sport/outdoor accessories. HQ is located in Bromma (Sweden), subsidiary in the UK, and production in China.

Wermland Mechanics Group AB

Wermland Mechanics is a Swedish contract manufacturer. Wermech manufactures sheet metal parts and provides assembly services for large customers, primarily in the Nordic region. Wermech's production process is highly automated, well invested and operating under a "lean production" concept. The Company has two production sites, Töcksfors and Svanskog, in the Swedish province Värmland.

The investment period is over and, during 2017, the focus has been on the existing portfolio. Performance is affected by internal operational performance and the external market environment. The Company's focus is on developing the portfolio to be efficient and adaptive in an everchanging landscape. The Company supports the portfolio financially from time to time with further investments, but all potential investments are carefully reviewed from an industrial and financial perspective on an individual basis.

The Company meets the conditions of being an investment entity and is exempt from preparing consolidated financial statements for 2017.

Management's review

Recognition and measurement uncertainties

The Company's investments in private equity companies which are measured at fair value.

The fair value of investments is determined using commonly applied valuation techniques, and is based on the IPEV (International Private Equity and Venture Capital) valuation guidelines according to which Management has applied an EBITA multiple valuation method. The EBITA multiple valuation method is based on a number of assumption regarding future events for which historical data is scarce as a result of which the measurement is subject to inherent uncertainties. EBITA used for valuation by applying a determined average of a "12-month rolling" EBITA and forecasted EBITA for the respective investments. Management's assessment of applied multiples is based on input from peer analysis, traded peers, comparable transactions and historical transactions.

Further reference is made to note 7 Investments in subsidiaries and note 9 Fair value of assets and liabilities in the financial statements.

Events after the financial year end

The Company's investment in Wermland Mechanics has been divested after the end of the financial year 2017 at a value corresponding to the valuation of the investment at 31 December 2017.

Subsequent to the balance sheet date, a distribution of EUR 8,106,072 was made based on the proceeds primarily from the divestment of Wermland Mechanics.

No other events have occurred after the financial year end, which could significantly affect the Company's financial position.

Financial statements 1 January – 31 December

Statement of comprehensive income

Note	EUR	2017	2016
	Revenue	0	0
	Other external costs	-213,305	-184,695
	Gross profit/loss	-213,305	-184,695
4	Net gain or loss on financial assets	2,955,243	-3,282,185
	Operating profit/loss	2,741,938	-3,466,880
5	Financial income	435,143	538,722
6	Financial expenses	-731	-33,784
	Profit/loss for the year	3,176,350	-2,961,942
	Other comprehensive income	0	0
	Total comprehensive income for the year	3,176,350	-2,961,942
	Attributable to the partners of K III Denmark K/S	3,176,350	-2,961,942

Financial statements 1 January – 31 December

Statement of financial position

Note	EUR	2017	2016
	ASSETS		
	Non-current assets		
	Financial assets		
7+8	Investments in subsidiaries	10,730,710	8,776,488
	Receivables from subsidiaries	6,868,446	6,135,801
	Total non-current assets	17,599,156	14,912,289
	Current assets		
	Receivables		
	Receivables from group enterprises	0	3,911
	Other receivables	3,246	3,246
		3,246	7,157
	Cash in bank	809,314	68,722
	Total current assets	812,560	75,879
	TOTAL ASSETS	18,411,716	14,988,168
	EQUITY AND LIABILITIES		
	Equity		
10	Limited partnership capital	32,372,289	32,176,195
	Retained earnings	-14,070,326	-17,246,676
	Total equity	18,301,963	14,929,519
	Current liabilities		
	Trade and other payables	109,753	58,649
	Total liabilities	109,753	58,649
	TOTAL EQUITY AND LIABILITIES	18,411,716	14,988,168

Financial statements 1 January – 31 December

Statement of changes in equity

EUR	Limited partnership capital	Retained earnings	Total
Equity at 1 January 2016	31,983,718	-11,558,000	20,425,718
Drawdown of commitment	192,477	-	192,477
Distribution of proceeds	0	-2,726,734	-2,726,734
Comprehensive income			
Profit/loss for the year	0	-2,961,942	-2,961,942
Other comprehensive income	0	0	0
Total comprehensive income	32,176,195	-17,246,676	14,929,519
Equity at 31 December 2016	32,176,195	-17,246,676	14,929,519
Equity at 1 January 2017	32,176,195	-17,246,676	14,929,519
Drawdown of commitment	196,094	-	196,094
Comprehensive income			
Profit/loss for the year	0	3,176,350	3,176,350
Other comprehensive income	0	0	0
Total comprehensive income	32,372,289	-14,070,326	18,301,963
Equity at 31 December 2017	32,372,289	-14,070,326	18,301,963

Financial statements 1 January – 31 December

Statement of cash flow

Note	EUR	2017	2016
	Profit/loss for the year	3,176,350	-2,961,942
	Adjustments to reconcile profit/loss for the year to net cash flows:		
	Fair value adjustment of investments assets	-1,931,227	3,266,998
4	Impairment of receivables from subsidiaries	-1,228,141	140,662
4	Dividend income	-9,323	-125,457
	Foreign currency gain on settlement of receivable	213,498	
5	Financial income	-435,143	-538,722
6	Financial expenses	731	33,784
	Changes in working capital		
	Changes in receivables	3,911	51,303
	Change in accounts payables	51,104	-48,257
	Other changes in working capital	-4,863	-2,764
		-163,103	-184,395
6	Interest paid	-731	-33,784
	Cash flows from operating activities	-163,834	-218,179
7	Investments in subsidiaries	-15,572	-54,528
	Proceeds from sale of investments	0	222,304
	Proceeds from settlement of receivable	654,228	0
	Dividends received	9,323	125,475
	Receivables from subsidiaries	60,353	2,461,516
	Cash flows from investing activities	708,332	2,754,767
	Paid in capital	196,094	192,477
	Distribution of proceeds	0	-3,577,478
	Cash flows from financing activities	196,094	-3,385,001
	Net cash flows from operating, investing and financing activities	740,592	-848,413
	Cash in banks at 1 January	68,722	917,135
	Cash in banks at 31 December	809,314	68,722

Financial statements 1 January – 31 December

Note summary

Financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies

Corporate information

The financial statements of K III Denmark K/S for the financial year 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 18 Maj 2018. K III Denmark K/S is a limited liability partnership incorporated and domiciled in Denmark and whose shares are privately held. The Company is governed by its Limited Partnership Agreement and Articles of Associations. The registered office is located at c/o Private Administrators ApS, Gydevang 39-41, 3450 Allerød, Denmark.

The Company's investment policy details its objective to make controlling equity investments and equity-related investments in the Nordic region.

Basis of preparations

The financial statements of K III Denmark K/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements for reporting class B enterprises. All approved, mandatory standards and bases for conclusion, having become effective at 31 December 2017, have been applied in the financial year.

Exception to the consolidation rule

These financial statements are separate financial statements. K III Denmark K/S meets the definition of an investment entity required to measure all of its subsidiaries at fair value through profit or loss. Accordingly, the Company is subject to the exemption to the consolidation rule and hence exempted from consolidating its subsidiaries and from preparing consolidated financial statements.

Standards issued but not yet effective

The IASB has issued a number of new or amended standards and interpretations that are not mandatory for the financial statements for 2016, some of which have not yet been endorsed by the EU. K III Denmark K/S expects to adopt the standards and interpretations when they become mandatory.

- IFRS 9 "Financial instruments", with effective date 1 January 2018.
- IFRS 15 "Revenue from contracts with costumers" with effective date 1 January 2018.
- IFRS 16 "Leases" with effective date 1 January 2019.

The Company has assessed the impact of the standards listed above, and expects that they will not have any significant impact on the financial statements.

Foreign currency

The Company's functional currency is EUR because this is the currency that best reflects the economic substance of the underlying events and circumstances for the Company.

The Company's financial statements are presented in EUR.

Transactions and balances

Transactions denominated in foreign currencies are translated into EUR at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into EUR at the exchange rate at the date of the financial year end. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Financial statements 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Statement of comprehensive income

Other external expenses

Other external expenses include the year's expenses, including expenses relating to management fees, investment advisor fees, administration, accounting, etc.

Net gain or loss on financial assets at fair value through profit or loss

This item includes changes in the fair value of financial assets designated upon initial recognition at fair value through profit or loss and excludes interest and dividend income.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and reversal of previous period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount.

Dividend income

Dividend income is recognised on the date on which the Company's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes.

Financial income

Interest income for all interest-bearing financial instruments is included on an accrual basis using the effective interest method. When there is reasonable doubt that due financial income will actually be received, such income is accrued until it is clear that its receipt is probable.

Financial expenses

Financial expenses are recognised in the statement of comprehensive income using the effective interest rate method.

Income tax

The financial statements do not include tax because the individual limited partners take their profits and/or losses from the company into their own respective taxable income statement.

Financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Statement of financial position

Financial instruments designated as fair value through profit or loss upon initial recognition

(i) Classification

The Company classifies its investments in subsidiaries as financial assets at fair value through profit or loss. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which is managed and performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

- Investment in subsidiaries: In accordance with the exception under IFRS 10 Consolidated Financial Statements, the Company does not consolidate subsidiaries in the financial statements. Investments in subsidiaries are accounted for as financial instruments at fair value through profit or loss.

(ii) Recognition

The Company recognises a financial asset when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets are recognised on the trade date, i.e., the date at which the Company commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets are recognised at fair value through profit or loss in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

For financial assets where the fair value at initial recognition does not equal the transaction price, the Company recognises the difference in the statement of comprehensive income, unless specified otherwise.

(iv) Subsequent measurement

After initial measurement, the Company measures financial instruments, which are classified at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recognised in net gain or loss on financial assets at fair value through profit or loss.

Interest income and dividend income earned on these instruments are recorded in 'finance income' and 'net gain or loss on financial assets', respectively.

Financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- the Company has substantially transferred all the risks and rewards of the asset , or
- the Company has neither substantially transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither substantially transferred nor retained all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Fair value measurement

The Company measures its investments in subsidiaries at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Company's financial instruments, measured at fair value in the balance sheet, are based on valuation techniques that include material unobservable inputs (level 3).

Financial statements 1 January – 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

Loans and receivables

(i) Classification

The Company classifies unquoted debt as loans and receivables. Loans and receivables are generally accounted for at amortised cost using the effective interest method except where there is deemed to be impairment in value which indicates that a provision should be made.

(ii) Measurement

Loans and receivables are initially measured at their fair value plus any direct attributable incremental cost of acquisition or issue.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial assets or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(iii) Impairment of financial assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'impairment of receivable' in 'net gain or loss of financial assets'.

Financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impaired receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If a previous write-off is later recovered, the recovery is credited to the 'net gain or loss of financial assets'.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Other receivables

Other receivables are initially measured at fair value and subsequently measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by impairment losses.

Cash in banks

Cash in the statement of financial position comprise cash in banks.

Equity

Distribution of proceeds

Distributions to the Company's shareholders are accounted for as a deduction from retained earnings. A final and interim dividend is recognised as a liability in the period in which it is approved by the general meeting of shareholders.

Other liabilities

Other liabilities are on initial recognition measured at the proceeds received net of transaction costs. On subsequent recognition, liabilities are measured at amortised cost corresponding to the nominal unpaid debt.

Statement of cash flow

The statement of cash flow shows the Company's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid net financials.

Cash flows from investing activities comprise payments in connection with purchase and sale of investments in subsidiaries and payment and repayment of loans and receivables to subsidiaries, which are part of investment activities.

Cash flows from financing activities comprise dividends paid to shareholders and capital increases and reductions.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risk of changes in value is insignificant.

Financial statements 1 January – 31 December

Notes to the financial statements

2 Significant accounting judgements, estimates and assumptions

In preparing the financial statements, Management makes various accounting judgements and estimates and define assumptions, which form the basis of recognition, measurement and presentation of the Company's assets and liabilities.

The estimates and assumptions applied are based on historical experience, the most recent information available at the reporting date, and other factors that Management considers reasonable under the circumstances.

The basis for judgement and information can by nature be inaccurate or incomplete, and the Company is subject to uncertainties, which can result in an actual outcome that deviates from the estimates and defined assumptions. In the future, it may be necessary to change previous estimates and judgements as a result of supplementary information, additional knowledge and experience of subsequent events.

In applying the Company's accounting policies described in note 1, Management has exercised the following critical accounting judgements and estimates, which significantly influence on the amounts recognised in the financial statements:

Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services
- An entity that commits to its investors that its business purpose is to invest solely for the returns from capital appreciation, investment income or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's investment policy details its objective to make controlling equity investments and equity-related investments in the Nordic region.

The Company reports to its investors via quarterly investor information and to Management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's financial statements.

The Board of Directors has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investment is predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Board of Directors has concluded that the Company meets the characteristics of an investment entity. These conclusions will be reassessed on an annual basis, if any of these characteristic changes.

Fair value of investments at fair value through profit and loss

The Company's investments in subsidiaries are classified as fair value through profit and loss and valued accordingly as disclosed in note 1 – accounting policies.

The key source of estimation uncertainty is on the valuation of unquoted equity investments. In reaching its valuation of the unquoted equities, the key judgements which the Board of Directors must make relate to the selection of the multiples and the discount factors used in the valuation models as well as estimations over forecasted earnings of the respective investments.

Reference is made to note 9.

Financial statements 1 January – 31 December

Notes to the financial statements

2 Significant accounting judgements, estimates and assumptions (continued)

Loans and receivables

Certain investments are classified as loans and receivables, and valued accordingly, as disclosed in note 1 – accounting policies. The key estimations which the Board of Directors must make relate to the impairment review.

Reference is made to note 11.

3 Events after the financial year end

The Company's investment in Wermland Mechanics has been divested after the end of the financial year 2017 at a value corresponding to the valuation of the investment at 31 December 2017.

Subsequent to the balance sheet date, a distribution of EUR 8,106,072 was made based on the proceeds primarily from the divestment of Wermland Mechanics.

No other events have occurred after the financial year end, which could significantly affect the Company's financial position.

4 Net gain or loss on financial assets

	2017			2016		
Net gain or loss on financial assets at fair value through profit and loss, EUR	**Realised**	**Unrealised**	**Total**	**Realised**	**Unrealised**	**Total**
Investments in subsidiaries	0	1,931,277	1,931,277	84,773	-3,351,771	-3,266,998
	0	1,931,277	1,931,277	84,773	-3,351,771	-3,266,998
Loans and receivables						
Impairment and reversal of impairment of receivables from subsidiaries	-	1,228,141	1,228,141	-	-140,662	-140,662
Foreign currency gain on settlement of receivables	-213,498		-213,498			
	-213,498	1,228,141	1,014,643	0	-140,662	-140,662
Dividends from investments						
Investments in subsidiaries		9,323	9,323	125,475	0	125,475
	0	9,323	9,323	125,475	0	125,475
	-213,498	3,168,741	2,955,243	210,248	-3,492,433	-3,282,185

EUR	2017	2016
5 Financial income		
Interest receivable, subsidiaries	429,162	536,208
Other financial income	5,981	2,514
	435,143	538,722

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EUR	2017	2016
6 Financial expenses		
Other financial expenses	731	33,784
	731	33,784

7 Investments in subsidiaries

Financial assets at fair value through profit or loss		
Investments in subsidiaries	10,730,710	8,776,488
	10,730,710	8,776,488

The Company meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries, but rather recognises them as investments at fair value through profit and loss.

EUR	2017	2016
Cost at 1 January	7,140,521	7,233,086
Adjustment, prior year	12,374	-
Investments in the year	15,572	54,524
Disposals in the year	-4,953	-147,089
Cost at 31 December	7,163,514	7,140,521
Fair value adjustment at 1 January	1,635,967	4,987,738
Fair value adjustment	1,931,229	-3,351,771
Fair value adjustment at 31 December	3,567,196	1,635,967
Carrying amount at 31 December	10,730,710	8,776,488

Summary of unconsolidated subsidiaries

Name and registered office	Legal form	Domicile	Pct. ownership rights, 2017	Pct. ownership rights, 2016
Kasthall Group AB	AB	Sweden	63.38	63.25
Kasthall Mattor och Golv AB	AB	Sweden	63.38	63.25
Kasthall Srl	Srl	Italy	56.93	56.93
Kasthall USA Inc	Inc	USA	63.53	63.25
Silva Group AB	AB	Sweden	60. 53	60.33
Silva Sweden AB	AB	Sweden	60. 53	60.33
Sliva Limited	Limited	UK	60. 53	60.33
Silva Far East Limited	Limited	China	60. 53	60.33
Silva Shenzen	Limited	China	60. 53	60.33
Nordic Vehicle AB	AB	Sweden	55.60	55.60
Nordic Vehicle Conversion AB	AB	Sweden	55.60	55.60
Ydre Skåp Fastighet AB	AB	Sweden	55.60	55.60
Wermland Mechanics Group AB	AB	Sweden	54.28	54.40
Wermland Mechanics Töcksfors AB	AB	Sweden	54.28	54.40
Wermland Mechanics Svanskog AB	AB	Sweden	54.28	54.40

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7 Investments in subsidiaries (continued)

Restrictions

The Company receives income in the form of dividends and interest from its investments in unconsolidated subsidiaries. For subsidiaries with senior debt, approval is needed from the respective credit institutions providing this debt to pay out dividends. There are no other significant restrictions on the transfer of funds from these subsidiaries to the Company.

8 Financial assets and financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss

EUR	2017	2016
Investment in subsidiaries	10,730,710	8,776,488
Total financial assets designated at fair value through profit or loss	10,730,710	8,776,488

9 Fair value of assets and liabilities

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- □Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Recurring fair value measurement of assets and liabilities

Financial assets, EUR	Level 1	Level 2	Level 3	2017 Total
Investments in subsidiaries	-	-	10,730,710	10,730,710
	-	-	10,730,710	10,730,710

Financial assets, EUR	Level 1	Level 2	Level 3	2016 Total
Investments in subsidiaries	-	-	8,776,488	8,776,488
	-	-	8,776,488	8,776,488

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9 Fair value of assets and liabilities (continued)

Valuation techniques

Unlisted equity investments

The Company invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Company uses a market-based valuation technique for these positions.

The Company's investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified.

The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure.

The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Company classifies the fair value of these investments as Level 3.

When a valuation based on trading multiples deviates too far from a reasonable market value, the investment manager may choose to use a different valuation method.

Valuation process for Level 3 valuations

The fair value of investments is determined using commonly applied valuation techniques, and is based on the IPEV (International Private Equity and Venture Capital) valuation guidelines according to which Management has applied an EBITA multiple valuation method. The EBITA multiple valuation method is based on a number of assumption regarding future events for which historical data is scarce as a result of which the measurement is subject to inherent uncertainties. EBITA used for valuation by applying a determined average of a "12-month rolling" EBITA and forecasted EBITA for the respective investments. Management's assessment of applied multiples is based on input from peer analysis, traded peers, comparable transactions and historical transactions.

Valuations are the responsibility of the Board of Directors of the Company.

The valuation of unlisted equity is performed on a quarterly basis by the valuation department of the investment manager and reviewed by the Board of Directors. On a quarterly basis, the valuation department of the investment manager will review equity valuations and inputs for significant changes.

The valuations are also subject to quality assurance procedures performed within the valuation department. The valuation department verifies the major inputs applied in the latest valuation by aligning the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the valuation department.

On a quarterly basis, after the checks above have been performed, the valuation department presents the valuation results to the Board of Directors. This includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above.

The Board of Directors considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

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9 Fair value of assets and liabilities (continued)

Material unobservable inputs for Level 3 hierarchy

Financial instruments measured at fair value in the balance sheet are based on valuation techniques that include material unobservable inputs.

Material unobservable assumptions used in the valuation of unlisted investments in subsidiaries consist of multiples and future earnings expectations for the respective subsidiaries. Management believes that the multiples applied are on level with the market for comparable businesses. In addition, allowance is made for net interest-bearing debt of the investments in subsidiaries when making the valuation.

	2017	2016
Range for multiples applied	6.5-8.0	6.5-8.0

The significant analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

EUR	2017	2016
1 percent-point change in average multiple	98.000	167,000
1 percent-point change in currency translation rate from SEK to EUR	155,000	163,000

The fair value of the Company's investments in subsidiaries is affected by developments in the multiples applied and future earnings expectations. Significant increase (decrease) in the average multiples for comparable companies in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the currency translation rate from SEK to EURO in isolation would result in significant (lower) higher fair value measurement.

10 Limited partnership capital

The Company's capital is represented by these interests:

EUR	2017	2016
16,000 authorised and issued class A partnership interests of EUR 1,00 each, of which 16,000 was fully paid on 31 December	16,000	16,000
43,984,000 authorised and issued class B partnership interests of EUR 1,00 each	43,984,000	43,984,000
	44,000,000	44,000,000
Limited partnership capital called at 31 December	32,372,289	32,176,195
Limited partnership capital uncalled at 31 December	11,627,711	11,823,805
	44,000,000	44,000,000

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10 Limited partnership capital (continued)

Preferences of the A and B Shares

The A and B partnership interest is owned by the general partner and the limited partners, respectively.

The general partner assumes unlimited liability for all obligations of the Company. The liability of a limited partner is limited to the limited partner's share of the Company's capital.

The limited partners and the general partner are entitled to a share of all distributions from the Company, including distributions in case of liquidation of the Company in accordance with directions set forth in the Company's articles of association. As such, all proceeds shall be allocated to the partners as follows:

Firstly, 100% to the Limited Partners holding B Partnership Interests pro rata to their Commitment until: (a) the Limited Partners holding B Partnership Interests have received an amount equal to 100% of the Commitment Drawn Down; (b) the Limited Partners holding B Partnership Interests have received an amount equal to the Preferred Return on the item in (a)

Secondly, of any amounts remaining for allocation, only in any allocation performed in connection with a liquidation of the Partnership, 100% to the General Partner holding A Partnership Interests until it has received an amount equal to its Commitment of EUR 16,000.

Thirdly, of any amounts remaining for allocation, 80% to the Limited Partners holding B Partnership Interests and 20% to the General Partner holding A Partnership Interests until the Limited Partners holding B Partnership Interests have in aggregate received an amount equal to the Extraordinary Return.

Fourthly of any amounts remaining for allocation, 75% to the Limited Partners holding B Partnership Interests and 25%to the General Partner holding A Partnership Interests.

Any other distributions shall be distributed to the Limited Partners holding B Partnership Interests pro rata to their respective Commitment.

Capital management

Because of the ability to 'call cash' and draw from the commitments of its investors, the capital of the Company can vary from year to year. The Company is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Company's articles of associations.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Company's limited partnership agreement
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio
- To maintain sufficient liquidity to meet the expenses of the Company
- The Company monitors capital on a monthly basis.

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11 Financial risks

The Group's financial risks are managed by the Board of Directors. The Company has identified financial risks, but follows a policy, where Management continually monitors the following defined risks: liquidity risk, interest rate risk, credit risk.

Liquidity risk

The Company's capital resources comprise receivables with investments in subsidiaries and cash placed in short-term deposit accounts.

The Company's liquidity risk is limited to the special case, where the limited partners (LP) are not able to pay the cash calls sent out by the Company. This risk is deemed to be very limited as the LPs all are expected to have the necessary capital and liquidity. Further, reference is made to note 10 – Limited partnership capital.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

EUR	Falling due within 1 year	Falling due between 1-5 years	Falling due after 5 years	Total	Carrying amount
2017					
Financial liabilities measured at amortised cost					
Trade and other payables	109,753	0	0	109,753	109,753
	109,753	0	0	109,753	109,753
2016					
Financial liabilities measured at amortised cost					
Trade and other payables	58,649	0	0	58,649	58,649
	58,649	0	0	58,649	58,649

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The majority of interest rate exposure arises on the Company's investments in receivables from subsidiaries. Most of the Company's investments in receivables from subsidiaries carry fixed interest rates and mature within five years.

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11 Financial risks (continued)

The following table analyses the Company's interest rate risk exposure. The Company's assets are included at amortised cost:

EUR	0-3 months	3-6 months	6 months – 1 year	1-5 years	Total
2017					
Variable rate assets					
Cash	809,560	0	0	0	809,560
Fixed rate assets					
Receivables from subsidiaries				6,868,446	6,868,446
Total interest bearing assets	809,560	0	0	6,868,446	7,678,006
2016					
Variable rate assets					
Cash	68,722	0	0	0	68,722
Fixed rate assets					
Receivables from subsidiaries	0	0	0	6,135,801	6,135,801
Total interest bearing assets	68,722	0	0	6,135,801	6,204,523

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations.

At each reporting date, an impairment analysis is performed on an individual basis for the Company's subsidiaries. The Company accounted for an impairment loss of receivables from subsidiaries of EUR 0 and EUR 140,662 in 2017 and 2016, respectively.

The carrying value of receivables from subsidiaries, other receivables and cash and cash equivalents, as disclosed in the statement of financial position represents the maximum credit exposure, hence, no separate disclosure is provided.

12 Related party disclosures

The following parties are considered related parties of the Company:

General Partner – Karnell ApS

Karnell ApS operates as K III Denmark K/S general partner and is compensated with a service fee. Total service fee amounted to EUR 10,000 and EUR 10,000 for 2017 and 2016, respectively.

Mangement fee – KIII Sweden AB

KIII Sweden AB is entitled to receive a management fee for its respective services in terms of the management agreement entered into between the parties. Total management fee amounted to EUR 186,094 and EUR 155,480 for 2017 and 2016, respectively.

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12 Related party disclosures (continued)

Board of Directors

The Board of Directors is not remunerated by the Company, but indirectly remunerated via the Company's management fee to K III Sweden AB.

Subsidiaries

Below, the transactions and balances with the Company's subsidiaries are specified:

EUR	2017	2016
Loan and accumulated receivable interest to subsidiaries		
Kasthall Group AB, this loan bears interest of 7%	765,427	716,909
Silva Group AB, this revolving loan bears interest of 7%	3,353,793	3,163,531
Nordic Vehicle AB, this loan bears interest of 7%	3,796,130	3,649,658
Wermland Mechanics Group AB, this loan bears interest of 7%	0	868,375
Dividend income from subsidiaries		
Iris Group AB	0	125,475
Interest income from subsidiaries		
Kasthall Group AB	45,518	96,461
Silva Group AB	190,261	195,499
Nordic Vehicle AB	146,472	140,658
Wermland Mechanics Group AB	43,909	103,590