

K III Denmark K/S

c/o Private Equity Administrators ApS

Gydevang 39-41, 3450 Allerød


CVR no. 32 07 44 72



Annual report 2016

Approved at the Company's annual general meeting on 9/5 2017

Chairman:



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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 2016.

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 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

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, 31 March 2017
Board of Directors:



Hans Eric Karlander

Peter Toyberg

Independent auditor's report

To the shareholders of K III Denmark K/S

Independent auditors' report on the financial statements

We have audited the financial statements of K III Denmark K/S for the financial year 1 January - 31 December 2016, 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 in 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 2016 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 our procedures, 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 disclosure 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.

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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 skepticism 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 conclusion is 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.

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, 31 March 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Eskild Jakobsen

State Authorised Public Accountant

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 Investments SA Sicav-SIF GSP Invest II AS HAKA Norway AS PARI Norway AS Blaatind AS
General partner	Karnell ApS
Board of Directors	Hans Eric Karlander Peter Toyberg
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuhs Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bank	Nordea

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 2016 showed a loss of EUR 2,961,942 against a profit of EUR 6,953,503 last year, and the statement of financial position 2016 showed equity of EUR 14,929,519 at 31 December.

The investment period is over and, during 2016, the focus has been on the existing portfolio. Two distributions were made during the year, mainly stemming from the cash flows in two of the portfolio companies. 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 ever changing 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 2016.

Events after the financial year end

No 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	2016	2015
	Revenue	-	-
	Other external costs	-184,695	-122,058
	Gross profit/loss	-184,695	-122,058
4	Net gain or loss on financial assets	-3,282,185	6,232,279
	Operating profit/loss	-3,466,880	6,110,221
5	Financial income	538,722	845,056
6	Financial expenses	-33,784	-1,774
	Profit/loss for the year and total comprehensive income for the year (Other comprehensive income EUR 0 (2015:EUR 0))	-2,961,942	6,953,503

Attributable to the partners of:
K III Denmark K/S

Financial statements 1 January - 31 December

Statement of financial position

Note	EUR	2016	2015
ASSETS			
Non-current assets			
Financial assets			
7+9	Investments in subsidiaries	8,776,488	12,220,824
	Receivables from subsidiaries	6,135,801	8,186,949
	Total non-current assets	14,912,289	20,407,773
Current assets			
Receivables			
	Receivables from group enterprises	3,911	55,214
	Other receivables	3,246	3,246
		7,157	58,460
	Cash in bank	68,722	917,135
	Total current assets	75,879	975,595
	TOTAL ASSETS	14,988,168	21,383,368
EQUITY AND LIABILITIES			
Equity			
11	Limited partnership capital	32,176,195	31,983,718
	Retained earnings	-17,246,676	-11,558,000
	Total equity	14,929,519	20,425,718
Current liabilities			
	Trade and other payables	58,649	106,906
	Payables to investors	-	850,744
			957,650
	Total liabilities	58,649	
	TOTAL EQUITY AND LIABILITIES	14,988,168	21,383,368

Financial statements 1 January - 31 December

Statement of changes in equity

EUR	Limited partnership capital	Retained earnings	Total
Equity at 1 January 2015	30,942,330	-5,062,168	25,880,162
Drawdown of commitment	1,041,388	0	1,041,388
Distribution of proceeds	0	-13,449,335	-13,449,335
<i>Comprehensive income</i>			
Profit/loss for the year	0	6,953,503	6,953,503
Other comprehensive income	0	0	-
Total comprehensive income	0	6,953,503	6,953,503
Equity at 31 December 2015	31,983,718	-11,558,000	20,425,718
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
<i>Comprehensive income</i>			
Profit/loss for the year	0	-2,961,942	-2,961,942
Other comprehensive income	0	0	0
Total comprehensive income	0	-2,961,942	-2,961,942
Equity at 31 December 2016	32,176,195	-17,246,676	14,929,519

Financial statements 1 January - 31 December

Statement of cash flow

Note	EUR	2016	2015
	Profit/loss for the year	-2,961,942	6,953,503
	Adjustments to reconcile profit/loss for the year to net cash flows:		
	Fair value adjustment of investments assets	3,266,998	600,180
4	Impairment of receivables from subsidiaries	140,662	853,871
4	Dividend income	-125,457	-7,686,330
5	Financial income	-538,722	-845,056
6	Financial expenses	33,784	1,774
	<i>Changes in working capital</i>		
	Changes in receivables	51,303	-55,214
	Change in accounts payables	-48,257	10,921
	Other changes in working capital	-2,764	-4,956
		-184,395	-171,307
6	Interest paid	-33,784	-1,677
	Cash flows from operating activities	-218,179	-172,984
7	Investments in subsidiaries	-54,528	-34,993
	Proceeds from investment in Struktur AB	222,304	0
	Divestments in subsidiaries	0	239,333
	Dividends received	125,475	7,686,330
	Receivables from subsidiaries	1,719,971	1,888,750
	Receivables from associates	0	1,988,902
	Interest received	741,545	845,056
	Cash flows from investing activities	2,754,767	12,613,378
	Paid in capital	192,477	1,041,388
	Distribution of proceeds	-3,577,478	-12,598,858
	Cash flows from financing activities	-3,385,001	-11,557,470
	Net cash flows from operating, investing and financing activities	-848,413	883,191
	Cash in banks at 1 January	917,135	33,944
	Cash in banks at 31 December	68,722	917,135

Financial statements 1 January - 31 December

Note summary

- 1 Accounting policies
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- 9 Financial assets and financial liabilities at fair value through profit or loss
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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 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2017. 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 2016, 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 customers" 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 SEK 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)

Translation from functional currency to presentation currency

In the translation to the presentation currency, EUR, from the functional currency, SEK, the statement of comprehensive income is translated into EUR at average exchange rates, and the assets and liabilities are translated at the exchange rates at the date of the financial year end. Exchange differences arising from such translation are recognised directly in other comprehensive income and presented in a separate reserve in equity.

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.

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 and associates 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.
- Investment in associates: In accordance with the exemption within IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in associates using the equity method. Instead, the Company has elected to measure its investments in associates 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 and associates 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

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) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the right to receive cash flows from the investments has expired or the Company has transferred substantially all risks and rewards of ownership.

(iii) 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.

(iv) 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 debts, 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 associates and payment and repayment of loans and receivables to subsidiaries and associates, 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 and associate 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 10.

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 12.

3 Events after the financial year end

No 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

	2016			2015		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net gain or loss on financial assets at fair value through profit and loss, EUR						
Investments in subsidiaries	84,773	-3,351,771	-3,266,998	-246,822	5,286,720	5,039,898
Investments in associates	0	0	0	0	-5,640,078	-5,640,078
	84,773	-3,351,771	-3,266,998	-246,822	-353,358	-600,180
Impairment of receivables						
Receivables from subsidiaries	-	-140,662	-140,662	0	-853,871	-853,871
	0	-140,662	-140,662	0	-853,871	-853,871
Dividends from investments						
Investments in subsidiaries	125,475	0	125,475	0	0	0
Investments in associates	0	0	0	7,686,330	0	7,686,330
	125,475	0	125,475	7,686,330	0	7,686,330
	210,248	-3,492,433	-3,282,185	7,439,508	-1,207,229	6,232,279

EUR

5 Financial income

	2016	2015
Interest receivable, subsidiaries	536,208	744,698
Interest receivable, associates	0	59,680
Other financial income	2,514	40,678
	538,722	845,056

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EUR	2016	2015
6 Financial expenses		
Other financial expenses	33,784	1,774
	<u>33,784</u>	<u>1,774</u>

7 Investments in subsidiaries

Financial assets at fair value through profit or loss

Investments in subsidiaries	8,776,488	12,220,824
	<u>8,776,488</u>	<u>12,220,824</u>

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	2016	2015
Cost at 1 January	7,233,086	7,518,923
Purchases in the year	54,524	17,310
Disposals in the year	-147,089	-450,236
Transfer from investments in associates	0	147,089
Cost at 31 December	<u>7,140,521</u>	<u>7,233,086</u>
Fair value adjustment at 1 January	4,987,738	-298,982
Fair value adjustment	-3,351,771	5,286,720
Fair value adjustment at 31 December	<u>1,635,967</u>	<u>4,987,738</u>
Carrying amount at 31 December	<u>8,776,488</u>	<u>12,220,824</u>

Summary of unconsolidated subsidiaries

Name and registered office	Legal form	Domicile	Pct. ownership rights, 2016	Pct. ownership rights, 2015
Kasthall Group AB	AB	Sweden	63.25	63.25
Kasthall Mattor och Golv AB	AB	Sweden	63.25	63.25
Kasthall Srl	Srl	Italy	56.93	56.93
Kasthall USA Inc	Inc	USA	63.25	63.25
Silva Group AB	AB	Sweden	60.33	60.33
Silva Sweden AB	AB	Sweden	60.33	60.33
Silva Limited	Limited	UK	60.33	60.33
Silva Far East Limited	Limited	China	60.33	60.33
Silva Shenzhen	Limited	China	60.33	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	54.40	54.40
Wermland Mechanics Töcksfors AB	AB	Sweden	54.40	54.40
Wermland Mechanics Svanskog AB	AB	Sweden	54.40	54.40
Iris Group AB	AB	Sweden	54.08	54.08

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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.

EUR	2016	2015
8 Investments in associates		
Iris Group AB	0	0
	0	0
Cost at 1 January	0	1,653,756
Purchases in the year	0	17,683
Disposals in the year	0	-36,016
Transfer to investments in subsidiaries	0	-1,635,423
Cost at 31 December	0	0
Fair value adjustment at 1 January	0	4,151,744
Fair value adjustment	0	-5,640,078
Transfer to investments in subsidiaries	0	1,488,334
Fair value adjustments at 31 December	0	0
Carrying amount at 31 December	0	0

Name and registered office	Legal form	Domicile	Percentage of ownership rights, 2016	Percentage of ownership rights, 2015
Iris Group AB	AB	Sweden	-	54.08

Summarised financial information for Iris Group AB for 2015:

EUR	2015
Revenue	0 35,834,530
Profit of loss and other comprehensive income	0 -525,907
Non-current assets	0 5,981,709
Current assets	0 7,268,351
Shareholders' equity	0 5,049,472
Non-current liabilities	0 4,182,774
Current liabilities	0 4,017,815

The bases for the above-summarised financial information for 2015 for Iris Group AB is the Swedish Financial Statements Act.

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8 Investments in associates (continued)

Restrictions

The Company receives income in the form of dividends and interest from its investments in unconsolidated associates, and there are no significant restrictions on the transfer of funds from this associate to the Company.

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

Financial assets at fair value through profit or loss

EUR	2016	2015
Investment in subsidiaries	8,776,488	12,220,824
Total financial assets designated at fair value through profit or loss	8,776,488	12,220,824

10 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	2016 Total
Investments in subsidiaries	-	-	8,776,488	8,776,488
	-	-	8,776,488	8,776,488

Financial assets, EUR	Level 1	Level 2	Level 3	Total
Investments in subsidiaries	-	-	12,220,824	12,220,824
	-	-	12,220,824	12,220,824

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10 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.

During 2016, Silva and Nordic Vehicle were valued using capital employed. With profits close to zero, profit based multiples misrepresent the value of the companies. Instead, capital employed was deemed a better indication of these two underperforming companies.

Valuation process for Level 3 valuations

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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10 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 and associates consist of multiples and future earnings expectations for the respective subsidiaries and associates. 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 and associates when making the valuation.

	2016	2015
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	2016	2015
1 percent-point change in average multiple	167,000	213,000

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 discount to average multiples in isolation would result in significant (lower) higher fair value measurement.

11 Limited partnership capital

The Company's capital is represented by these interests:

EUR	2016	2015
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
	<u>44,000,000</u>	<u>44,000,000</u>
Limited partnership capital called at 31 December	32,176,195	31,983,718
Limited partnership capital uncalled at 31 December	11,823,805	12,016,282
	<u>44,000,000</u>	<u>44,000,000</u>

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11 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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12 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 associates 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 11 - 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
2016					
Financial liabilities measured at amortised cost					
Trade and other payables	58,649	0	0	58,649	58,649
	<u>58,649</u>	<u>0</u>	<u>0</u>	<u>58,649</u>	<u>58,649</u>
2015					
Financial liabilities measured at amortised cost					
Trade and other payables	107,173	0	0	107,173	107,173
Payables to investors	850,477	0	0	850,477	850,477
	<u>957,650</u>	<u>0</u>	<u>0</u>	<u>957,650</u>	<u>957,650</u>

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 and associates. Most of the Company's investments in receivables from subsidiaries and associates carry fixed interest rates and mature within five years.

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12 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
2016					
<i>Variable rate assets</i>					
Cash	68,722	0	0	0	68,722
<i>Fixed rate assets</i>					
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
2015					
<i>Variable rate assets</i>					
Cash	917,135	0	0	0	917,135
<i>Fixed rate assets</i>					
Receivables from subsidiaries	0	0	0	8,186,949	8,186,949
Total interest bearing assets	917,135	0	0	8,186,949	9,104,084

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 and associates. The Company accounted for an impairment loss of receivables from subsidiaries of EUR 140,662 and EUR 853,871 in 2016 and 2015, respectively.

The carrying value of receivables from subsidiaries and associates, 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.

13 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 15,000 for 2016 and 2015, respectively.

Management 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 155,480 and EUR 77,977 for 2016 and 2015, respectively.

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13 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	2016	2015
<i>Loan and accumulated receivable interest to subsidiaries</i>		
Kasthall Group AB, this loan bears interest of 7% and is repayable in 2021	716,909	2,053,583
Silva Group AB, this revolving loan bears interest of 7%	3,163,531	2,968,032
Nordic Vehicle AB, this loan bears interest of 7%	3,649,658	3,305,368
Wermland Mechanics Group AB, this loan bears interest of 7% and is repayable in 2020	868,375	1,790,652
<i>Dividend income from subsidiaries</i>		
Iris Group AB	125,475	-
<i>Interest income from subsidiaries</i>		
Kasthall Group AB	96,461	242,328
Silva Group AB	195,499	190,026
Nordic Vehicle AB	140,658	117,474
Wermland Mechanics Group AB	103,590	194,867

Associate

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

<i>Dividend income from associate</i>		
Iris Group AB	-	7,686,330
<i>Interest income from associate</i>		
Iris Group AB	-	59,680