ERRV ApS

Dokvej 4
6700 Esbjerg

CVR No 36 94 12 27

Annual report for

01.01.2017
-
31.12.2017

The Annual Report was presented and adopted at the Annual General Meeting of the Company on:
28 May 2018

Chairman of the meeting

Jesper Møller Boye

Contents

Company Information

Company
ERRV ApS
Østergade 1, 2. sal
1100 Copenhagen K

Company no./CVR no.	36 94 12 27
Municipality of reg. office	Copenhagen
Phone number	+45 20 29 38 47

Executive Management
Scott B. M. Moseley
Philip Pacey
Henrik Hvidt-Karlsson
Zion Oved

Audit
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management review

Activities

ERRV's primary activity is to hold shares in the ESVAGT Group who delivers safety and support at sea.

Activity 2017

Result for the year

The loss for the year was mDKK -204 compared to mDKK -108 in 2016. Interest costs on loans from related parties exceeds result from subsidiaries as in 2016. The result from subsidiaries ended slightly below expectations, however management considers the result for the year as fair, given the difficult market conditions during 2017.

Market and activities

ERRV ApS operates primarily through it's subsidiary ESVAGT, who operates within the oil and gas industry in the North Sea.

Investments

In 2017 ERRV ApS increased the capital in it's subsidiary Esvagt A/S by 350 mDKK, using the proceeds from the new loans from related parties.

Equity

On 31 December 2017 the ESVAGT's equity is mDKK -68 with an equity ratio of -2.5% compared to mDKK 100,1 and a ratio of 4.4% in 2016.

Loss of equity and going concern

The lenders have expressed their continuing interest in assuring that ERRV ApS can continue as a going concern and have expressed their intention not to call the loans already extended and any additional future loans that may be extended to the company, unless the liquidity position of the company is adequate to justify such repayment. The equity will be re-established through future earnings.

Expectations for 2018

Based on the increased oil price the Company expects increasing activity levels in it's subsidiary Esvagt A/S, mainly in the second half of 2018. Therefore the Company expects a slightly better result for 2018 compared to 2017.

Uncertainties regarding recognition and measurement

As a natural consequence of the currently low activity in the oil and gas industry, returns on investments within the industry in general have declined and could potentially indicate the need for an impairment of the acquisition of the ESVAGT Group.

ERRV ApS regularly assess the valuation of it's subsidiaries, including also impairment testing. When performing such assessments and tests, future outlooks are considered. The ERRV management expects the oil and gas industry to recover over the coming years and based upon the impairment tests performed, concludes that there is no need for impairment of the investment in subsidiaries. Management believes that the ESVAGT Group with its asset base, experience and skills is well positioned when the market recovers.

Subsequent events
No events have occurred after 31 December 2017 which may significantly affect the financial year 2017.

Risks
ERRV ApS is, in the opinion of the Management, not exposed to commercial, operational or financial risks beyond what is common and natural for its business and the industry in which it operates.

Management's Statement

The Executive Management have today considered and adopted the Annual Report of ERRV ApS for the financial year 1 January – 31 December 2017.

The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2017 and the results of the Company's operations for the financial year 1 January – 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Esbjerg, 28 maj 2018

Executive Management

Scott B. M. Moseley	Philip Pacey
Henrik Hvidt-Karlsson	Zion Oved

Independent Auditor's Report

To the Shareholders of ERRV ApS

Opinion

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 for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of ERRV ApS for the financial year 1 January - 31 December 2017, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 misstatement in 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 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 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, 28 May 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

Martin Lunden
State Authorised Public Accountant
mne32209

Statement of profit and loss

	Notes	2017 TDKK	2016 TDKK
Other operating expenses		(336)	(676)
Operating profit		**(336)**	**(676)**
Income from subsidiaries	6	(7.342)	86.275
Financial expenses	4	(196.533)	(193.348)
Profit before income tax		**(204.211)**	**(107.749)**
Income tax	5	74	0
Profit for the year		**(204.137)**	**(107.749)**
Profit is attributable to:			
Owners of ERRV ApS		(204.137)	(107.749)
		(204.137)	**(107.749)**

Statement of comprehensive income

Profit for the year	**(204.137)**	**(107.749)**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Equity movements in subsidiaries	35.983	(16.780)
Total comprehensive income for the year	**(168.154)**	**(124.529)**
Total comprehensive income for the year attributable to:		
Owners of ERRV ApS	(168.154)	(124.529)
	(168.154)	**(124.529)**

Balance sheet

	Notes	2017 TDKK	2016 TDKK	As at 1 January 2016 TDKK
Investment in subsidiaries	6	2.657.648	2.279.008	2.209.514
Fixed asset investments		**2.657.648**	**2.279.008**	**2.209.514**
Total non-current assets		**2.657.648**	**2.279.008**	**2.209.514**
Income tax receivable		74	0	0
Cash and cash equivalents		170	183	186
Total current assets		**244**	**183**	**186**
Total assets		**2.657.892**	**2.279.191**	**2.209.700**

	Notes	2017 TDKK	2016 TDKK	As at 1 January 2016 TDKK
Share capital	8	100	100	100
Retained earnings		(67.566)	100.589	225.119
Total equity		**(67.466)**	**100.689**	**225.219**
Loan from related parties	9	2.724.133	2.177.670	1.984.325
Trade payables		135	100	0
Payables to Group companies		1.090	732	156
Total current liabilities		**2.725.358**	**2.178.502**	**1.984.481**
Total liabilities		**2.725.358**	**2.178.502**	**1.984.481**
Total equity and liabilities		**2.657.892**	**2.279.191**	**2.209.700**

Statement of changes in equity

	Share capital	Retained earnings	Total equity
	TDKK	**TDKK**	**TDKK**
Equity at 01.01.2016	**100**	**225.119**	**225.219**
Profit for the year	0	(107.749)	(107.749)
Other comprehensive income	0	(16.781)	(16.781)
Total comprehensive income for the year	**0**	**(124.530)**	**(124.530)**
Equity at 31.12.2016	**100**	**100.589**	**100.689**
Profit for the year	0	(204.137)	(204.137)
Other comprehensive income	0	35.983	35.983
Total comprehensive income for the year	**0**	**(168.154)**	**(168.154)**
Equity at 31.12.2017	**100**	**(67.565)**	**(67.465)**

Cash flow statement

	Notes	2017 TDKK	2016 TDKK
Profit before depreciations		(336)	(676)
Change in working capital	12	393	676
Cash flows from operating activities before financial income and expenses		57	0
Financial expenses paid		(70)	(3)
Net cash flow from operating activities		**(14)**	**(3)**
Investments in subsidiaries		(350.000)	0
Net cash flow from investing activities		**(350.000)**	**0**
Proceeds from loans from related parties	12	350.000	0
Cash flow from financing activities		**350.000**	**0**
Net cash flow for the year		(14)	(3)
Cash and cash equivalents, beginning of the year		183	186
Cash and cash equivalents, end of the year		**169**	**183**

The information in the cash flow statement can not directly be reconciled to the statement of profit and loss. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes

1. Capital position and going concern

The purpose of ERRV ApS is to hold the shares in ESVAGT A/S. The investment had a carrying value of DKK 2.658 million at 31 December 2017 (2016: 2.254 MDKK) and is mainly financed via interest bearing loans from related parties amounting to 2.724 MDKK (2016: 2.178 MDKK). The income from ESVAGT A/S amounted to DKK -7 MDKK in 2017 (2016: 87 MDKK) deducting the interests on the loans from related parties amounted to DKK 197 million resulting in a loss for the year of -204 MDKK (2016: -108 MDKK).

Impairment tests have been carried out regarding the investment in ESVAGT A/S, which did not result in any impairment.

Interests on the loans from associated companies are accruing, hence no payments of installments or interests are taking place. The lenders have expressed their continuing interest in assuring that ERRV ApS can continue as a going concern and have expressed their intention not to call the loans already extended and any additional future loans that may be extended to the company, unless the liquidity position of the company is adequate to justify such repayment.

2. Accounting policies

The Annual Report for the period 1 January - 31 December 2017 comprise the financial statement of ERRV ApS.

For all periods up to and including the year ended 31 December 2016, the company prepared its financial statements in accordance with Danish generally accepted accounting practice. These financial statements for the year ended 31 December 2017 are the first the company has prepared in accordance with IFRS.

First time adoption

The Annual Report is the first Annual Report that is presented in accordance with IFRS. The figures for 2016 and 2017 in the income statement and the balance sheet items as at 1 January 2016 were prepared according to IFRS.

The disclosures required by IFRS 1, First-time Adoption of International Financial Reporting Standards, concerning the transition from Danish GAAP to IFRS are provided in note 12.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that occurred before 1 January 2016. Use of this excemption means, that the Local GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed costs at the date of the acquisition. After the date of adoption to IFRS the measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The company did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that the Local GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognision or derecognision of intangible assets). In accordance with IFRS 1, the company has tested investments in subsidiaries for impairment at the date of transition to IFRS. No impairment was deemed necessary at 1 January 2016.

The company has applied the following exemptions:
* Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2016.
* Costs of acquisitions of subsidiaries before 1 January 2016 are deemed to be Local GAAP carrying amount of assets and liabilities.

Measurement basis
The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

Adoption of new and amended standards
The IASB has issued a number of new or amended standards and interpretations effective for financial years beginning after 1 January 2017. Some of these have not yet been endorsed by the EU. Most relevant to the company is the following:

- IFRS 9 "Financial Instruments" reducing the number of asset classes for financial assets to two: amortized cost and fair value. The standard incorporates new requirements for accounting for financial liabilities. The standard will be effective for financial years beginning on or after 1 January 2018. The group is assessing the impact of IFRS 9.

- IFRS 15 “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The standard will not have impact on the company.

- IFRS 16 "Leasing" was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The standard will not have impact on the company.

There are no other IFRS' or IFRIC interpretations that are not yet effective that is expected to have a material impact on the company.

Foreign currency translation

Functional and presentation currency

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The functional currency of ERRV ApS is DKK.

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Other operating expenses

Other operating expenses comprise administration, office expenses etc.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and non-realised capital gains/losses on transactions in foreign currency, amortisation of financial assets and liabilities etc.

Income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Investment in subsidiaries

Income statement

Investments in subsidiaries are recognised according to the equity method and measured at the proportionate share of the entities' net asset values calculated in accordance with the company's accounting policies.

Balance sheet

Investments in subsidiaries are measured at pro rata share of the subsidiaries' equity in accordance with the accounting policies of the parent company. Adjustments are made for unrealized group internal gains and losses and for remaining value of positive or negative goodwill.

Equity

Dividend distribution

Dividends are recognised as a liability in the period in which they are adopted at the Annual General Meeting.

Dividend distribution

Dividends are recognised as a liability in the period in which they are adopted at the Annual General Meeting.

Loans from related parties

Loans from related parties are initially recognised at fair value, net of transaction expenses incurred and are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in the income statement over the period of the loans using the effective interest method.

Other liabilities

Other debt or liabilities covering trade payables and other debt are recognized at amortized cost, which is usually equivalent to the nominal value.

Statement of cash flow

The cash flow statement shows the company's cash flows during the year distributed on operating, investing and financing activities, changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are calculated by the indirect method using the profit before depreciation adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise "Cash at bank and in hand".

Key Figures
The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts (2015).
Invested capital including goodwill is defined as net working capital plus property, plant and equipment and intangible assets as well as accumulated amortisation of goodwill, and minus other provisions and other long-term operating liabilities. Accumulated impairment losses on goodwill are not added.

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term operating liabilities. Receivables and income tax payables as well as cash are not included in net working capital.

Net interest-bearing debt is defined as interest-bearing liabilities, including income tax payable, net of interest-bearing assets, including cash and income tax receivable.

3. Critical accounting estimates and judgements
ERRV ApS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment testing of investments in subsidiaries
ERRV ApS tests annually whether investments in subsidiaries has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Estimates are made of development in revenues, gross profits, operating margins, future capital expenditures, discount rates and growth expectations in the terminal period. These estimates are based on an assessment of current and future developments in the cash-generating units and on historical data and assumptions of future expected market developments, including expected long-term average market growth rates.

	2017 TDKK	2016 TDKK
4. Financial expenses		
Interest expenses to parent	56	0
Interest expenses to related parties	196.463	193.345
Interest expenses, credit institutions	13	2
Other financial expenses, including bank fees	1	1
	196.533	**193.348**

5. Tax on profit for the year

Income tax:		
Tax on profit/loss for the year	-74	0
Total tax for the year	(74)	0
Tax on profit/loss for the year can be broken down as follows:		
Current tax	(74)	0
Tax on profit/loss for the year	(74)	0
Income tax is specified as follows:		
Calculated 22.0% tax on profit for the year before	(44.926)	(23.705)
Tax effects of:		
Non-deductible expenses	44.852	23.705
Adjustments in respect of prior years	0	0
	(74)	**0**
Effective tax rate	0,0%	0,0%

6. Fixed asset investments

Investments in subsidiaries:		
Costs at 01.01.	2.490.908	2.490.908
Additions during the year	350.000	0
Costs at 31.12.	**2.840.908**	**2.490.908**
Net adjustment at 01.01.	(211.900)	(281.394)
Share in subsidiaries net result for the year	(7.342)	86.275
Equity movements in subsidiaries	35.982	(16.781)
Amortisation and impairment at 31.12.	**(183.260)**	**(211.900)**
Carrying amount 31.12.	**2.657.648**	**2.279.008**

6. Fixed asset investments (continued)

Investment in subsidiaries comprise:

Name	**Owner-ship and voting rights**	**Place of reg. office**
ESVAGT A/S	100%	Denmark
ESVAGT Holdings Limited	100%	Great Britain
ESVAGT UK Limited	100%	Great Britain
ESVAGT Norge AS	100%	Norway
ESWIND A/S	100%	Denmark
ESWIND01 A/S	100%	Denmark
P/F ESVAGT-THOR	51%	Faroe Islands

7. Financial assets and liabilities

Carrying amount

Cash and cash equivalents	170	183
Total Loans and receivables	**170**	**183**
Trade payables	135	100
Total Financial liabilities at amortised cost	**135**	**100**

Fair values are approximately the same as the carrying amounts.

8. Share capital

The share capital comprise of:	No shares	Nominal value	**2017** **TDKK**	**2016** **TDKK**
	100.000	1	100.000	100.000

No shares carry any special rights. There are no restrictions connected to the transferability or voting rights of the shares. All shares has been fully paid in.
All shares in ERRV ApS is owned by ERRV Holdings ApS.

Capital management
The company’s objectives when managing capital are to safeguard the company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The management monitor the share and capital structure to ensure that the company's capital resources support the strategic goals. The overall target is to having secured long term financing with fixed interest rates at competitive rates.

9. Loan from related parties

2017	Principal	Effective interest rate	Currency	Maturity	Carrying amount
Fixed-rate loans	2.724 mDKK	10,000%	DKK	on demand	2.724.133
2016					
Fixed-rate loans	2.178 mDKK	10,000%	DKK	on demand	2.177.670

10. Related parties

The Company is included in the consolidated financial statements for it's parent company ERRV Holding ApS, Østergade 1, 2nd flor, 1100 Copenhagen, Denmark.
The ultimate controlling party is ERRV Luxembourg Holdings S.à.r.l., Luxembourg.

Loans to related parties as well as intercompany accounts are recognized in the Balance Sheet account as "Loans from related parties" TDKK 2.724.133 (2016: TDKK 2.177.670) and "Payables to Group companies" TDKK 1090 (2016: TDKK 732).

Interest expenses paid to related parties are recognized in Note 3, TDKK 196.463 to related parties (2016: TKDD 193.345) and TDKK 56 to parent (2016: TDKK 0).

11. Contingent liabilities

Litigation
None

Other contingent liabilities
None

12. Cash flow statement

Change in working capital	**2017 TDKK**	**2016 TDKK**
Change in trade payables	35	100
Change in payables to Group companies	358	576
	393	**676**
Changes in liabilities arising from financing activities		
Proceeds from borrowings	350.000	0
Cash flow from financing activities at 31.12.2017	**350.000**	**0**

13. Financial risk management

Financial risk factors
The Financial risks of the group are managed centrally. The overall risk management guidelines and policies have been approved by the board of directors in the Group. Group finance/Treasury department identifies and evaluates exposures in close co-operation with the group's operating units. The board provides written principles for overall risk management.

Market risk
Foreign exchange risk
None, as all transactions are in DKK.

Interest rate risk
The interest rate risk arises from loans from related parties. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. Policy is to ensure, that at all times a minimum of 75 per cent of the total outstanding Debt is at fixed rate or effectively bears a fixed rate pursuant to a Hedging Agreement.

Sensitivity analysis
Profit or loss isn't sensitive to higher/lower interest from borrowings and fair value changes of interest rate derivatives as a result of changes in interest rates, as all loans are issued at a fixed rate.

Credit risks
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB' are accepted. The maximum exposure corresponds to the carrying amount of cash.

Liquidity risk
Cash flow forecasting is performed by management. The management monitors forecasts of the liquidity requirements to ensure it has sufficient cash to meet the company's operational needs. Such forecasting takes into consideration the company's debt financing plans and compliance with loan documentation. Loans from related parties, due on demand, will not be called unless the liquidity position of the company is adequate to justify repayment.

14. Events after the balance sheet date

Subsequent to the balance sheet date, no other events that could significantly affect the financial statements as of 31 December 2017 have occurred.

15. First time adoption of IFRS

The group has adopted IFRS for its consolidated financial accounts with effect from 1 January 2017. The comparative figures for 2017 have been restated.

Reconciliation of equity as at 1 January 2017 (date of transition to IFRS)	**ÅRL TDKK**	**Remeasure-ment TDKK**
Equity as 1 January 2017	75.654	0
Correction of amortisation of goodwill in 2016	25.035	25.035
	100.689	**25.035**

Reconciliation of result for the year in 2016	**ÅRL TDKK**	**Remeasure-ment TDKK**
Result for the year in 2016	(132.784)	0
Correction of amortisation of goodwill in 2016 in ERRV ApS	25.035	25.035
	(107.749)	**25.035**