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Nørrebro 15  
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CVR no. 20 22 26 70

**VMS GROUP A/S**  
**HAVNEPLADSEN 12, 9900 FREDERIKSHAVN**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2016**  
**14 TH FINANCIAL YEAR**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 31 May 2017**

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**Morten Vestergaard**

**CONTENTS**

	<b>Page</b>
<b>Company Details</b>	
Company Details.....	3
<b>Statement and Report</b>	
Statement by Board of Directors and Board of Executives.....	4
Independent Auditor's Report.....	5-6
<b>Management's Review</b>	
Financial Highlights.....	7
Management's Review .....	8-9
<b>Financial Statements 1 January - 31 December</b>	
Income Statement.....	10
Balance Sheet.....	11-12
Equity.....	13
Cash Flow Statement.....	14
Notes.....	15-18
Accounting Policies.....	19-22

**COMPANY DETAILS**

<b>Company</b>	VMS Group A/S Havnepladsen 12 9900 Frederikshavn  Website: <a href="http://www.vms.dk">www.vms.dk</a> E-mail: <a href="mailto:vms@vms.dk">vms@vms.dk</a>  CVR no.: 27 21 56 29 Established: 1 January 2003 Registered Office: Frederikshavn Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Lars Bonderup Bjørn, Chairman Morten Vestergaard Erik Knudsen Rauff
<b>Board of Executives</b>	Peter Krogh Nymand
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Nørrebro 15 9800 Hjørring
<b>Bank</b>	Handelsbanken Østre Havnegade 14 9000 Aalborg
<b>Law Firm</b>	HjulmandKaptain Frederikshavn Havnepladsen 7 9900 Frederikshavn

## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of VMS Group A/S for the year 1 January - 31 December 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the the Company's financial position at 31 December 2016 and of the results of the the Company's operations and cash flows for the financial year 1 January - 31 December 2016.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Frederikshavn, den 31. maj 2017

Board of Executives

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Peter Krogh Nymand

Board of Directors

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Lars Bonderup Bjørn  
Chairman

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Morten Vestergaard

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Erik Knudsen Rauff

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of VMS Group A/S

### Opinion

We have audited the Financial Statements of VMS Group A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the 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.

### Management's Responsibility 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 Responsibility for 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.

## INDEPENDENT AUDITOR'S REPORT

- 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.

### 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, we conclude that 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 of Management's Review.

Hjørring, 31. May 2017

BDO Statsautoriseret revisionsaktieselskab  
CVR-nr. 20 22 26 70

Claus Muhlig  
State Authorised Public Accountant

## FINANCIAL HIGHLIGHTS

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
<b>Income statement</b>					
Net revenue.....	175.878	175.847	206.795	212.435	174.664
Operating profit/loss.....	-8.685	395	10.985	16.230	7.917
Financial income and expenses, net.....	-509	41	280	-497	-1.027
Profit/loss for the year before tax.....	-9.159	113	12.321	16.145	8.952
Profit/loss for the year.....	-6.303	1.103	9.526	12.203	7.198
<b>Balance sheet</b>					
Balance sheet total.....	96.336	78.203	78.121	74.904	78.459
Equity.....	29.387	35.688	39.588	42.062	30.162
Invested capital.....	59.338	62.990	66.821	51.368	51.340
<b>Cash flows</b>					
Cash flows from operating activities.....	1.722	7.846	6.275	21.096	-11.200
Cash flows from investment-related activities.....	-3.072	-4.349	4.208	161	-441
Cash flows from financing activities.....	-8.434	-9.765	-21.635	-3.458	516
Total cash flows.....	-9.784	-6.268	-11.152	17.799	-11.125
Investment in tangible fixed assets.....	-1.495	-3.401	-3.987	0	0
<b>Ratios</b>					
Rate of return.....	-14,2	0,6	18,6	31,6	18,4
Solvency ratio.....	30,5	45,6	50,7	56,2	38,4
Return on equity.....	Neg.	2,9	23,3	33,8	25,2

The ratios stated in the list of key figures and ratios have been calculated as follows:

Rate of return:

$$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$$

Invested capital:

Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities

Solvency ratio:

$$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Return on equity:

$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

## MANAGEMENT'S REVIEW

### Principal activities

The company's activities comprise repair and service of large diesel engines.

### Development in activities and financial position

A general slowdown in a reluctant market combined with internal changes and restructuring caused a strongly unsatisfactory and partly unexpected development in the company's finances.

The result for 2016 was negative with DKK 6.3 million in losses. The board of directors find the result unsatisfactory.

Investments in Brasil that has been taken as operations cost and negatively impacts the result for the year although the investment program by the end of 2016 proved successful and leads to positive expectations for 2017 in the Brazilian market.

The development of the company's position in Ålesund and Watten Sea has progressed, however not at the speed expected at the beginning of 2016.

Low oil prices and partly the low exchange rate of Norwegian kroner continues to slow down the offshore business, and a success full change to other business areas has not compensated at the necessary speed.

Moreover, absent activity in the company's most profitable areas has caused a negative impact on contribution margins. The absence is considered temporary and is due to lacking activity in the market.

### Profit/loss for the year compared to future expectations

The company expected a modest growth in 2016, but did not achieve this goal. Refer to the section above.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

### Special risks

#### Price risks:

The company is not considered particularly price sensitive as fluctuations in purchase prices and salaries generally may be passed on to the customers because the competitors are subject to a similar sensitivity. Long-term contracts or stocks are not subject to any material price risks.

#### Foreign exchange risks:

The company's risks on foreign exchange rates may be related to the derived effect that customers using a different currency may experience. The main part of VMS Group A/S' revenue and purchases is in DKK or EUR and therefore exposed to exchange risks only at a low level.

#### Interest risks:

The company has only in short periods of the year interest-bearing debts and does not consider itself to be sensitive to material changes in the interest level.

### Environmental situation

The company works determinedly with work safety and the environment in the plant and holds the labour inspection's Green Smiley.

An environmental policy with accompanying goals has been prepared for control of the environmental situation. This policy is based on environmentally sound operations and is included as a natural part of the Group's objectives for product quality and production. VMS Group A/S received on 7 September 2012 an environmental approval from Frederikshavn Kommune without any especially restrictive demands. The approval is in force for a period of eight years.



## MANAGEMENT'S REVIEW

### **Knowledge resources**

The company's business is depending on management's and staff's knowhow and skills. This has been in focus since establishment of the company and HR has always been considered important. Every year employees are participating in courses; not only courses in technics and safety but also courses on HR topics. Senior executives participate in leadership training courses.

### **Research and development activities**

The company do not manufacture own products, but provides service and trade. The development activities are primarily developing new service concepts, optimizing business processes, quality management and customer service.

### **Future expectations**

Issues have been addressed, and the new organization is in place. The company expects a moderate growth in 2017 as the market continues to be reluctant, partly due to the current low oil prices and the low exchange rate of Norwegian kroner, which has slowed down the activities in the offshore business.

Profits are expected to be positive during 2017 as a number of strategic change projects has fallen into place by the end of 2016.

The company merges with the group companies VMS Group A/S, DT-Interlink A/S og VMS Technology ApS, with effect from 1 January 2017

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	2016 DKK	2015 DKK '000
<b>NET REVENUE</b> .....		<b>175.878.041</b>	<b>175.847</b>
Cost of sales.....		-66.311.340	-60.025
Other operating income.....		4.326.500	5.000
Other external expenses.....		-20.175.393	-17.371
<b>GROSS PROFIT/LOSS</b> .....		<b>93.717.808</b>	<b>103.451</b>
Staff costs.....	1	-99.582.856	-100.447
Depreciation and amortisation.....		-2.820.255	-2.609
<b>OPERATING LOSS</b> .....		<b>-8.685.303</b>	<b>395</b>
Result of equity investments in group and associat.....		36.075	-323
Other financial income.....		141.501	416
Other financial expenses.....		-650.882	-375
<b>PROFIT BEFORE TAX</b> .....		<b>-9.158.609</b>	<b>113</b>
Tax on profit/loss for the year.....	2	2.855.400	990
<b>PROFIT FOR THE YEAR</b> .....	3	<b>-6.303.209</b>	<b>1.103</b>

**BALANCE SHEET AT 31 DECEMBER**

ASSETS	Note	2016 DKK	2015 DKK '000
Intangible fixed assets acquired.....		1.246.030	0
<b>Intangible fixed assets</b> .....	4	<b>1.246.030</b>	<b>0</b>
Production plants and machinery.....		3.607.533	4.360
Other plants, machinery, tools and equipment.....		364.316	1.194
Leasehold improvements.....		3.799.076	3.827
<b>Tangible fixed assets</b> .....	5	<b>7.770.925</b>	<b>9.381</b>
Equity investments in associated enterprises.....		1.683.686	813
Rent deposit and other receivables.....		40.950	0
<b>Fixed asset investments</b> .....	6	<b>1.724.636</b>	<b>813</b>
<b>FIXED ASSETS</b> .....		<b>10.741.591</b>	<b>10.194</b>
Raw materials and consumables.....		16.333.942	14.355
Finished goods and goods for resale.....		542.162	0
<b>Inventories</b> .....		<b>16.876.104</b>	<b>14.355</b>
Trade receivables.....		22.574.233	24.456
Contract work in progress.....	7	16.959.811	6.945
Receivables from group enterprises.....		22.951.513	14.518
Receivables from associated enterprises.....		1.455.901	1.025
Deferred tax assets.....	8	3.136.400	281
Other receivables.....		1.311.695	590
<b>Receivables</b> .....		<b>68.389.553</b>	<b>47.815</b>
<b>Cash and cash equivalents</b> .....		<b>328.923</b>	<b>5.839</b>
<b>CURRENT ASSETS</b> .....		<b>85.594.580</b>	<b>68.009</b>
<b>ASSETS</b> .....		<b>96.336.171</b>	<b>78.203</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2016 DKK	2015 DKK '000
Share capital.....	9	500.000	500
Retained profit.....		28.887.368	35.188
<b>EQUITY.....</b>		<b>29.387.368</b>	<b>35.688</b>
Bank debt.....		25.123.286	20.850
Prepayments received, work in progres.....	7	121.400	0
Trade payables.....		13.488.867	6.277
Payables to group enterprises.....		9.105.833	1.825
Other liabilities.....		17.569.483	13.563
Accruals and deferred income.....		1.539.934	0
<b>Current liabilities.....</b>		<b>66.948.803</b>	<b>42.515</b>
<b>LIABILITIES.....</b>		<b>66.948.803</b>	<b>42.515</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>96.336.171</b>	<b>78.203</b>
 Contingencies etc.	 10		
Charges and securities	11		
Related parties	12		

## EQUITY

	Share capital	Retained profit	Total
Equity at 1 January 2016.....	500.000	35.190.577	35.690.577
Proposed distribution of profit.....		-6.303.209	-6.303.209
<b>Equity at 31 December 2016.....</b>	<b>500.000</b>	<b>28.887.368</b>	<b>29.387.368</b>

**CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER**

	<b>2016</b> DKK	<b>2015</b> DKK '000
Profit/loss for the year.....	-6.303.209	1.103
Reversed depreciation of the year.....	2.820.255	2.521
Reversed realization gains.....	-260.500	88
Profit/loss from associates.....	-36.075	323
Reversed tax on profit/loss for the year.....	-2.855.400	-990
Corporation tax paid.....	0	-439
Change in inventory.....	-2.520.698	-1.444
Change in receivables.....	-9.284.304	9.779
Change in current liabilities (ex bank and tax).....	20.162.372	-3.095
<b>CASH FLOWS FROM OPERATING ACTIVITY.....</b>	<b>1.722.441</b>	<b>7.846</b>
Purchase of intangible fixed assets.....	-1.180.155	0
Purchase of tangible fixed assets.....	-1.494.690	-3.401
Sale of tangible fixed assets.....	479.200	178
Purchase of financial assets.....	-875.950	-1.136
Sale of financial assets.....	0	10
<b>CASH FLOWS FROM INVESTING ACTIVITY.....</b>	<b>-3.071.595</b>	<b>-4.349</b>
Repayments of loans.....	0	-394
Dividend paid in the financial year.....	0	-5.000
Pengestrømme fra koncernudlån / mellemregninger.....	-8.434.000	-4.371
<b>CASH FLOWS FROM FINANCING ACTIVITY.....</b>	<b>-8.434.000</b>	<b>-9.765</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>-9.783.154</b>	<b>-6.268</b>
Cash and cash equivalents at 1. januar.....	-15.011.209	-8.743
<b>CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....</b>	<b>-24.794.363</b>	<b>-15.011</b>
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents.....	328.923	5.839
Bank debt.....	-25.123.286	-20.850
<b>CASH AND CASH EQUIVALENTS, NET DEBT.....</b>	<b>-24.794.363</b>	<b>-15.011</b>

## NOTES

	2016 DKK	2015 DKK '000	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 151 (2015: 140)			
Wages and salaries.....	77.996.781	77.408	
Pensions.....	10.231.053	10.288	
Social security costs.....	2.536.046	2.100	
Other staff costs.....	8.818.976	10.651	
	<b>99.582.856</b>	<b>100.447</b>	
<b>Tax on profit/loss for the year</b>			<b>2</b>
Adjustment of deferred tax.....	-2.855.400	-990	
	<b>-2.855.400</b>	<b>-990</b>	
<b>Proposed Distribution of Profit</b>			<b>3</b>
Accumulated profit.....	-6.303.209	1.103	
	<b>-6.303.209</b>	<b>1.103</b>	
<b>Intangible fixed assets</b>			<b>4</b>
		Intangible fixed assets acquired	
Transfer.....		223.801	
Additions.....		1.180.155	
<b>Cost at 31 December 2016.....</b>		<b>1.403.956</b>	
Depreciation for the year.....		157.926	
<b>Depreciation at 31 December 2016.....</b>		<b>157.926</b>	
<b>Carrying amount at 31 December 2016.....</b>		<b>1.246.030</b>	

## NOTES

**Tangible fixed assets** **Note**  
**5**

	Production plants and machinery	Other plants, machinery, tools and equipment	Leasehold improvements
Cost at 1 January 2016.....	15.264.185	4.145.132	8.197.702
Transferred.....	0	-223.801	0
Additions.....	694.951	102.994	696.745
Disposals.....	0	-2.332.138	0
<b>Cost at 31 December 2016.....</b>	<b>15.959.136</b>	<b>1.692.187</b>	<b>8.894.447</b>
Depreciation and impairment losses at 1 January 2016.....	10.904.299	2.950.353	4.371.302
Reversal of depreciation of assets disposed of..	0	-2.113.438	0
Depreciation for the year.....	1.447.304	490.956	724.069
<b>Depreciation and impairment losses at 31 December 2016.....</b>	<b>12.351.603</b>	<b>1.327.871</b>	<b>5.095.371</b>
<b>Carrying amount at 31 December 2016.....</b>	<b>3.607.533</b>	<b>364.316</b>	<b>3.799.076</b>

**Fixed asset investments** **6**

	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2016.....	1.136.001	0
Additions.....	835.000	40.950
<b>Cost at 31 December 2016.....</b>	<b>1.971.001</b>	<b>40.950</b>
Revaluation at 1 January 2016.....	-323.390	
Revaluation and impairment losses for the year.....	36.075	
<b>Revaluation at 31 December 2016.....</b>	<b>-287.315</b>	
<b>Carrying amount at 31 December 2016.....</b>	<b>1.683.686</b>	<b>40.950</b>

**Investments in associates (DKK)**

Name and registered office	Equity	Profit for the year	Ownership
VMS Giske Servicebase AS, Ålesund, Norway.....	1.257.447	24.482	49 %
OVS Offshore A/S, Frederikshavn, Denmark.....	2.505.000	-	33 %



## NOTES

	2016 DKK	2015 DKK '000	Note
<b>Contract work in progress</b>			<b>7</b>
Sales value of completed production.....	18.459.877	11.193	
Progress invoicing.....	-1.621.466	-4.248	
<b>Contract work in progress, net.....</b>	<b>16.838.411</b>	<b>6.945</b>	
Recognised as follows:			
Contract work in progress (asset).....	16.959.811	6.945	
Contract work in progress (liability).....	-121.400	0	
	<b>16.838.411</b>	<b>6.945</b>	

**Deferred tax assets**

8

Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.

	2016 DKK	2015 DKK '000
Deferred tax comprises:		
Intangible fixed assets.....	-34.700	0
Tangible fixed assets.....	-150.000	378
Contract work in progress .....	0	518
Losses.....	-2.911.500	-1.137
Other costs.....	-40.200	-40
	<b>-3.136.400</b>	<b>-281</b>
Deferred tax assets, 1 Januar 2016.....	-281.000	709
Deferred tax for the year.....	-2.855.400	-990
<b>Deferred tax assets 31 December 2016.....</b>	<b>-3.136.400</b>	<b>-281</b>

The Company's deferred tax assets are recognised in the Balance Sheet at DKK ('000) 3.136. The tax asset relates primarily to unutilised tax losses. The tax asset is recognised on the basis of the expectations to the positive tax profits for the next couple of years, and the tax losses are then expected to be fully utilised. The assessments are based on the Company's budgets for the next two years and forecasts for the subsequent two years. The budgets have been prepared according to the Company's usual budget procedure. Through various launched efficiency measures and increase in market share the Company expects improved earnings in the years to come.

**Share capital**

9

Specification of the share capital:		
A-shares, 1 in the denomination of 500.000 DKK.....	500.000	500
	<b>500.000</b>	<b>500</b>

**NOTES****Note****Contingencies etc.****10****Operation rent and lease agreements:**

The company has entered into operating rent and lease agreements with an annual lease payment of DKK ('000) 589. The lease contracts have an average residual term of 21 months and a total residual lease payment of DKK ('000) 1,272.

The company has entered into a number of rental agreements for which the notice of termination period is 3 to 12 months. The annual rent amounts to DKK ('000) 1,873.

**Eventualforpligtelser****Joint liabilities**

The company is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income is stated in the annual report of Vestergaard Marine Service Holding ApS, which serves as management company for the joint taxation.

**Charges and securities****11**

As collateral for the bank loans a mortgage deed of a nominal value of DKK ('000) 600 has been provided. The mortgage deed is secured on production plant and machinery, other plant, tools, equipment and goodwill, located on Havnepladsen 12, Frederikshavn.

As collateral for the bank loans, the company has provided a business charge of a nominal amount of DKK ('000) 9,000 secured on trade receivables, inventory, production plant and machinery, other plant, tools, equipment and goodwill. The carrying amount of the charged assets totals DKK ('000) 47,221 at 31 December 2016.

**Related parties****12****The Controlling interest**

Mr. Morten Rokkedal Vestergaard, managing director, Solsbækvej 241, 9300 Sæby is the main shareholder in Vestergaard Marine Service Holding ApS.

**Other related parties having performed transactions with the company**

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

**Transactions with related parties**

The company did not carry out any substantial transactions that were not concluded on market conditions.

## ACCOUNTING POLICIES

The annual report of VMS Group A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles used last year.

### INCOME STATEMENT

#### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

#### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

#### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

#### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

#### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

#### Investments in subsidiaries and associates

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

The income statement of the owner company recognises the proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill.

#### Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

#### Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

**ACCOUNTING POLICIES**

**BALANCE SHEET**

**Intangible fixed assets**

Software and licences are measured at the lower of cost less accumulated amortisation or the recoverable amount. Software are amortised over the residual patent term and licences are amortised over the term of the agreement, however, no more than 5 years.

**Tangible fixed assets**

Land and buildings, production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Production plant and machinery.....	3-5 years	0 %
Other plants, fixtures and equipment.....	3-10 years	0 %
Leasehold improvements.....	10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

**Fixed asset investments**

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Acquired enterprises are recognised in the consolidated financial statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Upon calculation of the fair value of properties used in the business a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, built on an overall assessment of the production equipments.

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

## ACCOUNTING POLICIES

### **Impairment of fixed assets**

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

### **Inventories**

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

### **Receivables**

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

### **Contract work in progress**

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the balance sheet date and the total anticipated revenue related to the specific piece of work in progress.

## ACCOUNTING POLICIES

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

### Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.

## CASH FLOW STATEMENT

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

### Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

### Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.