Tel.: +45 96 23 54 00
hjoerring@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Nørrebro 15
DK-9800 Hjørring
CVR no. 20 22 26 70

VMS GROUP A/S

HAVNEPLADSEN 12, 9900 FREDERIKSHAVN

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2017

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 22 March 2018

Morten Vestergaard

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 27 21 56 29

CONTENTS

COMPANY DETAILS

Company	VMS Group A/S Havnepladsen 12 9900 Frederikshavn	
	Website:	www.vms.dk
	E-mail:	vms@vms.dk
	CVR no.:	27 21 56 29
	Established:	1 January 2003
	Registered Office:	Frederikshavn
	Financial Year:	1 January - 31 December
Board of Directors	Lars Bonderup Bjørn, Chairman Morten Vestergaard Henrik Sørensen	
Board of Executives	Peter Krogh Nymand	
Auditor	BDO Statsautoriseret revisionsaktieselskab Nørrebro 15 9800 Hjørring	
Bank	Handelsbanken Østre Havnegade 14 9000 Aalborg	
Law Firm	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 financial year 1 January - 31 December 2017.

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 2017 and of the results of the the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

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, 22 March 2018

Board of Executives

Peter Krogh Nymand

Board of Directors

Lars Bonderup Bjørn Chairman	Morten Vestergaard	Henrik Sørensen

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 2017, 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 2017 and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2017 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, 22 March 2018

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Claus Muhlig
State Authorised Public Accountant
MNE no. mne26711

FINANCIAL HIGHLIGHTS

	2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000
Income statement					
Net revenue	258.495	175.877	175.847	206.795	212.435
Operating profit/loss	10.322	-8.686	395	10.985	16.230
Financial income and expenses, net	-2.061	-508	41	280	-497
Profit/loss for the year before tax	6.138	-9.158	113	12.321	16.145
Profit/loss for the year	3.543	-6.303	1.103	9.526	12.203
Balance sheet					
Balance sheet total	110.569	96.337	78.203	78.121	74.904
Equity	36.648	29.389	35.688	39.588	42.062
Invested capital	81.985	59.338	62.990	66.821	51.368
Cash flows					
Cash flows from operating activities	-5.497	1.723	7.846	6.275	21.096
Cash flows from investment-related activities	-1.182	-3.072	-4.349	4.208	161
Cash flows from financing activities	6.000	-8.434	-9.765	-21.635	-3.458
Total cash flows	-679	-9.783	-6.268	-11.152	17.799
Investment in tangible fixed assets	-1.774	-1.495	-3.401	-3.987	0
Ratios					
Rate of return	14,6	-14,2	0,6	18,6	31,6
Solvency ratio	33,1	30,5	45,6	50,7	56,2
Return on equity	10,7	Neg.	2,9	23,3	33,8

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

Rate of return:	$\frac{\text{Profit/loss on ordinary activities x 100}}{\text{Average invested capital}}$
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:	$\frac{\text{Equity ex. minorities, at year end x 100}}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

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

Principal activities
The company's activities comprise repair, sale and service of large diesel engines and propelling systems.

Development in activities and financial position
The year was, despite a reluctant offshore market and, partially, a low NOK exchange rate, characterised by a high activity. The results for 2017 show a profit of 3.5 million. The Board of Directors finds the results for the year satisfactory.

The merger of the group companies VMS Group Holding A/S, DT-Interlink A/S and VMS Technology ApS was implemented with effect from 1 January 2017.

The development of the Group's operating facility in Brazil is positive, although not at the rate and to extent that was expected at the entry into 2017. This resulted in expenses on the part of the company and has affected the results for 2017 negatively.

The Group's operating facility in the Watten Sea area was closed during the year because the level of activity was too low to justify a presence.

A new facility was started up at the Skagen harbour to meet the increased demand in the area.

Profit/loss for the year compared to future expectations
A number of initiatives were taken in 2017 to address the challenges the company was facing and the organisation was changed. The expectations for 2017 was a modest growth because of the reluctancy in the market. The results for the year are in line with expectations.

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 risk on foreign exchange rates can primarily 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 direct exchange risks only at a low level. A certain level of exposure when purchasing components in USD is matched by a similar amount of sales.

Interest risks:
The company has interest-bearing debt, however, not of a size that is considered to lead to sensitivity in relation to material changes in the interest level.

Environmental situation
The company works determinedly with work safety and the environment in the facility 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 environment. 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 earnings are to a large extent dependent on Management's and the employees' knowhow and experience. This has been a focus areas since the company's start and HR has therefore always been of importance. Training courses are offered annually to the employees; not only technical and safety courses, but also HR related courses. Managerial employees participate in leadership development courses.

Research and development activities
The company does not manufacture its own products, but is responsible for services and sales. Therefore, the company's development activities are aimed at developing new service concepts and in-house optimization, quality assurance, and customer service.

Future expectations
A number of initiatives were implemented during 2017 to address the challenges that the company faced in 2016 and additional initiatives are implemented currently. The company expects a modest growth in 2018 because the market is still reluctant, especially in relation to the offshore activities.

The results for 2018 are expected to be positive, based on a number of strategic changes that were implemented in 2017.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2017 DKK	2016 DKK '000
NET REVENUE		**258.495.478**	**175.877**
Cost of sales		-112.770.113	-66.313
Other operating income		65.337	4.327
Other external expenses		-18.888.777	-20.175
GROSS PROFIT/LOSS		**126.901.925**	**93.716**
Staff costs	1	-113.137.115	-99.582
Depreciation and amortisation		-3.442.338	-2.820
OPERATING PROFIT		**10.322.472**	**-8.686**
Result of equity investments in group and associat	2	-2.123.446	36
Other financial income	3	950.275	142
Other financial expenses	4	-3.011.506	-650
PROFIT BEFORE TAX		**6.137.795**	**-9.158**
Tax on profit/loss for the year	5	-2.594.434	2.855
PROFIT FOR THE YEAR	6	**3.543.361**	**-6.303**

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2017 DKK	2016 DKK '000
Intangible fixed assets acquired		778.044	1.246
Goodwill		3.366.779	0
Intangible fixed assets	7	**4.144.823**	**1.246**
Production plants and machinery		2.838.976	3.608
Other plants, machinery, tools and equipment		540.653	363
Leasehold improvements		3.340.178	3.800
Tangible fixed assets	8	**6.719.807**	**7.771**
Equity investments in group enterprises		308.362	0
Equity investments in associated enterprises		957.106	1.684
Rent deposit and other receivables		63.680	41
Fixed asset investments	9	**1.329.148**	**1.725**
FIXED ASSETS		**12.193.778**	**10.742**
Raw materials and consumables		28.196.693	16.335
Finished goods and goods for resale		271.081	542
Inventories		**28.467.774**	**16.877**
Trade receivables		30.881.196	22.574
Contract work in progress		12.139.082	16.960
Receivables from group enterprises		15.343.852	22.951
Receivables from associated enterprises		4.389.178	1.456
Deferred tax assets	10	1.241.700	3.136
Other receivables		3.027.380	1.312
Prepayments and accrued income	11	298.312	0
Receivables		**67.320.700**	**68.389**
Cash and cash equivalents		**2.586.375**	**329**
CURRENT ASSETS		**98.374.849**	**85.595**
ASSETS		**110.568.627**	**96.337**

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2017 DKK	2016 DKK '000
Share capital	12	500.000	500
Reserve for net revaluation according to equity va		460.109	0
Retained profit		35.688.294	28.889
EQUITY		**36.648.403**	**29.389**
Other provisions for liabilities	13	300.000	0
PROVISION FOR LIABILITIES		**300.000**	**0**
Bank loan		6.000.000	0
Long-term liabilities	14	**6.000.000**	**0**
Bank debt		28.060.060	25.123
Prepayments received from customers		123.989	0
Prepayments received, work in progres		0	121
Trade payables		18.926.704	13.490
Payables to group enterprises		2.449.154	9.106
Corporation tax		640.134	0
Other liabilities		17.420.183	17.568
Accruals and deferred income		0	1.540
Current liabilities		**67.620.224**	**66.948**
LIABILITIES		**73.620.224**	**66.948**
EQUITY AND LIABILITIES		**110.568.627**	**96.337**

Contingencies etc.	15
Charges and securities	16
Related parties	17

EQUITY

	Share capital	Reserve for net revaluation according to equity va	Retained profit	Total
Equity at 1 January 2017	500.000	460.109	28.887.373	29.847.482
Additions by mergers and acquisitions			3.862.037	3.862.037
Foreign exchange adjustments			-530.078	-530.078
Value adjustments of equity			-74.399	-74.399
Proposed distribution of profit			3.543.361	3.543.361
Equity at 31 December 2017	**500.000**	**460.109**	**35.688.294**	**36.648.403**

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2017 DKK	2016 DKK '000
Profit/loss for the year	3.543.361	-6.303
Reversed depreciation of the year	3.442.338	2.820
Reversed realization gains	-65.337	-261
Profit/loss from associates	864.201	-36
Profit/loss from subsidiaries	1.259.245	0
Reversed tax on profit/loss for the year	2.594.434	-2.855
Other adjustments	300.000	0
Corporation tax paid	53.000	0
Change in inventory	-11.591.670	-2.520
Change in receivables	-1.974.948	-9.284
Change in current liabilities (ex bank and tax)	-3.921.880	20.162
CASH FLOWS FROM OPERATING ACTIVITY	**-5.497.256**	**1.723**
Purchase of intangible fixed assets	-3.787.293	-1.180
Purchase of tangible fixed assets	-1.773.995	-1.495
Sale of tangible fixed assets	336.618	479
Purchase of financial assets	-496.945	-876
Sale of financial assets	137.848	0
Net liability tax by merger	539.664	0
Equity access by merger	3.862.037	0
CASH FLOWS FROM INVESTING ACTIVITY	**-1.182.066**	**-3.072**
Proceeds from long-term borrowing	6.000.000	0
Other cash flows from financing activities	0	-8.434
CASH FLOWS FROM FINANCING ACTIVITY	**6.000.000**	**-8.434**
CHANGE IN CASH AND CASH EQUIVALENTS	**-679.322**	**-9.783**
Cash and cash equivalents at 1. januar	-24.794.363	-15.011
CASH AND CASH EQUIVALENTS AT 31. DECEMBER	**-25.473.685**	**-24.794**
Specification of cash and cash equivalents at 31 December:		
Cash and cash equivalents	2.586.375	329
Bank debt	-28.060.060	-25.123
CASH AND CASH EQUIVALENTS, NET DEBT	**-25.473.685**	**-24.794**

NOTES

	2017 DKK	2016 DKK '000	Note
Staff costs			1
Average number of employees			
156 (2016: 151)			
Wages and salaries	93.841.934	77.995	
Pensions	11.598.762	10.232	
Social security costs	1.822.263	2.537	
Other staff costs	5.874.156	8.818	
	113.137.115	**99.582**	
Remuneration of management and board of directors	1.900.000	2.036	
	1.900.000	**2.036**	
Result of equity investments in group and associat			2
Result of equity investments in group enterprises	-1.259.245	0	
Result of equity investments in associated enterprises	-864.201	36	
	-2.123.446	**36**	
Other financial income			3
Group enterprises	918.339	0	
Other interest income	31.936	142	
	950.275	**142**	
Other financial expenses			4
Group enterprises	51.423	0	
Other interest expenses	2.960.083	650	
	3.011.506	**650**	
Tax on profit/loss for the year			5
Calculated tax on taxable income of the year	640.134	0	
Adjustment of deferred tax	1.954.300	-2.855	
	2.594.434	**-2.855**	
Proposed distribution of profit			6
Accumulated profit	3.543.361	-6.303	
	3.543.361	**-6.303**	

NOTES

Note

Intangible fixed assets 7

	Intangible fixed assets acquired	Goodwill
Cost at 1 January 2017	1.403.956	500.000
Addition from mergers and acquisition of company	0	6.915.866
Cost at 31 December 2017	**1.403.956**	**7.415.866**
Amortisation at 1 January 2017	157.926	500.000
Depreciation for the year	467.986	420.514
Depreciation and impairment from mergers and acquisition of company	0	3.128.573
Depreciation at 31 December 2017	**625.912**	**4.049.087**
Carrying amount at 31 December 2017	**778.044**	**3.366.779**

Tangible fixed assets 8

	Production plants and machinery	Other plants, machinery, tools and equipment	Leasehold improvements
Cost at 1 January 2017	15.959.136	1.692.187	8.894.447
Additions	680.699	300.827	172.214
Addition from mergers and acquisition of company	0	702.757	185.486
Disposals	-2.323.284	-748.687	-43.633
Cost at 31 December 2017	**14.316.551**	**1.947.084**	**9.208.514**
Depreciation and impairment losses at 1 January 2017	12.351.603	1.327.866	5.095.371
Reversal of depreciation of assets disposed of	-2.323.284	-477.407	-43.633
Depreciation for the year	1.449.256	315.684	788.898
Depreciation and impairment from mergers and acquisition of company	0	240.288	27.700
Depreciation and impairment losses at 31 December 2017	**11.477.575**	**1.406.431**	**5.868.336**
Carrying amount at 31 December 2017	**2.838.976**	**540.653**	**3.340.178**

NOTES

Note

Fixed asset investments 9

	Equity investments in group enterprises	Equity investments in associated enterprises	Rent deposit and other receivables
Cost at 1 January 2017	0	1.971.001	40.950
Exchange adjustment	-1.691	0	0
Addition from mergers and acquisition of company	4.233.392	0	22.730
Disposals	-4.219.286	0	0
Cost at 31 December 2017	**12.415**	**1.971.001**	**63.680**
Revaluation at 1 January 2017	0	-287.315	
Exchange adjustment	-54.517	0	
Revaluation and impairment losses for the year	-109.645	-726.580	
Depreciation and impairment from mergers and acquisition of company	460.109	0	
Revaluation at 31 December 2017	**295.947**	**-1.013.895**	
Carrying amount at 31 December 2017	**308.362**	**957.106**	**63.680**

Investments in subsidiaries (DKK)

Name and registered office	Equity	Profit/loss for the year	Ownership
DT-Interlink U.S.A. llc, USA	308.362	-35.246	100 %
VMS Do Brasil LTDA, Brasil	-5.031.367	-1.566.249	100 %

Investments in associates (DKK)

Name and registered office	Equity	Profit for the year	Ownership
VMS Giske Servicebase AS, Ålesund, Norway	1.137.448	-55.900	49 %
OVS Offshore A/S, Frederikshavn, Denmark	1.192.445	-1.312.555	33 %

NOTES

			Note
Deferred tax assets			10

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

	2017 DKK	**2016** DKK '000
Deferred tax comprises:		
Intangible fixed assets	8.774	-34
Tangible fixed assets	49.530	-150
Contract work in progress	511.970	0
Losses	-1.643.503	-2.912
Other costs	-168.471	-40
	-1.241.700	**-3.136**
Deferred tax assets, 1 Januar 2016	3.136.400	3.136
Access to merger	59.600	0
Deferred tax for the year	-1.954.300	0
Deferred tax for the year	**1.241.700**	**3.136**

Prepayments and accrued income			11
Costs	298.312	0	
	298.312	**0**	

Prepayments comprise prepaid costs, relating to the next financial year.

	2017 DKK	**2016** DKK '000	
Share capital			12
Specification of the share capital:			
A-shares, 1 in the denomination of 500.000 DKK	500.000	500	
	500.000	**500**	
Other provisions for liabilities			13
0-1 år	300.000	0	

Other provisions comprise liabilies of warranty.

NOTES

Note

Long-term liabilities 14

	1/1 2017 total liabilities	31/12 2017 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan..............................	0	6.000.000	0	3.193.348
	0	**6.000.000**	**0**	**3.193.348**

Contingencies etc. 15

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 16
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) 35,300 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) 69,436 at 31 December 2017.

Related parties 17
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 2017 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.

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Vestergaard Marine Service Holding A/S, Havnepladsen 12, CVR number 27 47 88 67.

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 ower 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
Production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

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 for identified assets and liabilities.

As regards intercompany acquisitions, the combination method is used, according to which the combination is recognised from the date of acquisition. Accordingly, the comparative figures are not adjusted and assets and liabilities are not reassessed. The combination is made at the carrying amounts at the date of acquisition.

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.

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.

Accruals, assets
Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities
Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under production costs.

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.