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# ***VMS Group A/S***

Havnepladsen 12, DK-9900 Frederikshavn

## **Annual Report for 1 January - 31 December 2018**

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CVR No 27 21 56 29

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
29/5 2019

Morten Rokkedal  
Vestergaard  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of VMS Group A/S for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations and cash flows for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Frederikshavn, 1 April 2019

## Executive Board

Peter Krogh Nymand  
CEO

## Board of Directors

Morten Rokkedal Vestergaard  
Chairman

Karsten Madsen

Henrik Sørensen

# Independent Auditor's Report

To the Shareholder of VMS Group A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of VMS Group A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the 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 Financials 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.

# Independent Auditor's Report

## 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- 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.

Aalborg, 1 April 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Marianne Fog Jørgensen

statsautoriseret revisor

mne21405

## **Company Information**

### **The Company**

VMS Group A/S  
Havnepladsen 12  
DK-9900 Frederikshavn  
E-mail: vms@vms.dk  
Website: www.vms.dk

CVR No: 27 21 56 29  
Financial period: 1 January - 31 December  
Incorporated: 1 January 2003  
Municipality of reg. office: Frederikshavn

### **Board of Directors**

Morten Rokkedal Vestergaard, Chairman  
Karsten Madsen  
Henrik Sørensen

### **Executive Board**

Peter Krogh Nymand

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Skelagervej 1A  
DK-9000 Aalborg

# Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Profit/loss before financial income and expenses	4.612	10.322	-8.686	395	10.985
Net financials	-2.137	-4.185	-472	-468	1.336
Net profit/loss for the year	1.565	3.543	-6.303	1.103	9.526
<b>Balance sheet</b>					
Balance sheet total	172.318	110.569	96.337	77.385	78.121
Equity	39.677	36.648	29.389	35.690	39.587
<b>Cash flows</b>					
Cash flows from:					
- operating activities	2.173	1.159	1.723	7.846	6.275
- investing activities	-7.141	-1.182	-3.072	-4.349	4.208
including investment in property, plant and equipment	-7.034	-1.774	-1.495	-3.401	-3.987
- financing activities	3.171	-657	-8.434	-9.783	-21.635
Change in cash and cash equivalents for the year	-1.797	-679	-9.783	-6.286	-11.152
Number of employees	170	156	151	140	132
<b>Ratios</b>					
Return on assets	2,7%	9,3%	-9,0%	0,5%	14,1%
Solvency ratio	23,0%	33,1%	30,5%	46,1%	50,7%
Return on equity	4,1%	10,7%	-19,4%	2,9%	48,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

## Key activities

The Company's activities consist of repair, sale and servicing of large diesel engines and propulsion systems.

## Development in the year

The year was characterised by high activity; however, the competitive situation and in part the low exchange rate on Norwegian kroner have made it difficult to increase margins. Results for 2018 show a profit of DKK 2.5 million before tax.

The unforeseen close-down of the Company's subsidiary in Norway affected results negatively by DKK 5.0 million before tax.

In 2018, the Company invested in a test centre for engines and generator sets. The facilities were put into use at the turn of the year and became fully operational as from February 2019.

Growing activity in Brazil, but also offshore, contributed positively to the Group's establishment in Brazil.

The workshop at Skagen harbour is developing as planned.

Based on the above and on market developments, the Board of Directors considers the strategic development for the year satisfactory. The net profit for the year is however considered unsatisfactory.

## The past year and follow-up on development expectations from last year

The profit for the year is below expectations.

## Special risks - operating risks and financial risks

### *Foreign exchange risks*

The Company's currency risks primarily relate to the derived effect which customers with other currencies may face. VMS Group A/S effects most of its sales and purchases in DKK or EUR and is therefore only to a small extent exposed to direct currency risks. Some exposure in respect of component purchases in USD is offset by corresponding sales

### *Interest rate risks*

The Company has interest-bearing debt; however, not to an extent that is considered to involve sensitivity to significant changes in the level of interest.

# Management's Review

## ***Price risks***

The Company is not considered particularly price sensitive as, basically, it is possible to pass on price fluctuations in purchase prices and wages/salaries to customers, and competitors are subject to the same sensitivity.

Long-term contracts or inventories are not subject to material price risks.

## ***Interest rate risks***

The Company has interest-bearing debt; however, not to an extent that is considered to involve sensitivity to significant changes in the level of interest.

## **Targets and expectations for the year ahead**

The Company has invested in and implemented a number of strategic initiatives during 2018, and further initiatives will be implemented on a current basis. Based on this, the Company expects growth in 2019.

The Company expects to realise a profit for 2019.

## **Research and development**

The Company does not manufacture own products, its object being to undertake servicing and trading. Therefore, the Company's development activities are targeted at developing new service concepts as well as internal optimisation, quality assurance and customer service.

## **External environment**

The Company is making targeted efforts in the areas of safety at work and environment in the workshop.

In this connection, the Company has prepared an environmental policy with related targets according to which environmental issues are managed. This policy is based on environmentally responsible operations and forms a natural part of the Group's targets for product quality and production conditions. On 7 September 2012, VMS Group A/S obtained environmental approval from the Municipality of Frederikshavn without any particularly restrictive requirements applying to an eight-year period.

## **Intellectual capital resources**

To a great extent, the Company's earnings depend on Management's and employees' know-how and experience. The Company has focused on this ever since it was founded, and therefore HR has always been an important aspect. Each year, courses are being offered to the Company's employees; not just technology and safety courses, but also HR-related courses. Executives participate in management development courses.

## **Management's Review**

### **Subsequent events**

No events have occurred after the balance sheet date which materially affect the assessment of the Company's financial position.

## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
<b>Gross profit/loss</b>		<b>134.768.197</b>	<b>126.901.925</b>
Staff expenses	2	-127.267.858	-113.137.115
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.888.709	-3.442.338
<b>Profit/loss before financial income and expenses</b>		<b>4.611.630</b>	<b>10.322.472</b>
Income from investments in subsidiaries	8	-470.284	-1.259.245
Income from investments in associates	9	-893.988	-864.201
Financial income	3	1.151.119	950.275
Financial expenses	4	-1.923.596	-3.011.506
<b>Profit/loss before tax</b>		<b>2.474.881</b>	<b>6.137.795</b>
Tax on profit/loss for the year	5	-909.815	-2.594.434
<b>Net profit/loss for the year</b>		<b>1.565.066</b>	<b>3.543.361</b>

# Balance Sheet 31 December

## Assets

	Note	2018 DKK	2017 DKK
Acquired licenses		377.819	778.044
Goodwill		2.992.691	3.366.779
<b>Intangible assets</b>	<b>6</b>	<b>3.370.510</b>	<b>4.144.823</b>
Plant and machinery		2.361.912	2.838.976
Other fixtures and fittings, tools and equipment		677.364	540.653
Leasehold improvements		3.378.490	3.340.178
Property, plant and equipment in progress		5.291.242	0
<b>Property, plant and equipment</b>	<b>7</b>	<b>11.709.008</b>	<b>6.719.807</b>
Investments in subsidiaries	8	1.023.895	308.362
Investments in associates	9	63.118	957.106
Deposits	10	101.480	63.680
<b>Fixed asset investments</b>		<b>1.188.493</b>	<b>1.329.148</b>
<b>Fixed assets</b>		<b>16.268.011</b>	<b>12.193.778</b>
<b>Inventories</b>	<b>11</b>	<b>57.879.111</b>	<b>28.467.774</b>
Trade receivables		40.806.571	30.881.196
Contract work in progress	12	19.624.468	12.139.082
Receivables from group enterprises		19.167.221	15.343.852
Receivables from associates		0	4.389.178
Other receivables		3.227.403	3.027.380
Deferred tax asset	15	331.885	1.241.700
Prepayments	13	8.757.842	298.312
<b>Receivables</b>		<b>91.915.390</b>	<b>67.320.700</b>
<b>Cash at bank and in hand</b>		<b>6.255.096</b>	<b>2.586.375</b>
<b>Currents assets</b>		<b>156.049.597</b>	<b>98.374.849</b>
<b>Assets</b>		<b>172.317.608</b>	<b>110.568.627</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		500.000	500.000
Reserve for net revaluation under the equity method		0	460.109
Retained earnings		38.176.835	35.688.294
Proposed dividend for the year		1.000.000	0
<b>Equity</b>		<b>39.676.835</b>	<b>36.648.403</b>
Other provisions	16	0	300.000
<b>Provisions</b>		<b>0</b>	<b>300.000</b>
Other payables		5.103.038	6.000.000
<b>Long-term debt</b>	17	<b>5.103.038</b>	<b>6.000.000</b>
Credit institutions		33.525.695	28.060.060
Prepayments received from customers		35.333.453	123.989
Trade payables		32.854.343	18.926.704
Payables to group enterprises		3.031.234	2.449.154
Corporation tax		0	640.134
Other payables	17	22.671.008	17.420.183
Deferred income		122.002	0
<b>Short-term debt</b>		<b>127.537.735</b>	<b>67.620.224</b>
<b>Debt</b>		<b>132.640.773</b>	<b>73.620.224</b>
<b>Liabilities and equity</b>		<b>172.317.608</b>	<b>110.568.627</b>
Subsequent events	1		
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
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## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	460.109	35.688.294	0	36.648.403
Exchange adjustments relating to foreign entities	0	445.285	0	0	445.285
Other equity movements	0	0	1.018.081	0	1.018.081
Net profit/loss for the year	0	-905.394	1.470.460	1.000.000	1.565.066
<b>Equity at 31 December</b>	<b>500.000</b>	<b>0</b>	<b>38.176.835</b>	<b>1.000.000</b>	<b>39.676.835</b>

## Cash Flow Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Net profit/loss for the year		1.565.066	3.543.361
Adjustments	18	5.935.273	10.156.112
Change in working capital	19	-3.914.697	-10.531.820
<b>Cash flows from operating activities before financial income and expenses</b>		<b>3.585.642</b>	<b>3.167.653</b>
Financial income		1.151.119	950.275
Financial expenses		-1.923.596	-3.011.505
<b>Cash flows from ordinary activities</b>		<b>2.813.165</b>	<b>1.106.423</b>
Corporation tax paid		-640.134	53.000
<b>Cash flows from operating activities</b>		<b>2.173.031</b>	<b>1.159.423</b>
Purchase of intangible assets		-69.650	-3.787.293
Purchase of property, plant and equipment		-7.033.947	-1.773.995
Fixed asset investments made etc		0	-496.945
Sale of property, plant and equipment		0	336.618
Sale of fixed asset investments etc		0	137.848
Tax due due to purchase		0	539.664
Equity in connection with acquisitions		0	3.862.037
Other adjustments		-37.800	0
<b>Cash flows from investing activities</b>		<b>-7.141.397</b>	<b>-1.182.066</b>
Repayment of payables to group enterprises		1.708.086	-6.656.679
Raising of loans from credit institutions		0	6.000.000
Other equity entries (should be broken down)		1.463.366	0
<b>Cash flows from financing activities</b>		<b>3.171.452</b>	<b>-656.679</b>
<b>Change in cash and cash equivalents</b>		<b>-1.796.914</b>	<b>-679.322</b>
Cash and cash equivalents at 1 January		-25.473.685	-24.794.363
<b>Cash and cash equivalents at 31 December</b>		<b>-27.270.599</b>	<b>-25.473.685</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6.255.096	2.586.375
Overdraft facility		-33.525.695	-28.060.060
<b>Cash and cash equivalents at 31 December</b>		<b>-27.270.599</b>	<b>-25.473.685</b>



# Notes to the Financial Statements

## 1 Subsequent events

On 31 January 2019, VMS Giske Servicebase AS presented a winding-up petition; equity investments in VMS Giske Servicebase AS have been written down to DKK 0 in the income statement.

A provision for loss has been made in respect of the Company's receivable from VMS Giske Servicebase AS.

	<u>2018</u> DKK	<u>2017</u> DKK
<b>2 Staff expenses</b>		
Wages and salaries	106.333.213	93.841.934
Pensions	12.160.287	11.598.762
Other social security expenses	1.757.631	1.822.263
Other staff expenses	7.016.727	5.874.156
	<b><u>127.267.858</u></b>	<b><u>113.137.115</u></b>
Including remuneration to the Executive Board of: Executive Board	<u>1.905.400</u>	<u>1.900.000</u>
	<b><u>1.905.400</u></b>	<b><u>1.900.000</u></b>
<b>Average number of employees</b>	<b><u>170</u></b>	<b><u>156</u></b>
<b>3 Financial income</b>		
Interest received from group enterprises	715.098	918.339
Other financial income	436.021	31.936
	<b><u>1.151.119</u></b>	<b><u>950.275</u></b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	48.572	51.423
Other financial expenses	1.875.024	2.960.083
	<b><u>1.923.596</u></b>	<b><u>3.011.506</u></b>

## Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
	DKK	DKK
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	0	640.134
Deferred tax for the year	841.262	1.954.300
Adjustment of tax concerning previous years	68.553	0
	<u><b>909.815</b></u>	<u><b>2.594.434</b></u>

## Notes to the Financial Statements

### 6 Intangible assets

	Acquired licenses DKK	Goodwill DKK
Cost at 1 January	1.403.956	7.415.866
Additions for the year	69.650	0
Cost at 31 December	<u>1.473.606</u>	<u>7.415.866</u>
Impairment losses and amortisation at 1 January	625.912	4.049.087
Amortisation for the year	469.875	374.088
Impairment losses and amortisation at 31 December	<u>1.095.787</u>	<u>4.423.175</u>
<b>Carrying amount at 31 December</b>	<b><u>377.819</u></b>	<b><u>2.992.691</u></b>

### 7 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost at 1 January	14.316.551	1.947.084	9.208.514	0
Additions for the year	649.061	404.408	689.236	5.291.242
Cost at 31 December	<u>14.965.612</u>	<u>2.351.492</u>	<u>9.897.750</u>	<u>5.291.242</u>
Impairment losses and depreciation at 1 January	11.477.575	1.406.431	5.868.336	0
Depreciation for the year	1.126.125	267.697	650.924	0
Impairment losses and depreciation at 31 December	<u>12.603.700</u>	<u>1.674.128</u>	<u>6.519.260</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>2.361.912</u></b>	<b><u>677.364</u></b>	<b><u>3.378.490</u></b>	<b><u>5.291.242</u></b>

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>8 Investments in subsidiaries</b>		
Cost at 1 January	12.415	0
Exchange adjustment	0	-1.691
Net effect from merger and acquisition	905.149	4.233.392
Disposals for the year	0	-4.219.286
Cost at 31 December	<u>917.564</u>	<u>12.415</u>
Value adjustments at 1 January	295.947	0
Net effect from merger and acquisition	-5.425.279	460.109
Exchange adjustment	445.285	-54.517
Revaluations for the year, net	-470.284	-35.246
Other equity movements, net	0	-74.399
Reversals for the year of revaluations in previous years	1.018.081	0
Value adjustments at 31 December	<u>-4.136.250</u>	<u>295.947</u>
Equity investments with negative net asset value amortised over receivables	<u>4.242.581</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>1.023.895</u></b>	<b><u>308.362</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
DT-Interlink U.S.A. llc	USA	99%	1.034.238	-172.810
VMS Do Brasil Ltda	Brasilien	100%	-4.242.582	-299.202

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>9 Investments in associates</b>		
Cost at 1 January	1.971.001	1.971.001
Cost at 31 December	1.971.001	1.971.001
Value adjustments at 1 January	-1.013.895	-287.315
Exchange adjustment	-532.266	0
Net profit/loss for the year	-361.722	0
Revaluations for the year, net	0	-726.580
Value adjustments at 31 December	-1.907.883	-1.013.895
<b>Carrying amount at 31 December</b>	<b>63.118</b>	<b>957.106</b>

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
VMS Giske Servicebase AS	Ålesund, Norway	49%	1.137.448	-55.900
OVS Offshore A/S	Frederikshavn, DK	33%	189.353	-1.003.092

All foreign associates are recognised and measured as separate entities.

### 10 Other fixed asset investments

	Deposits DKK
Cost at 1 January	63.680
Additions for the year	37.800
Cost at 31 December	101.480
<b>Carrying amount at 31 December</b>	<b>101.480</b>

## Notes to the Financial Statements

	2018	2017
	DKK	DKK
<b>11 Inventories</b>		
Raw materials and consumables	57.879.111	28.196.693
Finished goods and goods for resale	0	271.081
	<u>57.879.111</u>	<u>28.467.774</u>
<b>12 Contract work in progress</b>		
Selling price of work in progress	22.437.612	12.263.082
Payments received on account	-2.813.144	-124.000
	<u>19.624.468</u>	<u>12.139.082</u>
<b>13 Prepayments</b>		
Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.		
<b>14 Distribution of profit</b>		
Proposed dividend for the year	1.000.000	0
Reserve for net revaluation under the equity method	-460.109	0
Transfer to/from reserves in accordance with the Articles of Association	-445.285	0
Retained earnings	1.470.460	3.543.361
	<u>1.565.066</u>	<u>3.543.361</u>
<b>15 Deferred tax asset</b>		
Deferred tax asset at 1 January	1.241.700	3.136.400
Amounts recognised in the income statement for the year	-909.815	-1.954.300
Additions from acquisition	0	59.600
<b>Deferred tax asset at 31 December</b>	<u>331.885</u>	<u>1.241.700</u>

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>16 Other provisions</b>		
Other provisions	0	300.000
	<b>0</b>	<b>300.000</b>

### 17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2018 DKK	2017 DKK
<b>Other payables</b>		
After 5 years	0	1.785.464
Between 1 and 5 years	5.103.038	4.214.536
Long-term part	5.103.038	6.000.000
Other short-term payables	22.671.008	17.420.183
	<b>27.774.046</b>	<b>23.420.183</b>

### 18 Cash flow statement - adjustments

Financial income	-1.151.119	-950.275
Financial expenses	1.923.596	3.011.506
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.888.709	3.377.001
Income from investments in subsidiaries	470.284	1.259.245
Income from investments in associates	893.988	864.201
Tax on profit/loss for the year	909.815	2.594.434
	<b>5.935.273</b>	<b>10.156.112</b>

## Notes to the Financial Statements

	2018	2017
	DKK	DKK
<b>19 Cash flow statement - change in working capital</b>		
Change in inventories	-4.349.120	-11.591.671
Change in receivables	-50.847.390	-1.974.948
Change in other provisions	-300.000	-5.700.000
Change in trade payables, etc	51.581.813	8.734.799
	<b>-3.914.697</b>	<b>-10.531.820</b>

## 20 Contingent assets, liabilities and other financial obligations

### Charges and security

The following assets have been placed as security with bankers:

Company charge of a nominal amount of DKK 35,300k secured on unsecured claims from sales and services, raw material inventories, fixtures, fittings & equipment and goodwill.

113.387.380	69.435.555
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### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.252.254	2.031.919
Between 1 and 5 years	1.701.086	1.023.405
	<b>2.953.340</b>	<b>3.055.324</b>

Rental obligations, period of interminability 3-12 months	2.044.636	2.053.458
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### Other contingent liabilities

The company has issued a joint and several guarantee to the subsidiary VMS Ejendomme ApS.

The Group's enterprises are jointly and severally liable for tax on the jointly taxed income etc of the Group. The total accrued corporation tax is disclosed in the Annual Report of Vestergaard Marine Service Holding ApS, which is the management company under the joint taxation. Moreover, the Group's enterprises are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company has entered into an agreement concerning payment guarantee of DKK 1,042k.



# Notes to the Financial Statements

## 21 Related parties

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Vestergaard Marine Service Holding ApS, Havnepladsen 12 DK-9900 Frederikshavn owns 100% and controls the Company.

### Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the Parent Company.

<u>Name</u>	<u>Place of registered office</u>
Vestergaard Marine Service Holding ApS	Frederikshavn, Danmark

The Consolidated Financial Statements of Vestergaard Marine Service Holding ApS may be obtained by contacting the Company at the following address: Havnepladsen 12, DK-9900 Frederikshavn

# Notes to the Financial Statements

## 22 Accounting Policies

The Annual Report of VMS Group A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Vestergaard Marine Service Holding ApS, Havnepladsen 12, CVR 27 47 88 67, the Company has not prepared consolidated financial statements.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

### Financial income and expenses

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

expected useful lives of the assets, which are:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Equity

#### *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Cash Flow Statement

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

### Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year 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

# Notes to the Financial Statements

## 22 Accounting Policies (continued)

included in cash and cash equivalents.

### Cash flows from investing activities

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

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" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

## Financial Highlights

### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$