
VMS Group A/S

Havnepladsen 12, DK-9900 Frederikshavn

Annual Report for 1 January - 31 December 2020

CVR No 27 21 56 29

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
13/04 2021

Morten Rokkedal
Vestergaard
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	10
Balance Sheet 31 December	11
Statement of Changes in Equity	13
Cash Flow Statement 1 January - 31 December	14
Notes to the Financial Statements	15

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 2020.

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 2020 of the Company and of the results of the Company operations and cash flows for 2020.

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, 13 April 2021

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 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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, 13 April 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Rasmus Møllgaard Stenskrøge

statsautoriseret revisor

mne34161

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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	723	9.656	4.612	10.322	-8.686
Net financials	-3.080	-5.133	-2.137	-4.185	-472
Net profit/loss for the year	-2.403	1.678	1.565	3.543	-6.303
Balance sheet					
Balance sheet total	140.808	182.837	165.871	110.569	96.337
Equity	40.515	40.512	39.677	36.648	29.389
Cash flows					
Cash flows from:					
- operating activities	21.481	7.935	2.173	1.159	1.723
- investing activities	-2.456	-3.462	-7.141	-1.182	-3.072
including investment in property, plant and equipment	-1.483	-2.431	-7.034	-1.774	-1.495
- financing activities	-20.947	-7.599	8.637	-657	-8.434
Change in cash and cash equivalents for the year	-1.923	-3.125	3.669	-680	-9.783
Number of employees	149	168	170	156	151
Ratios					
Return on assets	0,5%	5,3%	2,8%	9,3%	-9,0%
Solvency ratio	28,8%	22,2%	23,9%	33,1%	30,5%
Return on equity	-5,9%	4,2%	4,1%	10,7%	-19,4%

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

Beginning of the year (Q1) was characterised by high activity; however, The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy.

To date, the Company has been negatively impacted by the effects of COVID-19 as several customers during 2020 have cancelled or postponed a number of existing and new projects.

Moreover, the Company has been negatively impacted by travel and quarantine restrictions. A few customers have chosen to absorb the additional cost, but – overall – this has had a negative impact on the Company.

Results for 2020 show a loss of DKK -2,4 million before tax.

The activity in the Brazilian subsidiary was significantly lower than expected.

The new subsidiary in Walvis Bay, Namibia, is progressing as expected.

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 due to the negative impact of COVID-19. Please refer to the section above.

Foreign exchange risks

The Company's currency risks primarily relate to the derived effect which customers with other currencies may face. The Company 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.

Management's Review

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.

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.

Targets and expectations for the year ahead

Many of the Company's customers have indicated that they will increase the activity level and continue projects in progress, but COVID-19 will still have negative impacts on the Company's revenue and earnings in 2021.

The Company's Management has tried to assess the effect of COVID-19 on the Company's expected revenue and profit and based on this the Company expect a result after tax in the range DKK 5 million - DKK 9 million.

Management is following developments closely, but expectations for 2021 are associated with great uncertainty.

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 optimization, 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.

Management's Review

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.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> DKK
Gross profit/loss		104.630.223	141.515.392
Staff expenses	1	-100.871.665	-128.540.707
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.035.066	-3.296.514
Other operating expenses		<u>0</u>	<u>-22.046</u>
Profit/loss before financial income and expenses		723.492	9.656.125
Income from investments in subsidiaries		-2.430.664	-4.875.213
Income from investments in associates		-83.342	-337.288
Financial income	2	872.745	1.257.095
Financial expenses	3	<u>-1.438.673</u>	<u>-1.177.099</u>
Profit/loss before tax		-2.356.442	4.523.620
Tax on profit/loss for the year	4	<u>-46.871</u>	<u>-2.845.328</u>
Net profit/loss for the year		<u>-2.403.313</u>	<u>1.678.292</u>

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Acquired licenses		1.957.406	1.111.675
Goodwill		2.244.515	2.618.603
Intangible assets	5	4.201.921	3.730.278
Plant and machinery		7.309.977	7.694.435
Other fixtures and fittings, tools and equipment		451.124	648.366
Leasehold improvements		2.551.374	2.998.903
Property, plant and equipment	6	10.312.475	11.341.704
Investments in subsidiaries	7	1.428.504	964.935
Investments in associates	8	0	0
Receivables from associates	9	72.615	38.790
Deposits	9	21.000	42.000
Fixed asset investments		1.522.119	1.045.725
Fixed assets		16.036.515	16.117.707
Inventories	10	29.382.558	57.363.831
Trade receivables		33.572.915	50.824.551
Contract work in progress	11	14.113.499	13.684.538
Receivables from group enterprises		16.019.033	20.790.527
Other receivables		1.565.754	1.815.077
Prepayments	12	28.910.655	19.111.294
Receivables		94.181.856	106.225.987
Cash at bank and in hand		1.206.953	3.129.607
Currents assets		124.771.367	166.719.425
Assets		140.807.882	182.837.132

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		500.000	500.000
Retained earnings		39.215.480	40.012.221
Proposed dividend for the year		800.000	0
Equity		40.515.480	40.512.221
Provision for deferred tax	13	1.128.577	1.081.706
Provisions		1.128.577	1.081.706
Other payables		9.537.938	3.773.826
Long-term debt	14	9.537.938	3.773.826
Credit institutions		5.333.140	34.689.066
Prepayments received from customers		32.238.130	27.047.927
Trade payables		18.011.042	47.829.386
Contract work in progress, liabilities	11	522.278	1.031.250
Payables to group enterprises		647.651	671.293
Payables to associates		0	66.678
Payables to group enterprises relating to corporation tax		0	1.431.737
Other payables	14	21.751.012	24.702.042
Deferred income	16	11.122.634	0
Short-term debt		89.625.887	137.469.379
Debt		99.163.825	141.243.205
Liabilities and equity		140.807.882	182.837.132
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Accounting Policies	21		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	40.012.221	0	40.512.221
Exchange adjustments	0	2.410.370	0	2.410.370
Other equity movements	0	-3.798	0	-3.798
Net profit/loss for the year	0	-3.203.313	800.000	-2.403.313
Equity at 31 December	500.000	39.215.480	800.000	40.515.480

Cash Flow Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Net profit/loss for the year		-2.403.313	1.678.292
Adjustments	19	6.161.871	11.274.347
Change in working capital	20	18.288.401	-5.097.439
Cash flows from operating activities before financial income and expenses		22.046.959	7.855.200
Financial income		872.744	1.257.094
Financial expenses		-1.438.671	-1.177.099
Cash flows from operating activities		21.481.032	7.935.195
Purchase of intangible assets		-1.095.050	-1.091.581
Purchase of property, plant and equipment		-1.483.186	-2.430.647
Fixed asset investments made etc		0	59.480
Sale of property, plant and equipment		100.756	233.250
Sale of fixed asset investments etc		21.000	0
Other adjustments		0	-232.074
Cash flows from investing activities		-2.456.480	-3.461.572
Raising of loans from credit institutions		0	2.057.501
Repayment of loans from credit institutions		-29.355.927	0
Repayment/raising of payables to group enterprises		2.828.454	-8.410.329
Repayment of payables to associates		-183.845	-246.284
Raising of other debt		5.764.112	0
Dividend paid		0	-1.000.000
Cash flows from financing activities		-20.947.206	-7.599.112
Change in cash and cash equivalents		-1.922.654	-3.125.489
Cash and cash equivalents at 1 January		3.129.607	6.255.096
Cash and cash equivalents at 31 December		1.206.953	3.129.607
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		1.206.953	3.129.607
Cash and cash equivalents at 31 December		1.206.953	3.129.607

Notes to the Financial Statements

	2020 DKK	2019 DKK
1 Staff expenses		
Wages and salaries	83.138.640	105.505.291
Pensions	11.905.905	13.249.872
Other social security expenses	1.476.465	2.095.551
Other staff expenses	4.350.655	7.689.993
	100.871.665	128.540.707
Including remuneration to the Executive Board and Board of Directors	1.833.838	1.933.327
Average number of employees	149	168
2 Financial income		
Interest received from group enterprises	851.771	666.577
Interest received from associates	20.730	9.397
Other financial income	244	51.357
Exchange adjustments	0	529.764
	872.745	1.257.095
3 Financial expenses		
Interest paid to group enterprises	0	32.522
Other financial expenses	683.544	1.144.577
Exchange adjustments	755.129	0
	1.438.673	1.177.099
4 Tax on profit/loss for the year		
Current tax for the year	0	1.431.737
Deferred tax for the year	46.871	749.820
Adjustment of deferred tax concerning previous years	0	663.771
	46.871	2.845.328

Notes to the Financial Statements

5 Intangible assets

	Acquired licenses DKK	Goodwill DKK
Cost at 1 January	2.565.187	7.415.866
Additions for the year	1.095.050	0
Cost at 31 December	<u>3.660.237</u>	<u>7.415.866</u>
Impairment losses and amortisation at 1 January	1.453.512	4.797.263
Amortisation for the year	249.319	374.088
Impairment losses and amortisation at 31 December	<u>1.702.831</u>	<u>5.171.351</u>
Carrying amount at 31 December	<u>1.957.406</u>	<u>2.244.515</u>

6 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	21.939.961	2.054.955	10.083.116
Additions for the year	1.166.656	213.095	103.435
Disposals for the year	0	-503.780	0
Cost at 31 December	<u>23.106.617</u>	<u>1.764.270</u>	<u>10.186.551</u>
Impairment losses and depreciation at 1 January	14.245.526	1.406.589	7.084.213
Depreciation for the year	1.551.114	309.581	550.964
Impairment and depreciation of sold assets for the year	0	-403.024	0
Impairment losses and depreciation at 31 December	<u>15.796.640</u>	<u>1.313.146</u>	<u>7.635.177</u>
Carrying amount at 31 December	<u>7.309.977</u>	<u>451.124</u>	<u>2.551.374</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
7 Investments in subsidiaries		
Cost at 1 January	1.149.638	917.564
Additions for the year	7.210.660	232.074
Cost at 31 December	<u>8.360.298</u>	<u>1.149.638</u>
Value adjustments at 1 January	-7.892.043	-4.136.250
Exchange adjustment	2.410.370	173.512
Revaluations for the year, net	-2.430.664	-3.912.887
Other equity movements, net	-3.798	-16.418
Value adjustments at 31 December	<u>-7.916.135</u>	<u>-7.892.043</u>
Equity investments with negative net asset value amortised over receivables	<u>984.341</u>	<u>7.707.340</u>
Carrying amount at 31 December	<u>1.428.504</u>	<u>964.935</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
LMS Inc.	Kenner, LA, USA	99%
VMS Do Brasil LTDA	Rio de Janeiro, Brasilien	100%
VMS Namibia (Pty) Ltd.	Walvis Bay, Namibia	100%

Notes to the Financial Statements

	2020 DKK	2019 DKK
8 Investments in associates		
Cost at 1 January	1.971.001	1.971.001
Disposals for the year	<u>-1.136.001</u>	<u>0</u>
Cost at 31 December	<u>835.000</u>	<u>1.971.001</u>
Value adjustments at 1 January	-2.245.171	-1.907.883
Disposals for the year	1.136.001	0
Net profit/loss for the year	<u>-83.342</u>	<u>-337.288</u>
Value adjustments at 31 December	<u>-1.192.512</u>	<u>-2.245.171</u>
Equity investments with negative net asset value amortised over receivables	<u>357.512</u>	<u>274.170</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
OVS Offshore A/S	Frederikshavn, Denmark	33%

9 Other fixed asset investments

	Receivables from associates DKK	Deposits DKK
Cost at 1 January	38.790	42.000
Additions for the year	33.825	0
Disposals for the year	<u>0</u>	<u>-21.000</u>
Cost at 31 December	<u>72.615</u>	<u>21.000</u>
Carrying amount at 31 December	<u>72.615</u>	<u>21.000</u>

Notes to the Financial Statements

	2020 <u>DKK</u>	2019 <u>DKK</u>
10 Inventories		
Raw materials and consumables	29.382.558	57.363.831
	29.382.558	57.363.831
11 Contract work in progress		
Selling price of work in progress	25.773.614	33.746.691
Payments received on account	-12.182.393	-21.093.403
	13.591.221	12.653.288
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	14.113.499	13.684.538
Prepayments received recognised in debt	-522.278	-1.031.250
	13.591.221	12.653.288
12 Prepayments		
Prepayments consist of prepaid expenses concerning goods, rent, insurance premiums, subscriptions and interest as well.		
13 Provision for deferred tax		
Provision for deferred tax at 1 January	1.081.706	-331.885
Amounts recognised in the income statement for the year	46.871	1.413.591
Provision for deferred tax at 31 December	1.128.577	1.081.706

Notes to the Financial Statements

14 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:

	<u>2020</u> DKK	<u>2019</u> DKK
Other payables		
After 5 years	9.306.448	0
Between 1 and 5 years	231.490	3.773.826
Long-term part	<u>9.537.938</u>	<u>3.773.826</u>
Within 1 year	19.210	0
Other short-term payables	21.731.802	24.702.042
Short-term part	<u>21.751.012</u>	<u>24.702.042</u>
	<u>31.288.950</u>	<u>28.475.868</u>
15 Distribution of profit		
Proposed dividend for the year	800.000	0
Reserve for net revaluation under the equity method	0	-157.094
Retained earnings	<u>-3.203.313</u>	<u>1.835.386</u>
	<u>-2.403.313</u>	<u>1.678.292</u>

16 Deferred income

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

Notes to the Financial Statements

	<u>2020</u> DKK	<u>2019</u> DKK
17 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 41.300.000 secured on trade receivables, inventories, property, plant and equipment and intangible assets.	77.469.869	123.260.264
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1.220.786	1.514.468
Between 1 and 5 years	1.557.285	2.118.842
	<u>2.778.071</u>	<u>3.633.310</u>
Rental obligations, period of interminability 3-12 months (2019: 3-12 months)	2.376.557	2.176.291

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 a payment guarantee of DKK 1.124.986.

Notes to the Financial Statements

18 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. No such transactions have occurred.

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, Denmark

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

	2020	2019
	DKK	DKK
19 Cash flow statement - adjustments		
Financial income	-872.745	-1.257.095
Financial expenses	1.438.673	1.177.099
Depreciation, amortisation and impairment losses	3.035.066	3.296.514
Income from investments in subsidiaries	2.430.664	4.875.213
Income from investments in associates	83.342	337.288
Tax on profit/loss for the year	46.871	2.845.328
	6.161.871	11.274.347
20 Cash flow statement - change in working capital		
Change in inventories	27.981.273	515.280
Change in receivables	6.763.665	-19.465.381
Change in trade payables, etc	-16.456.537	13.852.662
	18.288.401	-5.097.439

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of VMS Group A/S for 2020 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. Some reclassifications have been made in the comparative figures. The reclassifications do not affect profit or equity.

The Financial Statements for 2020 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, DK-9900 Frederikshavn, 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

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

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

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

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 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 expected useful lives of the assets, which are:

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

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Other fixed asset investments

Other fixed asset investments consist of receivables from associates and deposits, which are measured at amortized cost. Provisions are made for expected bad debt.

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 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning goods, 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 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 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".

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$