
VMS Group A/S

Havnepladsen 12, DK-9900 Frederikshavn

Annual Report for 1 January - 31 December 2021

CVR No 27 21 56 29

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/5 2022

Morten Rokkedal
Vestergaard
Chairman of the General
Meeting



pwc

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 2021.

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 2021 of the Company and of the results of the Company operations and cash flows for 2021.

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, 27 May 2022

Executive Board

Morten Rokkedal Vestergaard
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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 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 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 27 May 2022

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

Morten Rokkedal Vestergaard

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:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	1.220	723	9.656	4.612	10.322
Net financials	1.659	-3.080	-5.133	-2.137	-4.185
Net profit/loss for the year	2.536	-2.403	1.678	1.565	3.543
Balance sheet					
Balance sheet total	164.670	140.819	182.837	165.871	110.569
Equity	42.359	40.515	40.512	39.677	36.648
Cash flows					
Cash flows from:					
- operating activities	-20.432	21.481	7.935	2.173	1.159
- investing activities	-1.484	-2.456	-3.462	-7.141	-1.182
including investment in property, plant and equipment	-1.762	-1.483	-2.431	-7.034	-1.774
- financing activities	21.113	-20.947	-7.599	8.637	-657
Change in cash and cash equivalents for the year	-803	-1.922	-3.126	3.669	-680
Number of employees	153	149	168	170	156
Ratios					
Return on assets	0,7%	0,5%	5,3%	2,8%	9,3%
Solvency ratio	25,7%	28,8%	22,2%	23,9%	33,1%
Return on equity	6,1%	-5,9%	4,2%	4,1%	10,7%

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

As expected, the Company was negatively impacted by the effects of COVID-19 during the first three quarters of the year, since several customers cancelled or postponed a number of existing and new projects. Moreover, the Company was negatively impacted by travel and quarantine restrictions.

During Q4 the activity level increased.

Results for 2021 show a profit of DKK 2.9 million before tax.

The activity in the Brazilian subsidiary was lower than expected.

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

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

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

The profit of the year is below expectations, mainly due to the impact by the effects of COVID-19 during the first three quarters of the year.

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.

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

The Company expects a result in the range of DKK 6 million - DKK 9 million.

Management is following the development in Ukraine closely, and expectations for 2022 are subject to some uncertainty.

Research and development

The Company does not manufacture own products. Its object is 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 the 7th September 2012, VMS Group A/S obtained environmental approval from the Municipality of Frederikshavn without any particularly restrictive requirements applying. The approval was latest renewed August 2021.

Management's Review

Intellectual capital resources

The Company's earnings depend heavily 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 have occurred after the end of the financial year of material importance for the Company's financial position.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> DKK	<u>2020</u> DKK
Gross profit/loss		105.220.835	104.630.223
Staff expenses	1	-101.029.714	-100.871.665
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.959.109	-3.035.066
Other operating expenses		-12.249	0
Profit/loss before financial income and expenses		1.219.763	723.492
Income from investments in subsidiaries		1.351.605	-2.430.664
Income from investments in associates		6.000	-83.342
Financial income	2	829.055	872.745
Financial expenses	3	-527.375	-1.438.673
Profit/loss before tax		2.879.048	-2.356.442
Tax on profit/loss for the year	4	-343.408	-46.871
Net profit/loss for the year		2.535.640	-2.403.313

Balance Sheet 31 December

Assets

	Note	2021 DKK	2020 DKK
Acquired licenses		1.505.636	1.957.406
Goodwill		1.870.427	2.244.515
Intangible assets	5	3.376.063	4.201.921
Plant and machinery		6.888.088	7.309.977
Other fixtures and fittings, tools and equipment		568.878	451.124
Leasehold improvements		2.206.361	2.551.374
Property, plant and equipment	6	9.663.327	10.312.475
Investments in subsidiaries	7	2.169.705	1.428.504
Investments in associates	8	0	0
Receivables from associates	9	95.433	72.615
Deposits	9	21.000	21.000
Fixed asset investments		2.286.138	1.522.119
Fixed assets		15.325.528	16.036.515
Inventories	10	31.030.875	29.382.558
Trade receivables		50.414.361	33.572.915
Contract work in progress	11	34.820.061	14.113.499
Receivables from group enterprises		17.881.634	16.019.033
Other receivables		565.390	1.565.754
Prepayments	12	14.218.068	28.910.655
Receivables		117.899.514	94.181.856
Cash at bank and in hand		414.336	1.217.769
Currents assets		149.344.725	124.782.183
Assets		164.670.253	140.818.698

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		500.000	500.000
Reserve for hedging transactions		64.244	0
Retained earnings		41.795.071	39.215.480
Proposed dividend for the year		0	800.000
Equity		42.359.315	40.515.480
Provision for deferred tax	13	1.490.105	1.128.577
Provisions		1.490.105	1.128.577
Other payables		9.537.938	9.537.938
Long-term debt	14	9.537.938	9.537.938
Credit institutions		28.519.320	5.343.956
Prepayments received from customers		14.722.756	32.238.130
Trade payables		15.630.018	18.011.042
Contract work in progress, liabilities	11	2.620.525	522.278
Payables to group enterprises		610.211	647.651
Other payables	14	39.296.939	21.751.012
Deferred income	16	9.883.126	11.122.634
Short-term debt		111.282.895	89.636.703
Debt		120.820.833	99.174.641
Liabilities and equity		164.670.253	140.818.698
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	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	500.000	0	39.215.480	800.000	40.515.480
Exchange adjustments	0	0	43.951	0	43.951
Ordinary dividend paid	0	0	0	-800.000	-800.000
Fair value adjustment of hedging instruments, end of year	0	82.364	0	0	82.364
Tax on adjustment of hedging instruments for the year	0	-18.120	0	0	-18.120
Net profit/loss for the year	0	0	2.535.640	0	2.535.640
Equity at 31 December	500.000	64.244	41.795.071	0	42.359.315

Cash Flow Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
Net profit/loss for the year		2.535.640	-2.403.313
Adjustments	19	1.643.232	6.161.871
Change in working capital	20	-24.912.743	18.288.401
Cash flows from operating activities before financial income and expenses		-20.733.871	22.046.959
Financial income		829.055	872.744
Financial expenses		-527.374	-1.438.673
Cash flows from operating activities		-20.432.190	21.481.030
Purchase of intangible assets		-22.660	-1.095.050
Purchase of property, plant and equipment		-1.762.218	-1.483.186
Sale of property, plant and equipment		300.775	100.756
Sale of fixed asset investments etc		0	21.000
Cash flows from investing activities		-1.484.103	-2.456.480
Repayment of loans from credit institutions		23.175.364	-29.355.377
Repayment/raising of payables to group enterprises		-1.245.686	2.828.454
Repayment of payables to associates		-16.818	-183.845
Raising of other debt		0	5.764.112
Dividend paid		-800.000	0
Cash flows from financing activities		21.112.860	-20.946.656
Change in cash and cash equivalents		-803.433	-1.922.106
Cash and cash equivalents at 1 January		1.217.769	3.139.875
Cash and cash equivalents at 31 December		414.336	1.217.769
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		414.336	1.217.769
Cash and cash equivalents at 31 December		414.336	1.217.769

Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
1 Staff expenses		
Wages and salaries	79.927.273	83.138.640
Pensions	11.638.506	11.397.201
Other social security expenses	2.042.806	1.985.169
Other staff expenses	7.421.129	4.350.655
	<u>101.029.714</u>	<u>100.871.665</u>
Including remuneration to the Executive Board and Board of Directors	<u>1.990.679</u>	<u>1.833.838</u>
Average number of employees	<u>153</u>	<u>149</u>
2 Financial income		
Interest received from group enterprises	519.685	851.771
Interest received from associates	16.818	20.730
Other financial income	0	244
Exchange adjustments	292.552	0
	<u>829.055</u>	<u>872.745</u>
3 Financial expenses		
Other financial expenses	527.375	683.544
Exchange adjustments	0	755.129
	<u>527.375</u>	<u>1.438.673</u>

Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
4 Tax on profit/loss for the year		
Current tax for the year	0	0
Deferred tax for the year	361.528	46.871
	<u>361.528</u>	<u>46.871</u>
which breaks down as follows:		
Tax on profit/loss for the year	343.408	46.871
Tax on changes in equity	18.120	0
	<u>361.528</u>	<u>46.871</u>
 5 Intangible assets		
	Acquired licenses <u>DKK</u>	Goodwill <u>DKK</u>
Cost at 1 January	3.660.237	7.415.866
Additions for the year	22.660	0
Cost at 31 December	<u>3.682.897</u>	<u>7.415.866</u>
Impairment losses and amortisation at 1 January	1.702.831	5.171.351
Amortisation for the year	474.430	374.088
Impairment losses and amortisation at 31 December	<u>2.177.261</u>	<u>5.545.439</u>
 Carrying amount at 31 December	<u>1.505.636</u>	<u>1.870.427</u>

Notes to the Financial Statements

6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 January	23.106.617	1.764.270	10.186.551
Additions for the year	1.061.059	512.492	188.667
Disposals for the year	-911.336	-611.694	0
Cost at 31 December	<u>23.256.340</u>	<u>1.665.068</u>	<u>10.375.218</u>
Impairment losses and depreciation at 1 January	15.796.640	1.313.146	7.635.177
Depreciation for the year	1.301.422	275.489	533.680
Impairment and depreciation of sold assets for the year	-729.810	-492.445	0
Impairment losses and depreciation at 31 December	<u>16.368.252</u>	<u>1.096.190</u>	<u>8.168.857</u>
Carrying amount at 31 December	<u>6.888.088</u>	<u>568.878</u>	<u>2.206.361</u>

Notes to the Financial Statements

	2021 DKK	2020 DKK
7 Investments in subsidiaries		
Cost at 1 January	8.360.298	1.149.638
Additions for the year	181.526	7.210.660
Cost at 31 December	<u>8.541.824</u>	<u>8.360.298</u>
Value adjustments at 1 January	-7.916.135	-7.892.043
Exchange adjustment	43.951	2.410.370
Net profit/loss for the year	1.351.605	-2.430.664
Other equity movements, net	0	-3.798
Value adjustments at 31 December	<u>-6.520.579</u>	<u>-7.916.135</u>
Equity investments with negative net asset value amortised over receivables	<u>148.460</u>	<u>984.341</u>
Carrying amount at 31 December	<u>2.169.705</u>	<u>1.428.504</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

	2021 DKK	2020 DKK
8 Investments in associates		
Cost at 1 January	835.000	1.971.001
Disposals for the year	<u>0</u>	<u>-1.136.001</u>
Cost at 31 December	<u>835.000</u>	<u>835.000</u>
Value adjustments at 1 January	-1.192.512	-2.245.171
Disposals for the year	0	1.136.001
Net profit/loss for the year	<u>6.000</u>	<u>-83.342</u>
Value adjustments at 31 December	<u>-1.186.512</u>	<u>-1.192.512</u>
Equity investments with negative net asset value amortised over receivables	<u>351.512</u>	<u>357.512</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	72.615	21.000
Additions for the year	22.818	0
Disposals for the year	<u>0</u>	<u>0</u>
Cost at 31 December	<u>95.433</u>	<u>21.000</u>
Carrying amount at 31 December	<u>95.433</u>	<u>21.000</u>

Notes to the Financial Statements

	2021 <u>DKK</u>	2020 <u>DKK</u>
10 Inventories		
Raw materials and consumables	31.030.875	29.382.558
	31.030.875	29.382.558
11 Contract work in progress		
Selling price of work in progress	41.346.729	25.773.614
Payments received on account	-9.147.193	-12.182.393
	32.199.536	13.591.221
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	34.820.061	14.113.499
Prepayments received recognised in debt	-2.620.525	-522.278
	32.199.536	13.591.221
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	1.128.577	1.081.706
Amounts recognised in the income statement for the year	343.408	46.871
Amounts recognised in equity for the year	18.120	0
Provision for deferred tax at 31 December	1.490.105	1.128.577

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>2021</u> DKK	<u>2020</u> DKK
Other payables		
After 5 years	9.112.479	9.306.448
Between 1 and 5 years	425.459	231.490
Long-term part	<u>9.537.938</u>	<u>9.537.938</u>
Within 1 year	0	19.210
Other short-term payables	39.296.939	21.731.802
Short-term part	<u>39.296.939</u>	<u>21.751.012</u>
	<u>48.834.877</u>	<u>31.288.950</u>
15 Distribution of profit		
Proposed dividend for the year	0	800.000
Retained earnings	2.535.640	-3.203.313
	<u>2.535.640</u>	<u>-2.403.313</u>

16 Deferred income

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

Notes to the Financial Statements

	2021 DKK	2020 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.	94.484.624	77.469.869
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1.090.289	1.220.786
Between 1 and 5 years	1.640.169	1.557.285
	2.730.458	2.778.071
Rental obligations, period of interminability 3-12 months (2020: 3-12 months)	2.427.560	2.376.557

Other contingent liabilities

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

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Vestergaard Marine Service Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned 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 1.125.000.

18 Related parties

Controlling interest

Morten Rokkedal Vestergaard	Main shareholder
Vestergaard Marine Service Holding ApS	Controlling shareholder

Notes to the Financial Statements

18 Related parties (continued)

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.

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.

19 Cash flow statement - adjustments

	<u>2021</u>	<u>2020</u>
	DKK	DKK
Financial income	-829.055	-872.745
Financial expenses	527.375	1.438.673
Depreciation, amortisation and impairment losses	2.959.109	3.035.066
Income from investments in subsidiaries	-1.351.605	2.430.664
Income from investments in associates	-6.000	83.342
Tax on profit/loss for the year	343.408	46.871
	<u>1.643.232</u>	<u>6.161.871</u>

Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	DKK	DKK
20 Cash flow statement - change in working capital		
Change in inventories	-1.648.318	27.981.273
Change in receivables	-18.696.897	6.763.665
Change in trade payables, etc	-4.567.528	-16.456.537
	<u>-24.912.743</u>	<u>18.288.401</u>

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of VMS Group A/S for 2021 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 2021 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.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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, other external expenses and other expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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 debts.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

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