ODENSE MARITIME TECHNOLOGY A/S

Sverigesgade 4
5000 Odense C

Annual Report
1 July 2018 – 30 June 2019

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30 September 2019

Per Lønborg-Andersen

Contents

Corporate Information

Company	ODENSE MARITIME TECHNOLOGY A/S Sverigesgade 4 5000 Odense C	
	CVR no.:	33074964
	Financial year:	01/07/2018-30/06/2019
Bank	Danske Bank, Department: Holmens Kanal Holmens Kanal 2 1090 København K DK Danmark	
Auditor	PRICEWATERHOUSECOOPERS STATSAUTORISERET REVISIONSPARTNERSELSKAB Strandvejen 44 2900 Hellerup DK Danmark	
	CVR no.:	33771231

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Odense Maritime Technology A/S for the financial year 1 July 2018 – 30 June 2019.

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 of the Company at 30 June 2019 and of the results of the Company operations for the financial year 1 July 2018 – 30 June 2019 in accordance with the Danish Financial Statements Act.

Further, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

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

Odense, on 30 September 2019

Executive Board

Peter Kåre Groes Christiansen

Board of Directors

Nils Christian Wang

Tom Sten Behrens-Sørensen

Poul Præstegaard Skadhede

Peter Kåre Groes Christiansen

Thomas Knudsen

Independent Auditor's Report

To the shareholders of Odense Maritime Technology A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2019 and of the results of the Company operations for the financial year 1 July 2018 - 30 June 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Odense Maritime Technology A/S for the financial year 1 July 2018 - 30 June 2019, which comprise income statement, balance sheet, statement of changes in equity 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphises of matter

We draw attention to note 1 of the Financial statements, which describes the uncertainty relating to recognition and measurement of the outcome of disputes the Company is party to. Our conclusion is not modified in respect of this matter.

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 in 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 judgment 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.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting 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, where such disclosures are not adequate, 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 achieves fair presentation.

Independent Auditor's Report

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.

Hellerup, 30 September 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob Fromm Christiansen
State Authorised Public Accountant
mne18628

Kim Danstrup
State Authorised Public Accountant
mne32201

Management's Review

Main activity

Odense Maritime Technology A/S (OMT) was founded by Valcon Business Developments A/S in September 2010 as a spin-off from Odense Stål Skibsværft (OSS).

The unique strength of OMT lies in the maritime technological expertise and experience, which were gained in OSS, and which are continued in the team of ship architects, ship engineers, project managers and consultants working in OMT, who are specialists within ship design, ship building, concepts for rebuilding and retrofitting of ships, ship licenses, ship repairs and outsourcing in the maritime industry.

Development in activities and financial affairs

OMT has worked on several major client projects in APAC, Europe and North America throughout the financial year and has realised a turnover of DKK 71.1 million compared with DKK 84.9 million the year before.

Net loss for the year amounts to DKK -4.3 million, compared with net loss DKK -39.0 million the previous year. Despite the improvement, management still finds the Company's annual result unsatisfactory.

The result for 18/19 is slightly lower than the break even result expected in last years annual report. This is due to postponement of projects to the 19/20 accounting year.

OMT initiated several cost reduction efforts last year and has continued the strict cost management efforts this year. Because of this, the average number of fulltime employees in the financial year has decreased to 48 compared with 73 the previous year.

The company expects a positive result in 19/20 due to an improved order book.

The overall financial situation is viewed as adequate, especially in view of the improved financial expectations for 19/20.

Capital resources

According to the OMT's internal reporting for November 2018, the equity was less than 50 % of the share capital, and that the company was therefore in a capital loss situation, cf. section 119 of the Danish Companies Act. It is OMT's expectation that the company's share capital would be reestablished by way of its own earnings no later than by the end of 2019. See Note 0.

The Company's knowledge resources

The Company's opportunities to retain and recruit a highly qualified staff is critical to the continued development of the Company.

The Company keeps continuous focus on a strengthened recruitment platform.

The work continues on creating concepts and expanding competences to strengthen the value of our services to our clients. As an indication of the strength of our competences, we are happy to report that OMT's Fregat platform - based on the Danish Iver Huitfeldt frigates - has been selected as the preferred bid for the Type 31 competition in UK involving delivery of 5 frigates to Royal navy.

Management's Review

Special risks

The Company's exposure to a specialised market for the sale of consulting services within ship design, ship building, etc. makes the Company dependent on the development in this industry. The commercial ship design segment (container and bulk carriers) served by OMT continues to be depressed. The Navy and special purpose segment continues to be very interesting for OMT, as does the advisory and consulting segment.

By virtue of its business area, the Company is a party to disputes which are not unusual for the business. Management currently assesses and makes provision for such disputes. See Note 1.

Special financial risks

As a natural part of its business, the Company has to provide various performance bonds to clients. These are established through the company's financial institutions. See Note 12.

Apart from this, the Company does not have any special financial risks.

External environmental impact and measures to prevent or mitigate their damage cf. Årsregnskabsloven §99

Odense Maritime Technology A/S is at part of Valcon Business Development A/S. Referring to the annual report and management's review of this company in respect of the group's external environmental impact and measures to prevent or mitigate their damage.

Financial Highlights

	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Key figures					
Net revenue	71,112	84,916	205,828	222,051	269,799
Gross profit/loss	39,445	13,204	82,138	93,470	121,282
Operating profit/loss	-2,885	-44,717	11,816	17,533	27,300
Net financials	-2,514	-4,521	-1,190	-2,885	-2,163
Net profit/loss for the year	-4,315	-38,981	8,526	11,510	19,231
Fixed assets	10,509	2,801	4,415	3,464	3,974
Current assets	50,532	70,713	125,102	119,619	139,770
Balance sheet total	61,041	73,556	129,518	123,084	143,744
Equity	1,534	5,849	44,572	41,146	39,573
Key figures					
Profit margin	-4.1%	-52.7%	5.7%	7.9%	10.1%
Return on invested capital	-6.1%	-69.4%	18,0%	18.5%	26.3%
Gross margin	47.8%	15.5%	39.9%	42.1%	45.0%
Solvency ratio	2.5%	8,0%	34,4%	33.4%	27.5%
Return on equity	-116.9%	-154.6%	19.9%	28.5%	66.0%
Average number of employees	**48**	**73**	**97**	**103**	**108**

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.

Income Statement as at 1 July 2018 – 30 June 2019

	Note	2018/19 DKK	2017/18 DKK
Net revenue		71,112,463	84,915,725
Work performed for own account and recognised as immaterial assets		7,959,701	0
External expenses		-39,627,599	-71,711,907
Gross profit/loss		**39,444,565**	**13,203,818**
Staff expenses	**2**	-42,329,287	-57,657,761
Amortisation, depreciation and impairment losses		0	-262,660
Operating profit/loss		**-2,884,722**	**-44,716,603**
Income from investments in subsidiaries and associates	**3**	-439,672	-2,532,794
Other financial income		1,407,664	1,394,285
Other financial expenses		-3,481,979	-3,383,155
Profit/loss from ordinary activities before tax		**-5,398,709**	**-49,238,267**
Tax on profit/loss for the year	**4**	1,084,051	10,256,987
Net profit/loss for the year		**-4,314,658**	**-38,981,280**
Proposed distribution of profit	**5**		

Balance Sheet as at 30 June 2019

	Note	2018/19 DKK	2017/18 DKK
Assets			
Development projects	**6**	7,959,701	0
Total intangible assets		**7,959,701**	**0**
Investments in subsidiaries	**7**	1,987,432	2,077,105
Investments in associates	**7**	0	350,000
Deposits		561,692	374,193
Total fixed asset investments		**2,549,124**	**2,801,298**
Total fixed assets		**10,508,825**	**2,801,298**
Trade receivables		27,308,865	23,548,123
Contract work in progress	**8**	778,724	4,064,968
Receivables from group enterprises		1,733,159	10,199,614
Deferred tax assets	**9**	242,245	138,423
Other receivables		2,100,907	9,096,317
Prepayments	**10**	472,793	944,707
Total receivables		**32,636,693**	**47,992,152**
Other securities and investments		17,894,997	18,256,661
Cash at bank and in hand		0	4,306,529
Total current assets		**50,531,690**	**70,555,342**
Total assets		**61,040,515**	**73,356,640**

Balance Sheet as at 30 June 2019

	Note	2018/19 DKK	2017/18 DKK
Liabilities and equity			
Registered capital, etc.		4,750,000	4,750,000
Reserve for development projects		7,959,701	0
Reserve for net revaluation under the equity method		2,887	92,559
Retained earnings		-11,178,330	1,006,357
Total equity		**1,534,258**	**5,848,916**
Prepayments received from customers	**8**	1,741,939	1,499,008
Trade payables		5,315,764	11,836,139
Payables to group enterprises		2,614,064	686,907
Loans and borrowings		2,416,149	0
Other payables, including taxes and other social security expenses		47,418,341	53,485,670
Total short-term debt		**59,506,257**	**67,507,724**
Total payables		**59,506,257**	**67,507,724**
Total liabilities and equity		**61,040,515**	**73,356,640**

Uncertainty relating to recognition and measurement	**1**
Contingent liabilities	**11**
Collateral and assets charged as collateral	**12**
Related parties and ownership	**13**
Events after the balance sheet date	**14**
Accounting policies	**15**

Statement of changes in equity

Total equity

	Company capital DKK	Retained earnings DKK	Reserve for net revaluation under the equity methods DKK	Reserve for develop-ment project DKK	In total DKK
Balance at the beginning of the year	**4,750,000**	**1,006,357**	**92,559**	**0**	**5,848,916**
Allocation of profits	0	-12,184,687	-89,672	7,959,701	-4,314,658
Equity at the end of the year	**4,750,000**	**-11,178,330**	**2,887**	**7,959,701**	**1,534,258**

Registered capital, etc.

The share capital consists of 4,750,000 shares of a nominal value of DKK 1. The shares are not divided into classes. No shares carry special rights.

Changes in the share capital in the past financial years:

	DKK
Initial share capital at 5 August 2010	500,000
Increase of capital increase at 20 December 2011	100,000
Increase of capital increase at 25 June 2012	150,000
Increase of capital increase at 25 April 2013	4,000,000
Share capital at the end of the year	**4,750,000**

Notes

0. Capital resources

The Company had a net loss for the year 18/19 of 4.3 million DKK and a shareholder's equity of 1.5 million DKK as of 30 June 2019.

According to OMT's internal reporting for November 2018 (which were available at the end of December 2018), the equity was less than 50 % of the share capital, and the company was therefore in a capital loss situation, cf. section 119 of the Danish Companies Act. The required general assembly regarding this matter was held on 10 June 2019, where it is stated that the company's share capital is expected to be reestablished by way of its own earnings no later than by the end of 2019.

The company expects a positive result and a positive cash flow for the next accounting year. This, combined with positive current working capital and an undertaking from the Company's bank about short-term financial support, means that management is convinced that the available capital resources of the Company is adequate and that the Company will have sufficient liquidity to meet its current and future liabilities as they fall due.

1. Uncertainty relating to recognition and measurement

By virtue of its business area, the Company is a party to disputes which are not unusual for the business. Management currently assesses and makes provision for such disputes. In connection with the completion of a project, Odense Maritime Technology A/S received a significant claim for damages from the customer. However, the claim received is neither justified nor documented, and the Company has categorically refused to accept it. Odense Maritime Technology A/S has advanced a counterclaim of a corresponding size against the customer. The parties strongly disagree, and the cause of the matter is subject to great uncertainty, which also implies uncertainty as to how the amount of any damages and insurance cover should, if relevant, be calculated.

2. Staff expenses

	2018/19	**2017/18**
	DKK	**DKK**
Wages and salaries	-41,856,147	-57,082,742
Other social security expenses	-335,075	-498,552
Other staff expenses	-138,065	-76,467
	-42,329,287	**-57,657,761**

Remuneration to the executive board and the board of directors amounts to DKK 2,382,672 (DKK 2,516,000 in 2017/18).

Average number of full-time employees: 48 (73 in 2017/18).

Notes

3. Income from investments in subsidiaries and associates

	2018/19 DKK	2017/18 DKK
Odense Maritime Technology (Shanghai) Co. Ltd.	0	-2,955,857
Odense Maritime Technology (India) Private Limited	-89,672	423,063
Maritime Equity partners ApS	-350,000	0
	-439,672	**-2,532,794**

4. Tax on profit/loss for the year

	2018/19 DKK	2017/18 DKK
Current tax	1,201,344	10,215,631
Changes in current tax previous year	-221,114	0
Changes in deferred tax previous years	221,114	0
Changes in deferred tax	-117,293	41,356
	1,084,051	**10,256,987**

5. Proposed distribution of profit

	2018/19 DKK	2017/18 DKK
Reserve for net revaluation under the equity method	-89,672	-2,528,978
Reserve for development projects	7,959,701	0
Retained earnings	-12,184,687	-36,452,302
Total	**-4,314,658**	**-38,981,280**

6. Total intangible assets

	Development Projects DKK
Cost at the beginning of the year	0
Additions	7,959,701
Cost at the end of the year	**7,959,701**
Amortisation, depreciation and impairment losses at the beginning of the year	0
Amortisation, depreciation and impairment losses during the year	0
Amortisation, depreciation and impairment losses at the end of the year	0
Carrying amount at the end of the year	**7,959,701**

In relation to development projects, external directly attributable costs and as well as direct payroll cost (with addition of non-allocated internal costs related to IT etc.) are capitalized.

Notes

7. Total fixed asset investments

	Investments in associates DKK	Investments in subsidiaries DKK
Cost at the beginning of the year	350,000	841,580
Acquisitions during the year	0	9
Cost at the end of the year	**350,000**	**841,589**
Value adjustments at the beginning of the year	0	**92,559**
Exchange adjustments	0	-271,587
Results for the year / impairment	-350,000	181,915
Value adjustments at the end of the year	**-350,000**	**2,887**
Total	**0**	**844,476**
Negative net asset values are set off against receivables from group enterprises.	0	1,142,956
Carrying amount at the end of the year	**0**	**1,987,432**

Investments in subsidiaries and associates comprise:

	Ownership share	Equity	Results for the year
OMT Canada INC	100%	0	0
OMT UK Limited	100%	9	0
Odense Maritime Technology (Shanghai) Co. Ltd.	100%	-1,142,956	0
Odense Maritime Technology (India) Private Limited	100%	1,987,432	181,915
Maritime Equity partners ApS (Annual Report end June 30 2018)	33%	-2,158,628	-2,308,628

8. Prepayment and contract work in progress

	2018/19 DKK	2017/18 DKK
Selling price of production	778,724	4,064,968
Payments on account	-1,741,939	-1,499,008
	-963,215	**2,565,960**
Contract work in progress	778,724	5,692,337
Prepayments received from client	-1,741,939	-3,126,377

Notes

9. Deferred tax asset

	2018/19 DKK	2017/18 DKK
Deferred tax at the beginning of the year	138,424	168,587
Changes in deferred tax previous years	221,114	0
Changes in deferred tax	-117,293	-29,825
Deferred tax at the end of the year	**242,245**	**138,424**

	2018/19 DKK	2017/18 DKK
Goodwill	267,356	267,356
Prepayments	-104,014	-207,836
Leasehold improvement	78,903	78,903
Deferred tax assets	**242,245**	**138,424**

Management is of the opinion that the deferred tax asset within a period of 3-5 years can be used to offset future positive taxable income in the company or in other jointly taxed companies.

10. Prepayments

	2018/19 DKK	2017/18 DKK
Rent	0	275,174
IT cost	249,636	134,804
Insurance and guarantee cost	194,786	428,545
Other cost	28,371	106,184
	472,793	**944,707**

Notes

11. Contingent liabilities

The Company has entered into an operating lease agreement for the premises Sverigesgade 4, Odense. The periods of notice for the lease are 6 months. Rent for this period amounts to DKK 464 thousand of which DKK 464 thousand falls due in the financial year 2019/20.

The Company is jointly taxed with other enterprises in the Valcon Business Development A/S group. As a jointly taxed company, not wholly-owned, the Company has limited and secondary liability for Danish corporation taxes in the joint taxation group. The total amount of corporation tax payable is disclosed to SKAT in the Annual Report of Valcon Business Development A/S, CVR no. 28 68 10 11, which is the management company in respect of joint taxation. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

12. Collateral and assets charged as collateral

The Company's bank has raised a performance bond made to one of the Company's clients of CAD 14,502,623 equalling DKK 72.7 million. The performance bond expires on 31 December 2019 and 30 June 2020 with the possibility of two extensions of one year each.

The Company guarantees the performance bond to the bank.

Other securities and investments have been pledged to cover the performance bonds.

13. Related parties and ownership

Information relating to owners

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:

Valcon Business Development A/S, Meldahlsgade 5, 2., 1613 Copenhagen V,
OMT Medarbejder Holding ApS, c/o Valcon A/S, Meldahlsgade 5, 2., 1613 Copenhagen V,
Clavis (HK) Limited, Suite 1309 Asia Standard Tower, 59-65, Queens road Central, Hong Kong
Kuja Holding ApS, CVR-nr. 36939745, Hestehavevej 79, 4720 Præstø

Information relating to group

The Company's Financial Statements are included in the Consolidated Financial Statements of Valcon Business Development A/S, Meldahlsgade 5, 2., 1613 Copenhagen V, CVR no. 28 68 10 11
Subsidiary:
OMT UK Limited.
OMT Canada INC, Registry no. 3274256
Odense Maritime Technology (Shanghai) Co. Ltd.
Odense Maritime Technology (India) Private Limited

14. Events after the balance sheet date

No events materially influencing the Company's financial position as at 30 June 2019 have occurred.

Notes

15. Accounting policies

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium sized class C enterprises.

The accounting principles are consistent with those of last year.

In accordance with section 112 (1) of the Danish Financial Statements Act, consolidated financial statements have not been prepared. In accordance with section 86 (4) of the Danish Financial Statements Act, a cash flow statement has not been prepared.

The Financial Statements are presented in Danish kroner.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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.

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

Income Statement

Net revenue
Net revenues from services are recognised at the rate of completion of the service, which means that revenue equals the selling price of the service completed (the percentage-of-completion method). This method is applied when total revenues and expenses in respect of the service 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.

Net revenue comprises re-invoicing of work carried out by subsuppliers and other expenses.

External expenses
External expenses comprise expenses related to sales, advertising, administration, premises, bad debts, operating leases, etc.

Staff expenses
Staff expenses comprise wages and salaries as well as holiday pay and staff welfare expenses.

Financial income and expenses
Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses on debt and transactions in foreign currencies as well as allowances and surcharges under the Danish Tax Prepayment Scheme, etc.

Tax on profit/loss for the year
Odense Maritime Technology A/S is subject to the Danish rules on compulsory joint taxation applicable for the Valcon Business Development A/S group’s Danish subsidiaries. Subsidiaries are included in the joint taxation in the period when the parent has controlling interest.

The Company’s parent company, Valcon Business Development A/S, acts as administration company in relation to the joint taxation and thus settles all corporate tax payments with the tax authorities.

The current Danish corporation tax is allocated among the jointly taxed companies in proportion to their respective taxable income. Companies contributing a tax loss being set off against taxable income in another company receive a cash payment equal to the tax value of the loss from the Company using the loss to reduce its own taxable income.

Tax for the year that comprises current joint taxation contributions and changes in deferred tax is recognised in the Income Statement.

Notes

Balance Sheet

Development projects
Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Company can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for Development projects".

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work.

Property, plant and equipment
Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and less any accumulated impairment losses.

The basis of depreciation is cost less any deducted residual value after the end of the useful life of the asset. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Cost of a total asset is divided into separate components that are depreciated separately if the useful life of the individual components are different.

Depreciation takes place on a straight line basis and any residual value, and based on an evaluation of the expected useful life:

Other fixtures and fittings, tools and equipment: 3-5 years
Leasehold improvements: 3-5 years

Profit or loss deriving from the sales of tangible assets is measured as the difference between the sales price less selling costs and the carrying amount at the time of the sale. Profits and losses are recognised in the Income Statement as other operating income or other expenses.

Investments in subsidiaries and associates
Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits and losses and with addition and deduction of any remaining value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0, and any amounts owed by such enterprises are written down by the parent company's share of the negative net asset value, if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the liabilities of the enterprise.

Notes

Net revaluation of investments in subsidiaries is recognised under equity in the reserve for net revaluation under the equity method to the extent that the carrying amount exceeds cost.

Investment in associates are initially measured at costprice. Costs will be written down to the marketvalue.

Impairment of fixed assets
The carrying amounts of intangible assets, investment in associates 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 or the group of assets is written down. If so, the asset or the group of assets is written down to its lower recoverable amount.

Recoverable amount for the asset is determined as the highest value of net sales price and the net present value. Net present value is determined as the present value of expected net cash flows from the use of the asset or the group of assets.

Receivables
Receivables are recognised at the lower of amortised cost.

Provisions for estimated bad debts are made based on an individual impairment assessment of a receivable or group of receivables.

Contract work in progress
Contract work in progress is recognised according to the production method at the selling price of the work carried out including expenses and less amounts invoiced on account.

Contract work in progress are recognised as financial income and expenses in the balance sheet.

Net assets comprise the sum of contract work in progress in which the selling price exceeds invoicing on account of work carried out. Net payables comprise the sum of contract work in progress in which invoicing on account exceeds the selling price of work carried out.

Prepayments
Prepayments recognised under assets comprise expenses incurred concerning the following financial year.

Other securities and investments
Securities and investments are placed under current assets and includes listed bonds, which are measured at market price at the balance sheet date.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and short-term securities with a duration less than three months that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Equity – dividend
Proposed dividends for the year are recognised as a liability when approved by the Annual General Meeting (declaration date). Dividend proposed for the year is disclosed as a separate equity item.

Notes

Corporation tax and deferred tax
Receivables and payable joint taxation contributions are recognised in the balance sheet in receivables/payables from group enterprises.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the accounting and tax bases of assets and liabilities. However, deferred income tax of temporary differences related to non-deductible goodwill, office premises or other items where temporary differences occur at the time of acquisition without influencing results or taxable income is not recognised. In case the value for tax purposes can be determined following alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets including the tax base of tax losses to be carried forward are recognised at the expected value of their utilisation, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation in the countries in question 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.

Debt
Financial debts are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, financial debts are measured at amortised cost.

Other debts are measured at net realisable value.

Key figures and financial highlights
Ratios stated in financial highlights have been prepared as follows:

Profit margin:	Operating profit/loss x 100 / net revenue
Invested capital:	Total assets less cash and cash equivalents and other interest-bearing assets (including shares)
Gross margin:	Gross profit x 100 /net revenue
Solvency ratio:	Equity at the end of the year x 100 / total liabilities and equity at the end of the year
Return on equity:	Net profit for the year x 100 / average equity
Return on invested capital:	Operating profit/loss x 100 /average invested capital