

# Keh Naval Architects Holding ApS

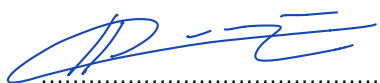
Claessensvej 1, 3000 Helsingør, Denmark

CVR no. 34 69 08 55

## Annual report 2020

Approved at the Company's annual general meeting on 25 June 2021

Chair of the meeting:



Hendrik Kornel van Prooijen



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## Statement by the Board of Directors and the Executive Board

Today, the Executive Board has discussed and approved the annual report of Keh Naval Architects Holding ApS 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 consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Helsingør, 25 June 2021  
Executive Board:

A handwritten signature in blue ink, appearing to read 'H. Kornel van Prooijen', with a stylized flourish at the end.

.....  
Hendrik Kornel van Prooijen

## Independent auditor's report

To the shareholder of Keh Naval Architects Holding ApS

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Keh Naval Architects Holding ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Group 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.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 as to 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 the 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:

## Independent auditor's report

- ▶ 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 Group's and the Parent 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 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

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

Copenhagen, 25 June 2021  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

A handwritten signature in blue ink, reading 'Lissen Fagerlin Hammer'.

Lissen Fagerlin Hammer  
State Authorised Public Accountant  
mne27747



## Management's review

### Company details

Name	Keh Naval Architects Holding ApS
Address, Postal code, City	Claessensvej 1, 3000 Helsingør, Denmark
CVR no.	34 69 08 55
Established	15 August 2012
Registered office	Helsingør
Financial year	1 January - 31 December
Executive Board	Hendrik Kornel van Prooijen
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	BNP Paribas

## Management's review

### Financial highlights for the Group

DKK	2020	2019	2018
<b>Key figures</b>			
Gross profit/loss	36,670,253	58,124,257	49,732,973
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-9,618,534	5,563,538	4,063,123
Operating profit/loss	-14,392,491	3,816,964	2,646,353
Net financials	-664,517	-622,368	-714,637
Profit/loss before tax	-11,762,416	3,194,596	1,931,716
Profit/loss for the year	-11,710,088	1,870,436	1,331,798
<b>Assets</b>			
Fixed assets	1,952,115	3,031,995	3,070,233
Non-fixed assets	32,412,534	41,148,676	45,296,569
Total assets	34,364,649	44,180,671	48,366,802
Equity	-9,004,226	-7,882,541	-10,022,063
<b>Investments</b>			
Amount relating to investments in property, plant and equipment	-434,523	-573,492	-370,495
<b>Financial ratios</b>			
Return on assets	-36.6%	8.2%	6.6%
Current ratio	120.3%	80.9%	77.6%
Equity ratio	-26.2%	-17.8%	-20.7%
Return on equity	138.7%	-20.9%	-26.9%
<b>Employees</b>			
Average number of employees	88	87	74

For terms and definitions, please see the accounting policies.

In accordance with section 78, subsection (7) of the Danish Financial Statement Act, the Company has not presented comparative key figures for financial years 2016-2017 as the financial statements were prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities.



## Management's review

### Business review

The Group carries on consulting, engineering & design activities within the Marine & Offshore segments.

The Parent Company's primary activities are investments in subsidiaries.

### Financial review

The consolidated income statement for 2020 shows a pre-tax loss of DKK -11,762 thousand against a pre-tax income of DKK 3,195 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK -9,004 thousand. The result is not satisfactory.

Year 2020 started as a good year for the Group due to several orders in the RoRo segment, where the Company has a leading worldwide position as designer. Furthermore, the Group had secured a large project for a Life Fish Carrier. Due to the COVID-19 situation, however, the Group faced lack of new orders, and a loss was incurred at the end of the year.

The Group has grown to approx. 100 employees worldwide with nine offices serving our clients around the clock. Despite the COVID-19 situation the Group decided to keep its staff, and resources have been utilized to develop designs within offshore wind and within future fuels that will create business for the Group in the short and the long run.

### Accounting estimates

The Group has recognised a deferred tax asset amounting to DKK 1,634 thousand, which the Group expects to use within the next 3-5 years. The value of the asset is conditioned by future positive earnings. The total deferred tax assets amount to DKK 7,713 thousand. Accounting estimates are subject to uncertainty.

Reference is made to note 3 for more details.

### Financing

After the balance sheet date, the Company's loan of DKK 13.0 million from its Parent Company has been extended and will now fall due on 31 December 2022.

Damen Shipyards Group N.V. has provided a significant credit line facility of DKK 45 million available to support the Group's planned operations in the coming years. The Group had drawn an amount of DKK 11.3 million on the credit facility at 31 December 2020. Based on the realised results in 2021 and the forecast for the rest of 2021 Management expects that the total credit facility, the necessary financing and cash flow are available to the Group, thereby enabling the Group to realise the budgets for 2021.

Reference is made to note 2 for more details.

### Knowledge resources

The Group's success is based on the competences and commitment of our employees. It is essential for us to offer a challenging and stimulating working environment, where investments are made on a continual basis to develop, maintain and attract the best talents in the business, by offering a flexible, informal, challenging and stimulating career path. Recruiting is international.

### Foreign branches

The Group has a branch named Knud E. Hansen A/S, Naval Architects Filial Færøerne. The branch is located in Tórshavn on the Faroe Islands.

## Management's review

### Events after the balance sheet date

No events materially affecting the Group's and the Company's financial position have occurred subsequent to the financial year end.

### Outlook

Based on the projects under negotiation, expectations for 2021 are positive. Management expects a pre-tax income of DKK 3,743 thousand in 2021 for the Group.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Income statement

Note	DKK	Group		Parent company	
		2020	2019	2020	2019
	Gross profit/loss	36,670,253	58,124,257	-67,436	-96,826
5	Staff costs	-46,288,787	-52,560,719	0	0
6	Amortisation/depreciation of intangible assets and property, plant and equipment	-1,479,365	-1,746,574	0	0
	Profit/loss before net financials	-11,097,899	3,816,964	-67,436	-96,826
	Income from investments in group entities	0	0	-11,444,314	2,147,466
7	Financial income	0	367	0	0
8	Financial expenses	-664,517	-622,735	-198,338	-180,204
	Profit/loss before tax	-11,762,416	3,194,596	-11,710,088	1,870,436
9	Tax for the year	52,328	-1,324,160	0	0
	Profit/loss for the year	-11,710,088	1,870,436	-11,710,088	1,870,436

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Balance sheet

Note	DKK	Group		Parent company	
		2020	2019	2020	2019
	ASSETS				
	Fixed assets				
10	Intangible assets				
	Completed development projects	259,729	525,376	0	0
	Acquired intangible assets	158,402	474,288	0	0
		418,131	999,664	0	0
11	Property, plant and equipment				
	Other fixtures and fittings, tools and equipment	1,533,984	2,032,331	0	0
		1,533,984	2,032,331	0	0
12	Investments				
	Investments in group entities	0	0	3,608,150	4,464,061
		0	0	3,608,150	4,464,061
	Total fixed assets	1,952,115	3,031,995	3,608,150	4,464,061
	Non-fixed assets				
15	Receivables				
	Trade receivables	17,254,646	20,320,615	0	0
13	Work in progress for third parties	5,337,784	7,727,589	0	0
	Receivables from group entities	476,378	3,984,537	0	0
17	Deferred tax assets	1,634,268	1,630,923	0	0
	Income taxes receivable	157,016	63,288	0	0
	Other receivables	2,971,390	3,557,518	0	0
14	Prepayments	2,290,129	1,796,278	0	0
		30,121,611	39,080,748	0	0
	Cash	2,290,923	2,067,928	479,035	14,544
	Total non-fixed assets	32,412,534	41,148,676	479,035	14,544
	TOTAL ASSETS	34,364,649	44,180,671	4,087,185	4,478,605

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Balance sheet

Note	DKK	Group		Parent company	
		2020	2019	2020	2019
	<b>EQUITY AND LIABILITIES</b>				
	Equity				
16	Share capital	80,000	80,000	80,000	80,000
	Translation reserve	-354,514	57,083	-354,514	57,083
	Retained earnings	-8,729,712	-8,019,624	-8,729,712	-8,019,624
	<b>Total equity</b>	<b>-9,004,226</b>	<b>-7,882,541</b>	<b>-9,004,226</b>	<b>-7,882,541</b>
	Liabilities other than provisions				
18	Non-current liabilities other than provisions				
	Payables to group entities	13,000,000	0	13,000,000	0
	Other payables	3,431,257	1,207,472	0	0
		<b>16,431,257</b>	<b>1,207,472</b>	<b>13,000,000</b>	<b>0</b>
	Current liabilities other than provisions				
18	Current portion of long-term liabilities	52,325	0	52,325	0
13	Work in progress for third parties	3,045,486	3,891,827	0	0
	Trade payables	1,621,096	1,956,912	0	0
	Payables to group entities	11,397,064	34,796,795	0	12,277,329
	Income taxes payable	61,428	0	0	0
	Other payables	10,760,219	10,210,206	39,086	83,817
		<b>26,937,618</b>	<b>50,855,740</b>	<b>91,411</b>	<b>12,361,146</b>
		<b>43,368,875</b>	<b>52,063,212</b>	<b>13,091,411</b>	<b>12,361,146</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>34,364,649</b>	<b>44,180,671</b>	<b>4,087,185</b>	<b>4,478,605</b>

- 1 Accounting policies
- 2 Financing
- 3 Accounting estimates
- 4 Special items
- 20 Contractual obligations and contingencies, etc.
- 21 Collateral
- 22 Related parties
- 23 Appropriation of profit/loss

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Statement of changes in equity

		Group			
Note	DKK	Share capital	Translation reserve	Retained earnings	Total
	Equity at				
	1 January 2020	80,000	57,083	-8,019,624	-7,882,541
	Capital contribution	0	0	11,000,000	11,000,000
	Transfer through appropriation of loss	0	0	-11,710,088	-11,710,088
	Exchange adjustment	0	-411,597	0	-411,597
	Equity at 31 December 2020	80,000	-354,514	-8,729,712	-9,004,226
		Parent company			
Note	DKK	Share capital	Translation reserve	Retained earnings	Total
	Equity at				
	1 January 2020	80,000	57,083	-8,019,624	-7,882,541
	Capital contribution	0	0	11,000,000	11,000,000
23	Transfer, see "Appropriation of profit/loss"	0	0	-11,710,088	-11,710,088
	Exchange adjustment	0	-411,597	0	-411,597
	Equity at 31 December 2020	80,000	-354,514	-8,729,712	-9,004,226

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Cash flow statement

Note	DKK	Group	
		2020	2019
	Profit/loss for the year	-11,710,088	1,870,436
24	Adjustments	2,091,554	3,693,102
	Cash generated from operations (operating activities)	-9,618,534	5,563,538
25	Changes in working capital	8,245,361	-960,985
	Cash generated from operations (operating activities)	-1,373,173	4,602,553
	Interest received, etc.	0	367
	Interest paid, etc.	-560,614	-622,735
	Income taxes received	16,683	501,961
	Cash flows from operating activities	-1,917,104	4,482,146
	Additions of intangible assets	0	-1,094,558
	Additions of property, plant and equipment	-434,523	-573,492
	Cash flows to investing activities	-434,523	-1,668,050
	Proceeds of debt, other debt	2,223,785	1,207,472
	Repayments, borrowings from group enterprises	-10,451,310	-9,213,964
	Cash capital contribution	11,000,000	0
	Cash flows from financing activities	2,772,475	-8,006,492
	Net cash flow	420,848	-5,192,396
	Cash and cash equivalents at 1 January	2,067,928	7,031,520
	Foreign exchange adjustments	-197,853	228,804
26	Cash and cash equivalents at 31 December	2,290,923	2,067,928

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Keh Naval Architects Holding ApS for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

### Consolidated financial statements

#### *Control*

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

#### *Preparation of consolidated financial statements*

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

##### Public grants

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

### Income statement

#### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue corresponds to the market value of the work performed in the year.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Where the income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only to the extent that it is probable that such expenses will be recoverable from the counterparty.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross margin'.

#### Other operating income

Other operating income comprises items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	3 years
Acquired intangible assets	3 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

The proportionate share of the individual subsidiaries' profit/loss after tax after full elimination of internal gains/losses are recognised in the Parent Company's income statement.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed companies entitled to a tax refund are, at a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

##### Balance sheet

##### Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3 years.

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

##### Investments in subsidiaries

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment to the extent that the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' to the extent that the parent has a legal or constructive obligation to cover the deficit.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

##### Impairment of fixed assets

Intangible assets and property, plant and equipment and investments in subsidiaries are reviewed for impairment on an annual basis. Where there is indication of impairment, each individual asset or group of assets generating independent cash flows is tested for impairment. The carrying amount of impaired assets is reduced to the higher of the value in use and the net selling price (recoverable amount). Where an impairment loss is recognised on a group of assets, a loss is first allocated to goodwill and then to the other assets on a pro rata basis.

##### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected total expenses on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the market value is measured at the costs incurred to the extent that they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Equity

###### *Reserve for development costs*

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

###### *Translation reserve*

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### Cash flow statement

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

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

#### 2 Financing

After the balance sheet date, the Company's loan of DKK 13.0 million from its Parent Company has been extended and will now fall due on 31 December 2022.

Damen Shipyards Group N.V. has made a significant credit line facility of DKK 45 million available to support the Group's planned operations in the coming years. The Group had drawn DKK 11.3 million on the credit facility at 31 December 2020. Based on the realised results in 2021 and the forecast for rest of 2021, Management expects that the total credit facility, the necessary financing and cash flow are available to the Group, thereby enabling the Group to realise the budgets for 2021.

#### 3 Accounting estimates

The Group has recognised a deferred tax asset amounting to DKK 1,634 thousand, which the Group expects to utilise within the next 3-5 years. The value of the asset is conditioned by future positive earnings. The total deferred tax assets amount to DKK 7,713 thousand. Accounting estimates are subject to uncertainty.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 4 Special items

DKK	Group		Parent company	
	2020	2019	2020	2019
Income				
COVID-19 compensation	3,284,592	0	0	0
	<u>3,284,592</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special items are recognised in the below items of the financial statements				
Other operating income	3,284,592	0	0	0
Net profit on special items	<u>3,284,592</u>	<u>0</u>	<u>0</u>	<u>0</u>

#### 5 Staff costs

Wages/salaries	43,013,474	48,909,260	0	0
Pensions	1,648,518	1,550,670	0	0
Other social security costs	1,181,269	1,610,989	0	0
Other staff costs	445,526	489,800	0	0
	<u>46,288,787</u>	<u>52,560,719</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>88</u>	<u>87</u>	<u>0</u>	<u>0</u>

The Group and the Parent Company did not pay any remuneration to Management during the financial years 2019 and 2020.

#### 6 Amortisation/depreciation of intangible assets and property, plant and equipment

Amortisation of intangible assets	581,533	1,110,699	0	0
Depreciation of property, plant and equipment	897,832	635,875	0	0
	<u>1,479,365</u>	<u>1,746,574</u>	<u>0</u>	<u>0</u>

#### 7 Financial income

Other financial income	0	367	0	0
	<u>0</u>	<u>367</u>	<u>0</u>	<u>0</u>

#### 8 Financial expenses

Interest expenses, group entities	426,150	455,000	197,705	180,000
Other financial expenses	238,367	167,735	633	204
	<u>664,517</u>	<u>622,735</u>	<u>198,338</u>	<u>180,204</u>



## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

DKK	Group		Parent company	
	2020	2019	2020	2019
9 Tax for the year				
Estimated tax charge for the year	-72,074	104,554	0	0
Deferred tax adjustments in the year	0	1,203,496	0	0
Tax adjustments, prior years	19,746	16,110	0	0
	<u>-52,328</u>	<u>1,324,160</u>	<u>0</u>	<u>0</u>

### 10 Intangible assets

DKK	Group		
	Completed development projects	Acquired intangible assets	Total
Cost at 1 January 2020	2,382,538	1,681,050	4,063,588
Cost at 31 December 2020	2,382,538	1,681,050	4,063,588
Impairment losses and amortisation at 1 January 2020	1,857,162	1,206,762	3,063,924
Amortisation in the year	265,647	315,886	581,533
Impairment losses and amortisation at 31 December 2020	2,122,809	1,522,648	3,645,457
Carrying amount at 31 December 2020	259,729	158,402	418,131

### 11 Property, plant and equipment

DKK	Group
	Other fixtures and fittings, tools and equipment
Cost at 1 January 2020	5,357,736
Exchange adjustment	-94,602
Additions in the year	434,523
Disposals in the year	-73,150
Cost at 31 December 2020	<u>5,624,507</u>
Impairment losses and depreciation at 1 January 2020	3,325,405
Exchange adjustment	-59,565
Depreciation in the year	897,833
Reversal of depreciation and impairment of disposals	-73,150
Impairment losses and depreciation at 31 December 2020	<u>4,090,523</u>
Carrying amount at 31 December 2020	<u>1,533,984</u>

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 12 Investments

	Parent company Investments in group entities
DKK	
Cost at 1 January 2020	36,912,752
Additions in the year	11,000,000
Cost at 31 December 2020	47,912,752
Value adjustments at 1 January 2020	-32,448,691
Exchange adjustment	-411,597
Share of the profit/loss for the year	-11,444,314
Value adjustments at 31 December 2020	-44,304,602
Carrying amount at 31 December 2020	3,608,150

#### Parent company

Name	Domicile	Interest
Subsidiaries		
Knud E. Hansen A/S, Naval Architects	Helsingør, Denmark	100.00%
Knud E. Hansen Australia PTY Ltd.	Perth, Australia	100.00%
Knud E. Hansen USA, Inc.	Ft. Lauderdale, USA	100.00%
Knud E. Hansen Greece Ltd.	Piraeus, Greece	100.00%
MARINE HVAC DESIGN SL	Cadiz, Spain	100.00%
Knud E. Hansen (UK) Ltd.	London, United Kingdom	100.00%

	Group		Parent company	
DKK	2020	2019	2020	2019
13 Work in progress for third parties				
Selling price of work performed	90,988,800	85,698,392	0	0
Progress billings	-88,696,502	-81,862,630	0	0
	2,292,298	3,835,762	0	0
recognised as follows:				
Work in progress for third parties (assets)	5,337,784	7,727,589	0	0
Work in progress for third parties (liabilities)	-3,045,486	-3,891,827	0	0
	2,292,298	3,835,762	0	0

#### 14 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies, service contracts, licenses and subscriptions.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 15 Receivables

Out of the Group's total receivables, trade receivables totalling DKK 1,129 thousand fall due for payment after more than one year after the balance sheet date.

DKK	Parent company	
	2020	2019
16 Share capital		
Analysis of the share capital:		
80,000 shares of DKK 1.00 nominal value each	80,000	80,000
	<u>80,000</u>	<u>80,000</u>

The parent's share capital has remained DKK 80,000 over the past 5 years.

DKK	Group		Parent company	
	2020	2019	2020	2019
17 Deferred tax				
Deferred tax at 1 January	-1,630,923	-2,834,419	0	0
Other deferred tax	-3,345	1,203,496	0	0
Deferred tax at 31 December	<u>-1,634,268</u>	<u>-1,630,923</u>	<u>0</u>	<u>0</u>

#### Group

The Group has a total deferred tax asset at a carrying amount of DKK 7,713 thousand of which DKK 1,634 thousand is recognised, as it is uncertain whether the deferred tax asset can be utilised within a foreseeable future.

#### Parent company

The parent company has a total deferred tax asset at a carrying amount of DKK 149 thousand of which DKK 0 thousand is recognised, as it is uncertain if the deferred tax asset can be utilised within a foreseeable future.

#### 18 Non-current liabilities other than provisions

DKK	Group			
	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Payables to group entities	13,052,325	52,325	13,000,000	0
Other payables	3,431,257	0	3,431,257	0
	<u>16,483,582</u>	<u>52,325</u>	<u>16,431,257</u>	<u>0</u>

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 19 Subordinate loan capital

##### Group

Loan of 13,000,000 DKK has been granted by a Parent Company which is subordinated in respect of all other creditors. After the balance sheet date, the Group's loan has been extended and will fall due on 31 December 2022. As part of the extension the loan is no longer subordinated.

##### Parent company

Loan of 13,000,000 DKK has been granted by a Parent Company and is subordinated in relation to all other creditors. After the balance sheet date, the Parent Company's loan has been extended and will fall due 31 December 2022. As part of the extension the loan is no longer subordinated.

#### 20 Contractual obligations and contingencies, etc.

##### Other financial obligations

##### Other rent and lease liabilities:

	Group		Parent company	
	2020	2019	2020	2019
DKK				
Rent and lease liabilities	24,942,740	28,290,254	0	0

Rent and lease liabilities primarily relate to contracts which are non-cancellable until 2021-2031.

Furthermore, the Group acts a guarantor in respect of the agreement for a lease in London between Knud E. Hansen (UK) Ltd. and the landlord, and is therefore liable for rent obligations for a total amount of DKK 41,123.

##### Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally liable with other Danish jointly taxed group entities for payment of income taxes and withholding taxes in the group of jointly taxed entities.

#### 21 Collateral

##### Group

The Group has not provided any security or other collateral in assets at 31 December 2020.

##### Parent company

The Parent Company has not placed any assets or other as security for loans at 31 December 2020.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

#### 22 Related parties

##### Group

Keh Naval Architects Holding ApS' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Damen Shipyard Group NV	Curacao, Curacao	Participating interest

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Damen Shipyard Group NV	Curacao, Curacao	The consolidated financial statements are available at the Chamber of Commerce in the Netherlands

##### Related party transactions

DKK	2020	2019
Group		
Revenue	4,411,484	7,576,604
Interest	426,150	455,000
Receivables from group entities	476,378	3,984,537
Payables to group entities, current	11,449,389	34,796,795
Payables to group entities, non-current	13,000,000	0
Parent Company		
Other operating income	10,000	0
Interest	197,705	180,000
Payables to group entities, current	52,325	12,277,329
Payables to group entities, non-current	13,000,000	0

In accordance with section 98 C, subsection (3) of the Danish Financial Statement Act, Keh Naval Architects Holding ApS, has not presented related party transactions with wholly-owned subsidiaries.

##### Information on the remuneration to management

Information on the remuneration to Management appears from note 5, "Staff costs".

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Notes to the financial statements

		Parent company	
DKK		2020	2019
23	Appropriation of profit/loss		
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-11,710,088	1,870,436
		<u>-11,710,088</u>	<u>1,870,436</u>
		Group	
DKK		2020	2019
24	Adjustments		
	Amortisation/depreciation and impairment losses	1,479,365	1,746,574
	Financial income	0	-367
	Financial expenses	664,517	622,735
	Tax for the year	-52,328	1,324,160
		<u>2,091,554</u>	<u>3,693,102</u>
25	Changes in working capital		
	Change in receivables	8,877,504	-2,641,820
	Change in trade and other payables	-632,143	1,680,835
		<u>8,245,361</u>	<u>-960,985</u>
26	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	2,290,923	2,067,928
		<u>2,290,923</u>	<u>2,067,928</u>