ERRV Holdings ApS

Østergade 1, 2. Sal
1100 Copenhagen K

CVR no. 36 94 10 30

Annual report for

01.01.2019
-
31.12.2019

The Annual Report was presented and adopted at the Annual General Meeting of the Company on July 9th 2020.

Chairman of the meeting

Type text here

Per Niklas Ljungström

Content

Company Information

Company
ERRV Holdings ApS
Østergade 1, 2. sal
1100 Copenhagen K

Company no. / CVR no.	36 94 10 30
Municipality of reg. office	Copenhagen
Phone no.	+45 20 29 38 47

Executive Management
Philip Pacey
Scott B. M. Moseley
Per Niklas Ljungström
Zion Oved

Audit
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management review

Activities
The Group's mission is to deliver safety and support at sea. With its modern fleet of Service Operations Vessels (SOVs) and Emergency Response and Rescue Vessels (ERRVs), the Group provides maintenance and accommodation services for the wind farm operators and emergency response and rescue services for the oil and gas industry.

Activity 2019
Result for the year
Revenue for the Group in 2019 was MDKK 1.029 against MDKK 986 in 2018. The result for the year was MDKK -339 compared to MDKK -357 in 2018.

This was in line with Management expectations and considered a fair result in the prevailing market.

Marked and activities
The offshore oil and gas market improved slightly during 2019 with more drilling activities seen both in the UK and Norway. In Denmark the drilling activities were reduced, however counterbalanced by more construction activities on the Tyra field. The offshore wind market continued to be satisfactory and our SOVs on long term contracts delivered as expected.

Investments
On the 4th September 2019 we took delivery of a new SOV, ESVAGT ALBERT BETZ, which went into operations on a long-term contract with MHI Vestas. Further the construction of other three SOVs, also on long term contracts to MHI Vestas, continued as planned with delivery of the first unit by Q3 2020 and two units by Q1 2021.

Merger with subsidiaries
As of 1st January 2019, the wholly owned subsidiaries ESWIND A/S and ESWIND01 A/S has been merged into Esvagt A/S. As the merger was group internal it did not have any impact on the financial position of the company.

Equity
On 31 December 2019 the equity was MDKK -773 with an equity ratio of -15.5% compared to MDKK -442 and a ratio of -8.9% in 2018.

Expectations for 2020
Due to the COVID-19 pandemic and the subsequent reduction in the world's oil consumption ESVAGT expect the drilling market to be significantly reduced in 2020 leading to fewer opportunities for ERRVs operating on spot. Pending the full impact of the pandemic and the full consequence of the reduced oil consumption it could be a necessity to lay-up certain ERRVs until the situation normalizes.
Within the wind industry we expect the operations of offshore wind farms to continue unaffected by the COVID-19 pandemic and general downturn in the economy and consequently we also expect our SOVs, all on long charters, to remain on contracts unaffected.

Uncertainties regarding recognition and measurement
As a natural consequence of the current low activity in the oil and gas industry, returns on investments within the industry in general have declined.
ESVAGT regularly assess the current market as an impairment indicator and have performed an impairment test of non-current assets. When performing such assessments and tests, future outlooks are considered. The ESVAGT Management expects the oil and gas industry to recover over the coming years and based upon the impairment tests performed, concludes that there is no need for impairment of its fleet. Management believes that ESVAGT with its asset base, experience and skills are well positioned when the market recovers.

Risks
The Group is, in the opinion of the Management, not exposed to commercial, operational or financial risks beyond what is common and natural for its business and the industry in which it operates.

In accordance with its strategy, the Group strives for an appropriate balance between long term and short-term contracts for its fleet, taking the market conditions into account. During the year we have seen the Norwegian shipyard industry and our subcontractor for the three newbuild SOVs under construction to be in financial distress. Subsequent we have supported the Havyard shipyard and an agreement is in place. However further financial difficulties at Havyard could impose a risk of delay to the three newbuild SOVs.

Subsequent events
The outbreak of Covid-19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid-19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

This means that the valuation of the company's non-current assets, receivables, etc., at 31 December 2019 are based on assumptions which may differ from Management expectations at the time of adoption of the Annual Report.

Currently, it is not possible to assess the effect of Covid-19 on the 2020 Financial Statements. Reference is also made to note 0 "Covid-19 and the financial situation of the Company.

Development activities
During 2019 the Group held expenses of 6,9 MDKK (2018: 0,2 MDKK). In 2019 expenses relates to IT systems.

Statutory statement regarding environment, social issues and governance in accordance with section 99a of the Danish Financial Statements Act
For our statutory statement regarding environment, social issues and governance, we refer to our 2019 ESG Report, which can be found at https://esvagt.com/files/4515/8745/4506/ESVAGT_Safety_Quality_and_ESG_Report_2019.pdf.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act
For our statutory statement regarding the underrepresented gender, we refer to our 2019 ESG Report, which can be found at https://esvagt.com/files/4515/8745/4506/ESVAGT_Safety_Quality_and_ESG_Report_2019.pdf.

Key figures for the consolidated group

	2019* IFRS TDKK	2018 IFRS TDKK	2017 IFRS TDKK	2016 IFRS TDKK	2015**) ÅRL TDKK
5 years key figures					
Profit and loss accounts					
Net revenue	1.028.568	985.695	905.537	966.166	1.001.811
Operating profit	49.313	19.899	63.379	127.452	247.456
Net financials	(394.449)	(376.993)	(271.956)	(232.177)	(64.604)
Profit for the year	(339.217)	(357.130)	(204.632)	(107.946)	192.073
Balance sheet					
Total assets	4.974.811	4.977.790	5.024.282	4.613.891	3.342.751
Equity	(773.185)	(442.085)	(67.709)	100.535	1.188.546
Investment in property, plant and equipment	403.263	607.284	260.135	403.534	752.818
Key Ratios					
Profit margin (%)	5%	2%	7%	13%	25%
Return on equity (%)	-56%	-140%	-1247%	-17%	15%
Equity ratio	-15,5%	-8,9%	-1,3%	2,2%	35,6%

*) The Group has adopted IFRS 16 as per 1.1.2019, the comparative figures have not been adjusted accordingly.
**) The company has adopted IFRS as per 1.1.2017, the comparative figures for 2016 have been adjusted accordingly. Comparative figures for 2015 are stated under Danish GAAP.

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Management's Statement

The Executive Board have today considered and adopted the Annual Report of ERRV Holdings ApS for the financial year 1 January – 31 December 2019.

The Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

In our opinion the consolidated Financial Statements and the separate Financial Statements give a true and fair view of the Group's and the Company's financial position at 31 December 2019 and the results of the Group's and Company's operations and cash flows for the financial year 1 January – 31 December 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company.

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

Copenhagen, July 9th 2020

Executive Management

Philip Pacey	Scott B. M. Moseley
Per Niklas Ljnugström	Zion Oved

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Copenhagen, July 9th 2020

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Independent Auditor's Report

To the Shareholder of ERRV Holdings ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ERRV Holdings ApS for the financial year 1 January - 31 December 2019, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

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 International Financial Reporting Standards as adopted by the EU and further requirements in 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 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 skepticism 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 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 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.

Copenhagen, July 9th 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab, *CVR No 33 77 12 31*

Thomas Wraae Holm	Martin Lunden
State Authorized Public Accountant	State Authorized Public Accountant
mne30141	mne32209

Statement of profit and loss

		Group		Parent	
		2019	2018	2019	2018
	Notes	TDKK	TDKK	TDKK	TDKK
Net revenue	4	1.028.568	985.695	0	0
Other income		163	125	0	0
Other expenses		(287)	(23.963)	0	0
Other operating expenses		(296.057)	(287.262)	(673)	(468)
Gross profit		**732.387**	**674.596**	**(673)**	**(468)**
Staff expenses	5	(377.027)	(373.351)	0	0
Share of profit/loss in subsidiaries		0	0	0	0
Share of profit/loss in joint ventures	21	(19)	0	0	0
Profit before depreciation, amortisation and financial items etc.		**355.341**	**301.245**	**(673)**	**(468)**
Amortisation, depreciation and impairment losses	6	(306.028)	(281.346)	0	0
Profit before financial items		**49.313**	**19.899**	**(673)**	**(468)**
Financial income	7	9.876	0	4	0
Financial expenses	8	(404.325)	(376.993)	(31)	(24)
Profit before income tax		**(345.135)**	**(357.094)**	**(700)**	**(492)**
Tax	9	5.919	(36)	(103)	102
Profit for the year		**(339.217)**	**(357.130)**	**(803)**	**(390)**
Profit is attributable to:		0	0	0	0
Owners of ERRV Holdings ApS		(339.222)	(357.127)	(803)	(390)
Non-controlling interests		5	(4)	0	0
		(339.217)	**(357.130)**	**(803)**	**(390)**

Statement of comprehensive income

		Group		Parent	
	Notes	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Profit for the year		**(339.217)**	**(357.130)**	**(803)**	**(390)**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange diff. on translation of subsidiaries		528	(70)	0	0
Cahs flow hedges:					
Value adjustment of hedges for the year		11.909	82	0	0
Reclassified to income statement					
- revenue		(1.368)	1.368	0	0
- operating costs		0	2.943	0	0
- financial expenses		(2.954)	0	0	0
Reclassified to non-current assets		0	(21.568)	0	0
Other comprehensive income for the year, net of tax		**8.116**	**(17.245)**	**0**	**0**
Total comprehensive income for the year		**(331.101)**	**(374.376)**	**(803)**	**(390)**
Total comprehensive income for the year attributable to:					
Owners of ERRV HOLDINGS ApS		(331.096)	(374.379)	(803)	(390)
Non-controlling interests		(5)	4	0	0
		(331.101)	**(374.376)**	**(803)**	**(390)**

Balance sheet

		Group		Parent	
		2019	2018	2019	2018
	Notes	TDKK	TDKK	TDKK	TDKK
Goodwill	10	493.502	493.502	0	0
Development projects	10	6.882	357	0	0
Intangible assets		**500.384**	**493.859**	**0**	**0**
Vessels	11	3.832.249	3.808.058	0	0
Other operating equipment and fixtures	11	4.078	5.343	0	0
Buildings on leased land	11	43.841	46.868	0	0
Prepayments for tangible assets	11	191.073	117.469	0	0
Right-of-use assets	18	16.367	0	0	0
Tangible assets		**4.087.607**	**3.977.738**	**0**	**0**
Investment in subsidiaries		0	(0)	0	0
Investment in joint ventures	21	6	25	0	0
Investments in other entities		**6**	**25**	**0**	**0**
Total non-current assets		**4.587.998**	**4.471.622**	**0**	**0**
Bunker oil and other consumables		17.679	17.421	0	0
Inventories	13	**17.679**	**17.421**	**0**	**0**
Trade receivables	14	156.227	136.623	0	0
Receivables to Group companies		(0)	(0)	163	0
Income tax receivable		0	0	34	127
Other receivables		7.518	8.521	0	0
Prepayments		2.889	4.975	0	0
Receivables		**166.634**	**150.119**	**197**	**127**
Cash and cash equivalents		**202.500**	**338.629**	**30**	**49**
Total current assets		**386.813**	**506.169**	**228**	**176**
Total assets		**4.974.811**	**4.977.790**	**228**	**176**

Balance sheet

		Group		Parent	
	Notes	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Share capital	15	150	150	150	150
Other reserves		(10.278)	(18.393)	(1.505)	(1.148)
Retained earnings		(763.335)	(424.113)	(358)	88
Equity attributable to owners of ERRV Holdings ApS		**(773.462)**	**(442.356)**	**(1.713)**	**(910)**
Non-controlling interests		277	272	0	0
Total equity		**(773.185)**	**(442.085)**	**(1.713)**	**(910)**
Deferred tax liabilities	16	17	24	0	0
Bank and credit institutions	17	2.232.493	2.224.652	0	0
Lease liabilities, non-currrent	18	8.419	0	0	0
Other non current liabilities		2.850	0	0	0
Derivatives, non current	24	5.373	0	0	0
Total non-current liabilities		**2.249.152**	**2.224.675**	**0**	**0**
Loan from parent company		3.319.968	3.007.330	0	0
Lease liabilities, current	18	9.006	5.969	0	0
Received prepayments		6.215	8.352	0	0
Provisions		0	2.000	0	0
Trade payables		80.185	56.804	110	110
Payables to Group companies		0	0	1.831	976
Income tax liabilities		491	869	0	0
Other payables		79.114	97.232	0	0
Derivatives, current	24	3.864	16.643	0	0
Total current liabilities		**3.498.844**	**3.195.199**	**1.941**	**1.086**
Total liabilities		**5.747.996**	**5.419.875**	**1.941**	**1.086**
Total equity and liabilities		**4.974.811**	**4.977.790**	**228**	**176**

Statement of changes in equity – Group

	Share Capital	Reserve for Foreign Currency Translation	Cash Flow Hedges	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 01.01.2018	150	(1.148)	0	(66.987)	(67.985)	275	(67.710)
Profit for the year	0	0	0	(357.127)	(357.127)	(4)	(357.130)
Other comprehensive income	0	(70)	(17.175)	0	(17.245)	0	(17.245)
Total comprehensive income for the year	**0**	**(70)**	**(17.175)**	**(357.127)**	**(374.372)**	**(4)**	**(374.376)**
Equity at 31.12.2018	**150**	**(1.218)**	**(17.175)**	**(424.114)**	**(442.356)**	**272**	**(442.085)**
Profit for the year	0	0	0	(339.222)	(339.222)	5	(339.217)
Other comprehensive income	0	528	7.587	0	8.116	0	8.116
Total comprehensive income for the year	**0**	**528**	**7.587**	**(339.222)**	**(331.106)**	**5**	**(331.101)**
Equity at 31.12.2019	**150**	**(690)**	**(9.588)**	**(763.335)**	**(773.462)**	**277**	**(773.185)**

No dividend has been proposed for the year (2018: DKK 0 thousand).

Statement of changes in equity – Parent

	Share Capital	Reserve for Foreign Currency Translation	Develop-ment Cost Reserve	Retained Earnings	Total Equity
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 01.01.2018	**150**	**(1.148)**	**0**	**478**	**(520)**
Profit for the year	0	0	0	(390)	(390)
Total comprehensive income for the year	**0**	**0**	**0**	**(390)**	**(390)**
Equity at 31.12.2018	**150**	**(1.148)**	**0**	**88**	**(910)**
Profit for the year	0	0	0	(803)	(803)
Total comprehensive income for the year	**0**	**0**	**0**	**(803)**	**(803)**
Equity at 31.12.2019	**150**	**(1.148)**	**0**	**(715)**	**(1.713)**

Cash flow statement

		Group		Parent	
	Notes	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Profit before depreciation, amortisation and financial items etc.		355.341	301.245	(673)	(468)
Other expenses		287	23.963	0	0
Adjustment for non-cash transactions		5.403	0	0	0
Change in working capital	23	14.343	185	785	(141)
Share of profit/loss in joint ventures		19	0	0	0
Cash flows from operating activities before financial income and expenses		**375.393**	**325.393**	**111**	**(609)**
Financial income received		1.217	0	4	0
Financial expenses paid		(108.214)	(81.325)	(31)	(24)
Income taxes paid		5.541	(395)	(103)	40
Net cash flow from operating activities		**273.938**	**243.673**	**(19)**	**(593)**
Payments for intangible assets and property, plant and equipment		(407.186)	(612.124)	(0)	0
Sale of intangible assets and property, plant and equipment		5.223	1.085	0	0
Net cash flow from investing activities		**(401.962)**	**(611.039)**	**(0)**	**0**
Principle element of lease payments (2018 - principle element of finance leases)		(10.114)	(4.725)	0	0
Cash flow from financing activities		**(10.114)**	**(4.725)**	**0**	**0**
Net cash flow for the year		(138.139)	(372.091)	(19)	(593)
Effects of exchange rate changes on cash and cash equivalents		2.010	(1)	0	0
Cash and cash equivalents, beginning of the year		338.629	710.720	49	642
Cash and cash equivalents, end of the year		**202.500**	**338.629**	**30**	**49**

The information in the cash flow statement cannot directly be reconciled to the statement of profit or loss. The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.
Included in the financial expenses paid is the TDKK 26.026 related to accrued interest from 2018.

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Notes

0. Covid-19 and financial situation of the Company

The outbreak of the Coronavirus disease (COVID-19) is unfortunate and critical to the global society. Due to the measures introduced by the Governments where we operate, we have taken several measures to keep employees and our seafarers safe during this unusual situation. This includes moving more vessels into the crew change fleet reducing the number of vessels available for the spot market resulting in reduced revenue from these vessels.

Before the COVID-19 outbreak we had started a process of refinancing the current loan agreements to prepare for future growth in form increased CAPEX facilities, change of covenants to allow for CAPEX investments and to secure the long term financing.

The COVID-19 situation has postponed this refinancing process as well putting pressure on the Company's financial position, amongst others due to a slowdown in the spot market and the mentioned measures taken to mitigate COVID-19 including the changes in our crew change procedures, etc. The COVID-19 situation has a negative impact on the Group's and the Company's revenue, earnings and liquidity for 2020 and 2021.

To mitigate the negative impact from COVID-19, Management have initiated a "response to the market situation" program that entails several savings initiatives, which amongst others include salary reductions for Management and other Onshore employees, postponed salary increases for Offshore crew, lay up of 4 ERRV vessels, postponement of non-critical capex investments, etc. We have also applied and received approval for postponing dockings.
We do not expect to lay off crews on idle and laid up vessels, but instead to be able to use this crew to mobilize the upcoming delivery of the three new build vessels and thereby postpone hiring of new crew.

The updated forecast for 2020 and 2021 shows a tight liquidity situation in the beginning of 2021 as well as pressure on our loan covenants. At the moment we do not expect covenant breaches that will lead to repayment of the loan balances and we also expect that the current credit facilities in place will be sufficient to cover the necessary liquidity needs based on the current forecast.

The forecasts are encumbered with some uncertainty. Therefore, our Shareholders have indicated to continue to support Esvagt A/S in case the negative COVID-19 impacts should exceed the managements expectation, and the Management team is also prepared to take further actions to mitigate this by expanding the saving initiatives taken.
At this point the impact of COVID -19 is difficult to quantify, as it will depend on how long time the situation with measures to reduce spreading the virus will continue, but it is Management's expectation that the capital resources needed are present or will be contributed by its shareholders to ensure that the Group and the Company have sufficient capital resources to continue their operations.

1. Capital position and going concern
The purpose of ERRV Holdings ApS is to hold the shares in ERRV ApS, which is the holding company of ESVAGT A/S. The investment in ERRV ApS had a carrying value of MDKK 0 at 31 December 2019 (2018: MDKK 0) hence the share capital was lost, and the company is subject to the rules of capital loss in the Danish Company's Act.

Impairment tests have been carried out regarding the investment in ESVAGT A/S, which did not result in any impairment. Further impairment, as the investment in ESVAGT A/S has already been impaired to DKK 0.

The lenders of the loans in ERRV ApS have expressed their continuing interest in assuring that ERRV Holdings ApS and ERRV ApS can continue as a going concern and have expressed their intention not to call the loans already extended and any additional future loans that may be extended to ERRV Holdings ApS and ERRV ApS, unless the liquidity position of the ERRV Holdings ApS and ERRV ApS are adequate to justify such repayment.

2. Accounting policies
The Annual Report for the period 1 January – 31 December 2019 comprises the consolidated financial statement of the parent company ERRV Holdings ApS and subsidiaries controlled by the parent company (the group) and the separate financial statements of the parent company and have been prepared in accordance with the international Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

Measurement basis
The consolidated and separate financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

Changes in accounting principles
The group has adopted all new IFRSs, amendments and interpretations that are effective from 1 January 2019, of which only IFRS 16 Leases has had a material effect to the group.

With effect from 1 January 2019, the group has implemented IFRS 16 applying the modified retrospective approach. As permitted under the transition provisions in the standard, the comparative figures have not been restated but presented in accordance with the previous IFRS standard on leases (IAS 17) as disclosed in the annual report 2018. The new accounting policies are disclosed below.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease liabilities using the incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.9%. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For leases previously classified as finance leases the group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In the adoption of IFRS 16, the group has used the following practical expedients permitted by the standard:

- Accounting for operating leases with a remaining lease term of 12 months or less as at 1 January 2019 as short-term leases.
- Excluding initial direct costs for measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The group has elected not to separate the non-lease components and instead accounts for these as a single component

Differences between the operating lease commitments at 31 December 2018 as disclosed in the annual report 2018 and lease liabilities recognised in the opening balance as of 1 January 2019 in accordance with IFRS 16 are specified as follows:

	2019
	TDKK
Operating lease commitments disclosed as at 31 December 2018	12.918
Discounting effect	(4.052)
Finance lease liabilities recognised as at 31 December 2018	5.969
Short-term leases not recognised as a liability	(141)
Adjustments at initial recognition (different treatment of extension options, indexation etc.)	64
Lease liability recognised as at 1 January 2019	14.758
Of which are:	
Current lease liabilities	5.291
Non-current liabilities	9.467
	14.758

The associated right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized in the balance sheet as at 31 December 2018.

Adoption of new and amended standards
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

Change in presentation of share of profit/loss in subsidiaries
For 2019, share of profit/loss in subsidiaries is presented as part of profit before depreciation, amortisation and financial items etc. in the separate financial statement of the parent company, as this better reflects how Management monitors the operations. Previously, share of profit/loss in subsidiaries was presented as part of profit before income tax. Share of profit/loss in subsidiaries amounts to TDKK 0 (2018: TDKK 0) and has had an equivalent impact on profit before depreciation, amortisation, and financial items etc. There has been no impact on profit for the year or on equity.

Basis of consolidation
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Consolidation is performed by summarizing the financial statements of the parent company and its subsidiaries which have been prepared in accordance with ERRV Holdings ApS accounting policies. On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realized and unrealized profits or losses on transactions between the consolidated companies.

Non-controlling interests' share of profit/loss for the year and of equity in subsidiaries are included as part of ERRV Holdings ApS's profit and equity respectively but shown as separate items.

Foreign currency translation

Functional and presentation currency

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The functional currency of ERRV Holdings ApS is DKK.

The financial statements are presented in Danish Kroner (DKK). The financial statements have been rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b) Income and expenses for each income statement are translated at average exchange rates; and
c) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Foreign exchange forwards are used to hedge the currency risk related to recognized and unrecognized transactions.

The effective portion of changes in the fair value of derivative financial instruments designated to hedge future transactions is recognized under equity until the hedged transactions are realized. At that time, the cumulated gains/losses are transferred to the items under which the hedged transactions are recognized. The effective portion of changes in the fair value of derivative financial instruments used to hedge the value of the recognized financial assets and liabilities is recognized in the income statement together with changes in the fair value of the hedged assets or liabilities which can be attributed to the hedging relationship. The ineffective portion of hedge transaction are recognized in the income statement as financial income or expenses for interest and currency-based instruments.

Revenue recognition

The group provide support and services to the offshore industry comprising standby and emergency response and rescue, oil spill contingency, tanker assist, rig move and supply duties. Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the days spent relative to the total number of days the contract covers.

Support and service contracts include multiple deliverables, such as charter, crew, fuel and services. Except for fuel, the deliverables are integrated in the services and cannot be provided separately. The services in a charter excluding fuel are therefore accounted for as one performance obligation. A part of the contract price is allocated to a separate performance obligation for fuel based on its stand-alone selling price, which is directly observable.
The contracts do not contain any variable elements.

Other income and other expenses
Other income comprises of other activities, e.g. property rent and gains of sales of fixed assets. Other income is recognized when the agreed service or asset is delivered, and the control has been transferred to the purchaser.

Other expenses comprise of other activities, e.g. loss of sales of fixed assets.

Other operating expenses
Other operating expenses comprise repair and maintenance, stores, vessel fuel, training and travel costs, expenses related to marketing, administration, office expenses, bad debt etc.

Staff expenses including pensions and similar liabilities
Staff expenses comprise wages and salaries, pensions, social security costs and other staff costs to the group employees.

The Group has entered into pension and similar agreements with most employees. Obligations relating to defined contribution plans are recognized in the income statement in the period in which they are earned.

Amortisation, depreciation and impairment
Amortisation, depreciation and impairment comprise amortisation, depreciation and impairment of intangible assets, property, plant and equipment and right-of-use assets .

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realized and non-realized capital gains/losses on transactions in foreign currency, amortisation of financial assets and liabilities etc.

Income tax and deferred tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The Group's vessels activities are subject to the tonnage taxation scheme under which the computation of taxable income includes an amount, calculated on the basis of the fleet's tonnage.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group’s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU’s, or groups of CGU’s, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Development projects

Development projects comprise engineer costs related to specific development projects of the Group's Fast Rescue Boats and Safe Transfer Boats. Development projects are capitalized when development projects imply a technical and/or operational advantage for the Group and where the financial net present value of these projects exceeds the development expenses.

Intangible assets are measured at cost less of accumulated depreciation and impairment losses.

Depreciation to estimated residual value is recognized in the income statement on a straight-line basis over the useful life, which is:

- Development projects: 3 years

Tangible assets

Premises on leased land, vessels, docking costs and other operating equipment and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost comprise the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Borrowing costs from specific as well as general borrowing directly related to assets with a long production period are attributed to costs during the period of construction.

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:

- Premises on leased land: 20-30 years
- Vessels: Up to 30 years
- Docking costs: 2,5-5 years
- Other fixtures and fittings: 3-5 years

New build vessels are depreciated over 25 years. Used vessels are depreciated over a shorter period based on the vessel age upon time of purchase. Charter contracts related upgrades and other improvements are depreciated over expected useful life of 3-5 years.

Expenses for docking of vessels are recognized when incurred in the carrying number of vessels and depreciated over the period until next docking.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses arising from disposal of tangible assets are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Gains and losses are recognized in the profit and loss account as other operating income or other operating costs.

Impairment of non-financial assets
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognized in the income statement when the impairment is identified.

Intangible assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortisation but are tested annually for impairment. Tangible and intangible assets that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Leases
As explained above, the Group has changed its accounting policy for leases where the Group is the lessee. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments include among other fixed payments and variable lease payments that are based on an index or a rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. For all leases, the Group has elected not to separate the lease and non-lease components and instead accounts for these as a single component.

The lease payments are discounted using the interest rate implicit in the lease. If that rate is not readily determinable, the incremental borrowing rate is used.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Variable lease payments that do not depend on an index or a rate and payments associated with leases with a lease term of 12 months or less and low-value assets are recognised as an expense in the income statement, included in other operating expenses.

Until 31 December 2018, leases were classified as either finance leases or operating leases. A lease was classified at the inception date as a finance lease if substantially all the risks and rewards incidental to ownership were transferred to the Group. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability. Finance charges were recognized in finance costs in the statement of profit or loss. A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Group would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease was a lease other than a finance lease. Operating lease payments were recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Investment in subsidiaries and joint ventures

Investments in subsidiaries

Investments in subsidiaries are in the separate financial statements of the parent company recognized according to the equity method (see below) after initially being measured at cost.

Investment in joint ventures

IFRS requires investments in joint arrangements to be classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. All investments over which the Group has joint control are classified as joint ventures.

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost.

Applying the equity method

Under the equity method, the investments are initially recognised at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from subsidiaries (separate financial statements of ERRV Holdings ApS only) and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions with joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described above.

Inventories

Inventories comprise of bunkers and other consumables. Inventories are measured at cost according to the FIFO-method. Write-down is made to a possibly lower net realizable value.

Receivables

Receivables are initially recognized at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortized cost, which usually corresponds to the nominal value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of historic sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the oil and energy prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Prepayments
Prepayments comprise various prepaid expenses such as prepaid insurance, subscriptions etc. Prepayments are measured at cost.

Cash and cash equivalents
Cash and cash equivalents comprise "Cash at bank and in hand".

Equity
Reserve for foreign currency translation
The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognized in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

Cash flow hedges
The effective portion of changes in the value of derivative financial instruments designated to hedge future transactions is recognized under equity until the hedged transactions are realized.

Dividend distribution
Dividends are recognized as a liability in the period in which they are adopted at the Annual General Meeting.

Development cost reserve
An amount equal to the total capitalized development costs after tax is recognized in equity in the Development cost reserve.

Bank and Credit institutions
Borrowings from credit institutions are initially recognized at fair value, net of transaction expenses incurred. Borrowings from credit institutions are subsequently measured at amortized cost. Any differences between the proceeds and the redemption value are recognized in the income statement over the period of the borrowings using the effective interest method.

Other liabilities
Other debt or liabilities covering trade payables and other debt are recognized at amortized cost, which is usually equivalent to the nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Statement of cash flow
The cash flow statement shows the Group's cash flows during the year distributed on operating, investing and financing activities, changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are calculated by the indirect method using the profit before depreciation adjusted for changes in working capital and non-cash operating items such as gain/loss on disposals of fixed assets. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

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 comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Consolidated Key Figures
The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

3. Critical accounting estimates and judgements
The group performs certain judgements and estimates concerning the future.

The estimates are performed based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Judgements

Determination of cash generating units
Judgement is applied in determining the cash generating units (CGU's). Management has based on the specific capabilities of the vessels, split these into three CGU's; Group 1, Group 2/3 and Wind. This also reflect how Management monitors the operations.

Management furthermore applies its judgement in allocating assets that do not generate independent cash flows to appropriate CGU's.

Estimates

Useful life and residual values
The vessels are estimated to operate up to 30 years before they are taken out of the fleet. Some vessels operate longer than that, and the depreciations are calculated individually when the useful lives and residual values are reviewed and adjusted if appropriate, at the end of each year.

Impairment testing
Impairment testing is performed for each cash-generating unit as defined by our operational structure as described under judgement, if indicators of impairment exists.

For the impairment testing, a number of estimates are made regarding the expected development in day rates, utilization of vessels, future capital expenditures, discount rates, which are all included in the projected cash flows applied for the impairment testing.

These estimates are based on an assessment of current and future developments in the three cash-generating units and on historical data and assumptions. Assessment of market trends as regards to day rates is supported by independent 3rd party reports.

The assumptions included in the value-in-use calculation are based on financial budgets and business plans approved by management.

4. Revenue

	Group		Parent	
	2019 TDKK	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
Support and safety activities, offshore oil & gas	695.008	642.124	0	0
Support and safety activities, offshore wind	280.414	278.412	0	0
Sale of fuel, offshore oil & gas	37.975	51.183	0	0
Sale of fuel, offshore wind	15.171	13.977	0	0
	1.028.568	**985.695**	**0**	**0**

	31 Dec 2019 TDKK	**31 Dec 2018 TDKK**	**1 Jan 2018 TDKK**
Group			
Current contract assets relating to charters	155	252	180
Received prepayments	(6.215)	(8.352)	(9.491)

The decrease in balance of prepayments relates to prepayments received in previous years which have been recognized as revenue during 2018 and 2019.

	Group		Parent	
	2019 TDKK	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
Revenue recognised that was included in the contract liability at the beginning of the period	2.137	1.139	0	0

The group has taken the practical expedient in IFRS 15 not to disclose information about the aggregate amount of the transaction price allocated to its remaining performance obligations, as the group's contracts either has a original expected duration of one year or less; or as the group for its long-term contracts recognizes revenue in an amount to which the group has a right to invoice.

The invoicing is done a monthly basis reflecting the contracted day rate and the actual days per month. Normal payment terms are running month +30 days or 45 days.

5. Staff Expenses

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Wages and salaries	360.683	346.779	0	0
Pensions, defined contribution plans	7.857	18.355	0	0
Other staff costs	8.487	8.216	0	0
Staff Expenses	**377.027**	**373.351**	**0**	**0**
Average number of full time employees	916	905	0	0

Key Management Compensation

Key Management includes the Executive Management of the Company as well as the Board of Directors and Executive Management in the Group (other key management). The compensation paid or payables to key management for employee services is shown below:

2019 Group	Executive Manage-ment	Board of Directors	Total
	TDKK	TDKK	TDKK
Wages and salaries	5.974	1.250	7.224
Pensions, defined contribution plans	268	0	268
Compensation to the Board of Directors and Executive Management	**6.242**	**1.250**	**7.492**

The board of directors have not received any remuneration during the year.

2018	Group	Parent
	TDKK	TDKK
Wages and salaries	6.497	0
Pensions, defined contribution plans	197	0
Compensation to the Board of Directors and Executive Management	**6.694**	**0**

For 2018, compensation has been disclosed in total in accordance with Danish Financial Statements Act section 98b.

6. Amortisation, depreciation and impairment losses

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Amortisation of intangible assets	382	426	0	0
Depreciation of tangible assets	298.751	280.920	0	0
Depreciation of right-of-use assets	6.895	0	0	0
	306.028	**281.346**	**0**	**0**

7. Financial income

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Interest income from subsidiaries	(0)	(0)	4	0
Interest income, bank	1.217	0	0	0
Exchange rate adjustments	8.659	0	0	0
	9.876	**(0)**	**4**	**0**

Total interest income on financial assets that are measured at amortized cost for the year was TDKK 1.217 (2018: TDKK 0) for the Group and TDKK 4 (2018: TDKK 0) for the parent company.

8. Financial expenses

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Interest expenses to subsidaries	312.638	283.197	31	21
Interest expenses, credit institutions	94.099	95.151	0	1
Interest expenses, bank	618	0	0	0
Interest expenses, leases	513	0	0	0
Exchange rate adjustments	0	1.701	0	(1)
Other financial expenses, including bank fees	836	930	(0)	3
Capitalized interests	(4.380)	(3.986)	0	0
	404.325	**376.993**	**31**	**24**

Total interest expenses on financial liabilities not measured at fair value though profit or loss for the year was TDKK 407.868 (2018: TDKK 378.348) for the group and TDKK 31 (2018: TDKK 22) for the parent company.

9. Tax

	Group		Parent	
	2019 TDKK	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
Income tax:				
Tax on profit/loss for the year	(6.117)	(123)	103	(102)
Total income tax	**(6.117)**	**(123)**	**103**	**(102)**
Tonnage tax	198	159	0	0
Total tax for the year	**(5.919)**	**36**	**103**	**(102)**
Tax on profit/loss for the year can be broken down as follows:				
Current tax	621	699	0	(102)
Deferred tax	(7)	(7)	0	0
Adjustments for current tax of prior periods	(6.732)	(814)	103	0
Tax on profit/loss for the year	**(6.117)**	**(123)**	**103**	**(102)**
Income tax is specified as follows:				
Calculated 22% tax on "Profit for the year before income tax"	(75.930)	(78.561)	(154)	(108)
Tax effects of:				
Income tax under tonnage taxation	76.544	79.252	154	6
Adjustments in respect of prior years	(6.732)	(814)	103	0
	(6.117)	**(123)**	**103**	**(102)**
Effective tax rate	**1,8%**	**0,0%**	**-14,7%**	**20,8%**

The group's activities are primarily subject to taxation under the Danish Tonnage Taxation legislation. Tax may materialize if the group leaves the tonnage tax regime.
Deferred tax relates to tangible fixed assets not covered by tonnage taxation activities.
In 2019 the Group received TDKK 6.031 related to former joint taxation which has resulted in a positive adjustment from prior years.

10. Intangible assets

	Group		
	Goodwill	Development Projects	Total
	TDKK	TDKK	TDKK
Cost:			
At 01.01.2018	500.699	2.042	502.741
Additions during the year	0	152	152
At 31.12.2018	500.699	2.194	502.893
Amortisation and impairment:			
At 01.01.2018	7.197	1.411	8.608
Amortisation charge	0	426	426
At 31.12.2018	7.197	1.837	9.034
Carrying amount 31.12.2018	**493.502**	**357**	**493.859**
Cost:			
At 01.01.2019	500.699	2.194	502.893
Additions during the year	0	6.907	6.907
At 31.12.2019	500.699	9.101	509.800
Amortisation and impairment:			
At 01.01.2019	7.197	1.837	9.034
Amortisation charge	0	382	382
At 31.12.2019	7.197	2.219	9.416
Carrying amount 31.12.2019	**493.502**	**6.882**	**500.384**

Impairment analysis
Goodwill is carried at cost less accumulated impairment.

Goodwill is monitored by management per segment: Off-shore oil and Off-shore Wind, which corresponds to the cash-generating units (CGU) to which goodwill has been allocated.

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of each CGU is determined as the present value of future net cash flow from each cash-generating unit (value-in-use) or fair value less cost to sell if higher. In calculating the present value, discount rates are applied reflecting the risk-free interest rate with the addition of risks relating to the individual CGUs, such as market and financial exposure.

For the impairment testing carried out, the recoverable amounts of the CGUs are based on value-in-use calculations, which require the use of a number of estimates, and are all included in the projected cash flow. These projections are based on an assessment of current and future developments in the three CGUs and on historical data and assumptions. The assumptions included in the value-in-use calculation are based on financial budget for 2020 and business plans for 2021-2025 as approved by management.

Furthermore, the value-in-use calculation assumes an infinite cash flow from the CGUs to which goodwill is allocated, assuming continuous reinvestment in underlying assets. The indefinite cash flow is calculated as a terminal value based on long-term growth rate assumptions.

Key assumptions affecting the future cash flows of the three CGUs are as follows:

- **Day Rates:** Day rates are based on committed contracts, and for post-contract periods and for vessels not on long term contract based on management's view on market trends. Assessment of market trends is supported by independent 3rd party opinion. Day rates is a combination of several factors including trading area and task specification.
    - In management's view the day rate levels for ERRV activities are expected to improve in 2020 compared to 2019 and further improve over the forecast period until 2024.
    - For the Wind/SOV activities, day rates are closely linked to specific contracts and therefore no specific trend for day rate levels has been assumed. Escalation beyond the forecast period follows above escalation rates.
- **Utilization:** The forecast for vessel utilization is based on committed commercial contracts, past performance and management expectations of market development
    - Utilization on ERRV activities is forecast to improve in 2020 compared to 2019 and remain stable over remainder of the forecast period until 2025.
    - Utilization on Wind/SOV activities are expected to remain high and stable compared to 2019, as majority of fleet is fixed on long-term contracts.
- **Future capital expenditures:** Future capital expenditures includes investments, primarily related to dockings, during the remaining lifetime of existing fleet, and cash flow for continuous reinvestment in vessels as part of terminal value. The indefinite reinvestment in vessels (terminal value) assumes reinvestment of 70% of the ERRV fleet by number of vessels and 100% of the Wind/SOV fleet. The expenditures are based on management's estimate, including data from previous acquisition of vessels and previous surveys.
- **Lifetime of vessels and residual values upon end of vessel lifetime**: Lifetime of 25-30 years per asset is assumed. Residual values upon end of vessel lifetime are considered and included in the projected cash flow.
- **Long-term growth-rate**: 2%
- **Inflation rate:** Cost escalation beyond the forecast period and contract period for revenue.
- **FX rates:** Part of the Group´s revenue is invoiced in foreign currencies, mainly EUR, GBP and NOK. For the value-in-use calculation day rate forecasts are made in these relevant foreign currencies. The FX rate assumptions applied for calculation of the forecasted cash flow is based on FX rate level on 31 December 2019.
- **WACC (pre-tax):** Reflect specific risks relating to the relevant CGUs.

Conclusion on impairment test

PPE has been tested for impairment at 31 December 2019. The test did not result in any impairment of carrying amounts.

The assumptions used, including a sensitivity analysis, are stated in the following. The sensitivity analysis assesses the impact of changes in cash flows and discount rates on the impairment test results.

The analysis concluded that relatively small changes in discount rate or lower day rates for Group 1 and Group 2/3 vessels would likely result in impairment.

Sensitivity analysis and assumptions

At 31 December 2019, the recoverable amount exceeds the carrying value for both CGUs. The recoverable amount is however sensitive to changes in key assumptions, in particular on return requirement and macro-economic parameters on inflation level and FX rates.

	2019		**2018**	
DKK mio.	**ERRV**	**Wind**	**ERRV**	**Wind**
Amounts				
Carrying amount of allocated goodwill	275	218	275	218
Recoverable amount (Value-in-use)	358	1123	278	305
Head room	83	905	3	87
Material Budget Assumptions				
WACC – discount rate (pre-tax)	7.9%	7.0%	7.8%	7.8%
FX rates	31-12-19	31-12-19	31-12-19	31-12-19
Inflation rate	2.0%	2.0%	1.0%	1.0%
Long-term growth-rate	2.0%	2.0%	1.0%	1.0%
Sensitivity analysis				
Impact on recoverable amount				
0.5%-point change in WACC	+173/-151	+287/-246	-	-
5% change in FX rates (except EUR)	+270/-268	+65/-67	-	-
0.5%-point change in inflation rate and growth-rate	+84/-75	+139/-121	-	-
Change in key assumption making the recoverable amount equal to the carrying amount				
WACC	+0.3%	+1.4%	-	-
FX rates (except EUR)	-1.5%	-	-	-
Inflation rate and long-term growth-rate	-0.6%	-	-	-

The overall assessment is that reasonable changes to the assumptions in negative directions could result in impairment. However, management does not expect impairment based on the current forecasts.

11. Property, plant and equipment

Group	Vessels	Operating Equipment & Fixtures	Buildings	Prepay-ments	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost:					
At 01.01.2018	4.050.018	32.350	61.804	163.657	4.307.829
Exchange differences					0
Additions during the year	(24)	436	0	606.872	607.284
Disposals	(203.404)	(243)	0	0	(203.647)
Reclassifications	649.577	3.483	0	(653.060)	0
At 31.12.2018	4.496.167	36.026	61.804	117.469	4.711.466
Amortisation and impairment:					
At 01.01.2018	591.405	28.143	11.859	0	631.407
Disposals	(178.356)	(243)	0	0	(178.599)
Amortisation charge	275.060	2.782	3.078	0	280.920
At 31.12.2018	688.109	30.683	14.937	0	733.728
Carrying amount 31.12.2018	**3.808.058**	**5.343**	**46.868**	**117.469**	**3.977.738**
Hereof finance leases	5.500	0	0	0	5.500

The amount of borrowing costs capitalised for the Group during 2018 was TDKK 3.201. The rate used to determine the amount of borrowing cost eligible for capitalisation was 3.52%.

Cost:					
At 01.01.2019	4.496.167	36.026	61.804	117.469	4.711.467
Additions during the year	319.948	1.430	54	81.831	403.263
Disposals	(64.210)	(3.320)	0	0	(67.530)
Reclassifications	8.227	0	0	(8.227)	0
Transferred to right-of-use assets	(22.997)	0	0	0	(22.997)
At 31.12.2019	4.737.136	34.136	61.858	191.073	5.024.203
Amortisation and impairment:					
At 01.01.2019	688.109	30.683	14.937	0	733.728
Disposals	(58.700)	(3.320)	0	0	(62.020)
Amortisation charge	292.975	2.696	3.081	0	298.751
Transferred to right-of-use assets	(17.497)	0	0	0	(17.497)
At 31.12.2019	904.887	30.058	18.017	0	952.963
Carrying amount 31.12.2019	**3.832.249**	**4.078**	**43.841**	**191.073**	**4.071.240**

The amount of borrowing costs capitalised for the Group during the year was TDKK 4.380. The rate used to determine the amount of borrowing cost eligible for capitalisation was 3.52%.

11. Property, plant and equipment (continued)

Commitments for tangible assets
The Groups new building program comprise 3 vessels for the wind industry. Delivery of the vessels are expected in 2020 and 2021:

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Remaining commitments, new building programme	845.812	1.099.720	0	0
Total commitments	**845.812**	**1.099.720**	**0**	**0**

12. Financial assets and liabilities

	Group		Parent	
Carrying Amount	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Financial assets:				
Financial assets at amortised cost:				
Trade receivables	156.227	136.623	0	0
Receivables from Group companies	0	0	163	0
Cash and cash equivalents	202.500	338.629	30	49
Total Financial assets at amortised cost	**358.727**	**475.252**	**194**	**49**
Financial liabilities:				
Financial liabilities at fair value				
Foreign currency forwards (used for hedging)	9.237	16.643	0	0
Total financial liabilities at fair value	**9.237**	**16.643**	**0**	**0**
Financial liabilities at amortised cost				
Credit institutions	2.232.493	2.257.584	0	0
Loan from parent compay	3.319.968	3.012.936	0	0
Trade payables	80.185	56.804	110	110
Payables to Group companies	0	0	1.831	976
Lease liabilities (2018: finance lease liabilities)	17.425	5.969	0	0
Total Financial liabilities at amortised cost	**5.650.072**	**5.333.294**	**1.941**	**1.086**
Total Financial liabilities	**5.659.308**	**5.349.937**	**1.941**	**1.086**

Fair value of financial instruments is approximately the same as the carrying amounts.

13. Inventories

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Bunker oil	17.679	17.421	0	0
	17.679	**17.421**	**0**	**0**

During 2019 TDKK 76.556 (2018: TDKK 86.219) was recognized as an expense for the group, and TDKK 0 (2018: TDKK 0) for the parent company.

14. Trade receivables

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Trade receivables at 31 December	156.327	136.723	0	0
Expected credit loss	(100)	(100)	0	0
Trade receivables net	**156.227**	**136.623**	**0**	**0**
The maturity of the trade receivables is specified as follows:				
Not overdue	112.556	83.535	0	0
Up to 30 days	35.314	50.463	0	0
Between 31 and 90 days	5.696	2.625	0	0
Between 91 and 365 days	2.661	0	0	0
Total	**156.227**	**136.623**	**0**	**0**

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2019 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the oil and energy prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected credit losses for all trade receivables and contract assets are immaterial and therefore not recognize, due to 94,7% less than 30 days overdue, 3,6% 30-60 days overdue and 1,7% over 90 days overdue. During the year no losses has been realized.

As further described in note 21, the receivables from Group companies are primarily arising from ordinary sales transactions and are in general repaid in full on a monthly basis. Consequently, the 12-month expected credit losses related to those receivables are immaterial.

15. Share capital

The share capital comprise of:	No shares	Nominal value per share	2019 TDKK	2018 TDKK
	150.000	1	150.000	150.000

No shares carry any special rights. There are no restrictions connected to the transferability or voting rights of the shares. All shares have been paid in full.

All shares in ERRV Holdings ApS is owned by ERRV Luxembourg Holdings S.á r.l.

Capital management
The group’s objectives when managing capital are to safeguard the group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Normal covenant demands applies such as “Leverage Ratio”, “ICR Ratio” etc.

The Group has not adopted a specific key ratio, but Management and Board of Directors monitor the share and capital structure to ensure that the group's capital resources support the strategic goals. The overall target is to have secured long term financing with fixed interest rates at competitive rates. During the year, through a close dialogue with its main lenders and with the shareholders, the Group was able to decide on funding of current operation and future strategic initiatives in line with overall target.

The group's policy for managing capital is unchanged from last year.

16. Deferred tax

	Group		Parent	
	2019 TDKK	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
At 1 January	24	31	0	0
Deferred tax recognised in the income statement	(7)	(7)	0	0
At 31 December	**17**	**24**	**0**	**0**
Deferred tax relates to:				
Provisions	17	24	0	0
	17	**24**	**0**	**0**

17. Interest bearing debt

The borrowings comprise of shareholder loans, vessel financing related loans as well as revolving facilities to fund the ongoing operations. There are covenants attached to the loan facilities.

2019 - Group	Principal	Effective Interest Rate	Currency	Maturity	Carrying Amount TDKK
Floating rate loans	43 mEUR	2,524%	EUR	2022	319.703
Floating rate loans	183 mDKK	2,617%	DKK	2022	183.168
Fixed-rate loans	235 mEUR	3,802%	EUR	2024-2027	1.755.380
Fixed-rate loans	3.319 mDKK	10,000%	DKK	On demand	3.319.968

2018 - Group	Principal	Effective Interest Rate	Currency	Maturity	Carrying Amount TDKK
Floating rate loans	43 mEUR	2,480%	EUR	2022	319.600
Floating rate loans	183 mDKK	2,593%	DKK	2022	183.168
Fixed-rate loans	235 mEUR	3,802%	EUR	2024-2027	1.754.815
Fixed-rate loans	3.007 mDKK	10,000%	DKK	On demand	3.007.330

18. Leasing

The Group has entered leases on land, properties, cars and equipment. The remaining lease period for land is 24 years + 4 months. ESVAGT can terminate the contract of the leased land with a 6 months' notice. The non-cancellable lease period for cars is typically 36 months. In general car leases do not include any extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group has recognized the following amounts relating to leases:

	Group		Parent	
	2019 TDKK	2018 TDKK	2019 TDKK	2018 TDKK
Lease liabilities				
Current	9.006	5.969	0	0
Non-current	8.419	0	0	0
	17.425	**5.969**	**0**	**0**

Additions to the right-of-use assets during the 2019 financial year were TDKK 12,782 for the Group.

The statement of profit or loss shows the following amounts relating to leases:

	2019 TDKK	2019 TDKK
Right-of-use assets		
Land	7.903	0
Cars	1.051	0
Equipment	7.414	0
	16.367	**0**

	Group 2019 TDKK	Parent 2019 TDKK
Depreciation charge of right-of-use assets		
Land	337	0
Cars	318	0
Equipment	6.240	0
	6.895	**0**

The total cash outflow for leases in 2019 was TDKK 10,114 for the Group.

18. Leasing (continued)

	Group 2019 TDKK	Parent 2019 TDKK
Interest expense (included in finance expenses)	513	0
Expense relating to short-term leases (included in other operating expenses)	162	0

In the previous year, the group had entered lease which were classified as 'operating leases' under IAS 17 Leases. The lease commitments for those leases were as follows:

	Group 2018 TDKK	Parent 2018 TDKK
Operating lease commitments		
Due within 1 year	797	0
Due between 1 and 5 years	2.359	0
Due after 5 years	9.762	0
	12.918	**0**
Expensed payments relating to operating leases	1.062	0

Financial leases
In the previous year, the group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of borrowings. For adjustments recognized on adoption of IFRS 16 on 1 January 2019, please refer to note 1.

The Group had finance leases for other fixtures and fitting. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments were as follows:

	Group 2018 TDKK	Parent 2018 TDKK
Financial leases	Minimum payments	Minimum payments
Within one year	5.058	0
Due between 1 and 5 years	1.063	0
Total minimum lease payments	6.121	0
Finance charges	(152)	0
Present value of min. lease paym.	5.969	0

19. Fee to the statutory auditors

	Group	
	2019 TDKK	**2018 TDKK**
Statutory audit	518	735
Other assurance services	448	318
Tax and VAT advisory services	737	297
Other services	1.900	1.859
Total fees to PwC	**3.602**	**3.209**

20. Derivative financial instruments

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to market risks.
The group has entered foreign exchange options and forwards used to hedge currency risk on contracted long-term revenue, fuel consumption and committed purchase of vessels.

Information about the group's exposure to financial risk is provided in note 25.

	Group		Parent	
	2019 TDKK	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
Reclassified from other comprehensive income				
Gains/losses arising on currency forward contracts (cash flow hedges) reclassified to revenue/other operating expenses during the year	(491)	615	0	0

21. Related parties

The ultimate controlling party is the parent company ERRV Luxembourg Holdings S.à.r.l., Luxembourg.

The disclosure of "Key management compensation" is presented in note 5.

The following balances arising from sales/purchases of goods and services as well as financing outstanding at the end of the period in relation to transactions with related parties:

	Group		Parent	
	2019 TDKK	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
Loans to related parties				
Loans from related parties				
Beginning of the period	3.003.330	2.724.133	0	0
Interest charged	312.638	283.197	0	0
End of year	**3.319.968**	**3.007.330**	**0**	**0**
Loans to subsidiaries				
Beginning of the period	0	0	187	156
Loans advanced	0	0	0	26
Loans repayments received	0	0	28	0
Interest charged	0	0	4	5
End of year	**0**	**0**	**163**	**187**
Loans from subsidiaries				
Beginning of the period	0	0	1.163	1.266
Loans advanced	0	0	637	0
Loans repayments	0	0	0	129
Interest charged	0	0	31	26
End of year	**0**	**0**	**1.831**	**1.163**

Terms and conditions

Payables from Group companies primarily arises from ordinary operations and are in general repaid in full on a monthly basis. The payables do thus not carry any interest. Loans to the parent company and to and from subsidiaries carry an interest of hence 10% and 2% and the loans are expected to be settled in cash.

22. Investments in joint ventures

The group has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

Summarized balance sheet	**2019 TDKK**	**2018 TDKK**
Aggregated carrying amount of individually immaterial associates	6	25
Aggregate amounts of the group's share of		
Profit for the year	19	0
Total comprehensive income	**19**	**0**

No further information is disclosed due to the materiality of the investment.

23. Contingent liabilities

Litigation
None.

	Group		**Parent**	
Bank loans secured in vessels	**2019 TDKK**	**2018 TDKK**	**2019 TDKK**	**2018 TDKK**
Bank and other credit institutions - amount secured	2.258.251	2.257.583	0	0
Carrying amount of vessels provided as security	3.832.249	3.808.058	0	0

Other contingent liabilities
Since 17 September 2015 ERRV Holding ApS is a part of national joint taxation in Denmark and is jointly liable with other Danish companies owned by ERRV Holding ApS.

24. Cash flow statement

	Group		Parent	
	2019	2018	2019	2018
Change in working capital	**TDKK**	**TDKK**	**TDKK**	**TDKK**
Change in inventories	(258)	(9.387)	0	0
Change in trade receivables	(18.739)	(11.400)	0	0
Change in other receivables and prepayments	2.866	(3.743)	785	0
Change in trade payables, excl. payables related to fixed assets	23.038	(8.391)	0	(1)
Change in other payables	8.879	28.528	0	(140)
Change in received prepayments	(2.137)	(1.139)	0	0
Exchange gains and losses on working capital	693	5.717	0	0
	14.343	**185**	**785**	**(141)**
Change in liabilities arising from financing activities				
Bank and credit institutions at 1 January	2.224.652	2.211.216	0	0
Amortized loan cost	7.174	0	0	0
Foreign currency	667	13.436	0	0
Bank and credit institutions at 31 December	**2.232.493**	**2.224.652**	**0**	**0**
Loan from subsidaries at 1 January	3.007.330	2.724.133	0	0
Accrued interest rates	312.638	283.197	0	0
Loan from subsidaries at 31 December	**3.319.968**	**3.007.330**	**0**	**0**
Lease liabilities (2018 - finance lease) at 1 January	5.969	10.694	0	0
Recognised on adoption of IFRS 16	8.787	0	0	0
Repayment of leases (2018 - finance leases)	(10.114)	(4.725)	0	0
New leases	12.782	0	0	0
Lease liabilities (2018 - finance lease) at 31 December	**17.425**	**5.969**	**0**	**0**
Financing liabilities at 31.12.2019	**5.569.886**	**5.237.951**	**0**	**0**

25. Financial risk management

Financial risk factors
The Financial risks of the Group are managed centrally. The overall risk management guidelines and policies have been approved by the board of directors. Group finance/Treasury department identifies and evaluates exposures in close co-operation with the group's operating units. The board provides written principles for overall risk management.

Market risk
Foreign exchange risk
The cost of goods sold, and operating expenses are mainly incurred in DKK. The Group has transactions in other currencies, but the foreign exchange risks related to this are not considered material. Increases or decreases in the exchange rate of such foreign currencies against the functional currency, the DKK, can affect the Group's results and cash position negatively or positively.

Exposure
The Group's exposure to foreign currency risk at the end of the reporting period, expressed in currency units, was as follows:

Group

	TEUR	TGBP	TNOK	TUSD
2019				
Trade receivables	5.710	21	21.096	317
Cash and cash equivalents	3.204	393	123.507	1.109
Bank loans	(277.800)	0	0	0
Trade payables	(2.486)	(253)	(5.126)	(2.454)
	(271.372)	**160**	**139.476**	**(1.028)**
2018				
Trade receivables	2.589	4.000	23.642	2
Cash and cash equivalents	17.887	2.817	51.425	1.077
Bank loans	(277.800)	0	0	0
Trade payables	(461)	(207)	(1.921)	(2.893)
	(257.785)	**6.610**	**73.146**	**(1.814)**

25. Financial risk management (continued)

Interest rate risk
The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is always to ensure that a minimum of 75 per cent of the total outstanding Debt is at fixed rate or effectively bears a fixed rate pursuant to a Hedging Agreement.

Sensitivity analysis
Profit or loss is sensitive to higher/lower interest from borrowings and fair value changes of interest rate derivatives as a result of changes in interest rates. The sensitivity analysis is based on financial instruments recognized at the balance sheet date. Effects from hedging is not included in these calculations and sensitivity figures.

	2019		2018	
	Impact on Post Tax Profit	**Impact on Other Compo-nents of Equity**	**Impact on Post Tax Profit**	**Impact on Other Compo-nents of Equity**
	TDKK	**TDKK**	**TDKK**	**TDKK**
Group				
GBP/DKK exchange rate - increase 10%	141	141	5.468	5.468
NOK/DKK exchange rate - increase 10%	10.582	10.582	5.476	5.476
USD/DKK exchange rate - increase 10%	(686)	(686)	(1.183)	(1.183)

	2019		2018	
	Impact on Post Tax Profit	**Impact on Other Compo-nents of Equity**	**Impact on Post Tax Profit**	**Impact on Other Compo-nents of Equity**
	TDKK	**TDKK**	**TDKK**	**TDKK**
Group				
Interest rates – increase by 100 basis points	(5.044)	0	(5.043)	0
Interest rates – decrease by 100 basis points	5.044	0	5.043	0

The calculation is based on an increase in both short- and long-term interest. All other variables are held constant.

25. Financial risk management (continued)
Credit risks
Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB-'are accepted. For customers individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

The maximum exposure corresponds to the carrying number of receivables and cash.

Liquidity risk
Cash flow forecasting is performed by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the group's debt financing plans and compliance with loan documentation.

The Group has undrawn borrowing facilities of mDKK 550 that may be available for future operating activities.

The tables below analyses the Group's derivatives and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year TDKK	1-5 years TDKK	> 5 years TDKK	Total TDKK
Group - non-derivatives				
At 31.12.2018				
Credit institutions	80.530	816.914	1.852.521	2.749.965
Loan from subsidaries	3.007.330	0	0	3.007.330
Lease liabilities (Finance lease)	5.969	0	0	5.969
Trade payables	56.804	0	0	56.804
	3.150.634	**816.914**	**1.852.521**	**5.820.069**
At 31.12.2019				
Credit institutions	89.914	2.120.389	389.582	2.599.886
Loan from subsidaries	3.319.968	0	0	3.319.968
Lease liabilities	9.006	8.419	0	17.425
Trade payables	80.185	0	0	80.185
	3.499.073	**2.128.809**	**389.582**	**6.017.464**
Group - derivatives				
At 31.12.2019				
Foreign exchange options / forwards used to hedge currency risk	3.864	5.373	0	9.237
	3.864	**5.373**	**0**	**9.237**

25. Financial risk management (continued)

	Less than 1 year TDKK	1-5 years TDKK	> 5 years TDKK	Total TDKK
Parent - Non-Derivatives				
At 31.12.2018				
Trade payables	110	0	0	110
Payables to group companies	976	0	0	976
	110	**0**	**0**	**1.086**
At 31.12.2019				
Trade payables	110	0	0	110
Payables to group companies	1.831	0	0	1.831
	110	**0**	**0**	**1.941**
Parent - Derivatives				
At 31.12.2019				
Foreign exchange options / forwards used to hedge currency risk	0	0	0	0
	0	**0**	**0**	**0**

25. Financial risk management (continued)

Fair value

Financial instruments measured at fair value can be divided into three levels:
- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of derivatives is calculated on level 2 in the fair value hierarchy using direct quotes.

Significant other observable inputs (Level 2)	**2019 TDKK**	**2018 TDKK**
Group		
Forwards used to hedge currency risk	9.237	16.643
As at 31.12	**9.237**	**16.643**
Parent		
Forwards used to hedge currency risk	0	0
As at 31.12	**0**	**0**

Measurement of derivatives

The valuation techniques used to measure derivatives include:

• the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as ‘held for trading’ for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of ERRV Holdings or the derivative counterparty and as differences between the spot rate and the forward rate of a contract.

The Group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the Group’s policy the critical terms of the forwards must align with the hedged items.

The Group designates the forward rate of foreign currency forwards in hedge relationships. The intrinsic value of currency foreign is determined with reference to the relevant spot market exchange rate.

25. Financial risk management (continued)

The Group operates internationally and is exposed to foreign exchange risk, primarily the NOK, GBP and USD. Foreign exchange risk arises from future commercial transactions denominated in currencies that are not DKK or EUR. The risk is measured through forecasts of highly probable expenditures in NOK, GBP and USD. The risk is hedged with the objective of minimizing the volatility of currency cost of highly probable revenue and purchases of property, plant and equipment.

The group treasury's risk management policy is to hedge up to 80% of forecast income and expenses in currencies other than DKK and EUR up to two years in advance.

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

Group

Foreign currency forwards as at 31 December 2018	**NOK**	**GBP**	**USD**
Carrying amount in TDKK	(20.783)	669	3.472
Notional amount	607.970	39.521	120.594
Maturity date	JAN 2019 - JAN 2021	JAN 2019 - DEC 2019	JAN 2019 - SEP 2020
Weighted average hedged rate for the year (incl. forward points)	76,14	835,16	608,86

Foreign currency forwards as at 31 December 2019	**NOK**	**GBP**	**USD**
Carrying amount in TDKK	(9.816)	(4.303)	4.668
Notional amount	439.399	252.378	147.856
Maturity date	JAN 2019 - JAN 2021	JAN 2020 - DEC 2021	JAN 2020 - SEP 2021
Weighted average hedged rate for the year (incl. forward points)	76,44	841,77	634,95

26. Events after the balance sheet date

The outbreak of Covid-19 and the actions taken by governments across the world to mitigate the effects, will have a great impact on the global economy. Management considers the implications of Covid-19 as a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the company.

This means that the valuation of the company's non-current assets, receivables, etc,. at 31 December 2019 are based on assumptions which may differ from Management expectations at the time of adoption of the Annual Report.

Currently, it is not possible to assess the effect of Covid-19 on the 2020 Financial Statements. Reference is also made to note 0 "Covid-19 and the financial situation of the Company.

27. Composition of the group

Name of entity	Ownership and Voting Rights Held by Esvagt	Place of Business/ Incor-poration
Investments in subsidiaries		
ERRV ApS	100%	Denmark
ESVAGT A/S	100%	Denmark
ESVAGT Holdings Limited	100%	Great Britain
ESVAGT UK Limited	100%	Great Britain
ESVAGT Norge AS	100%	Norway
P/F ESVAGT-THOR	51%	Faroe Islands
Investments in Joint Ventures		
EWPL Ocean ApS	50%	Denmark