Valtor Offshore A/S
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Valtor Offshore A/S

Annual report 2015

The annual report was presented and approved at the Company's annual general meeting

on 31-05 20 16

chairman

CVR no. 73 27 98 28

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Valtor Offshore A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

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

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

Esbjerg, 31 May 2016
Executive Board:

Jørn Gråbæk
CEO

Board of Directors:

Olaf Karsten Hoppe Chairman	Jørn Gråbæk	Gijsbert Koenraad Koorn

Independent auditor's report

To the shareholders of Valtor Offshore A/S

Independent auditor's report on the financial statements

We have audited the financial statements of Valtor Offshore A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet, and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

KPMG

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 31 May 2016
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Valtor Offshore A/S
Oddesundvej 5
6715 Esbjerg N

Telephone:	+45 75 14 44 11
Website:	www.valtor.com
E-mail:	valtor@valtor.com
CVR no.:	73 27 98 28
Established:	15 July 1983
Registered office:	Esbjerg
Financial year:	1 January – 31 December

Board of Directors

Olaf Karsten Hoppe (Chairman)
Jørn Graabæk
Gijsbert Koenraad Koorn

Executive Board

Jørn Gråbæk

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2011
Gross profit	28,986	42,247	25,773	24,396	16,944
Ordinary operating profit	12,343	26,693	11,775	11,654	4,787
Profit/loss from financial income and expenses	-195	-65	-58	-2	16
Profit for the year	**9,236**	**20,093**	**8,779**	**8,758**	**3,577**
Total assets	**30,943**	**61,827**	**39,892**	**33,391**	**40,996**
Equity	**19,179**	**30,043**	**18,951**	**22,171**	**28,413**
Investment in property, plant and equipment	**302**	**314**	**630**	**26**	**431**
Return on assets	19.9%	39.5%	24.0%	23.5%	10.0%
Return on equity	37.5%	82,0%	42,7%	34,6%	13,5%
Solvency ratio	62.0%	48.6%	47.5%	66.5%	69.3%
Average number of full-time employees	**30**	**26**	**24**	**24**	**22**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

Valtor Offshore A/S' primary activities comprise counselling, sales, production, service and maintenance of quality process equipment for offshore and onshore customers in the oil and gas industry.

Development in activities and financial position

The Company's income statement for the period 1 January – 31 December 2015 shows a profit of DKK 9,236 thousand, and equity amounted to DKK 19,179 thousand on the balance sheet at 31 December 2015.

With the oil price dropping more than 60 % during 2015 a bigger decrease in primary activities was expected for 2015.

Therefore, it is positive that the economic development in the period has been better than expected. The profit for the year meets the disclosed expectations for the year published in the latest annual report.

Management considers the profit for the year satisfactory.

Events after the balance sheet date

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

Outlook

With the unstable oil price and the unknown forecast of the market, a further decrease of the primary activity areas is expected in the coming year. The company will still have focus on adjusting its costs so that they match the expectations for the future market.

Furthermore, Valtor Offshore A/S will try to seek new markets for our primary activity abroad, as well as develop our maintenance department.

Currency risks

The Company mainly trades in DKK and EUR and is therefore only modestly exposed to currency risks.

Operating risks

The Company's main customers operates within the oil- and gas industry. The development in oil- and gas prices on the world market therefor indirectly affect the operations of Valtor Offshore A/S' Financial risks

Environmental matters

The Company has no significant impact on the external environment

Financial statements 1 January – 31 December

Accounting policies

The annual report of Valtor Offshore A/S for 2015 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The annual report for 2015 is presented in DKK.

Reclassification of financial statement items

Certain items in the income statement and balance sheet have been reclassified compared to previous financial years. Comparative figures have been restated.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of SHV Holdings N.V.

Foreign currency translation

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

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the annual report.

Financial statements 1 January – 31 December

Accounting policies

Income statement

Revenue

Income from the sale and service repair of goods and finished goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue from the sale of goods where installation is a condition for major risks being considered transferred to the buyer is recognised as revenue when installation has been completed.

Costs of sales

Costs of sales comprise materials and consumables for resale and costs incurred in generating revenue.

Other operating income and expenses

Other operating income and expenses comprises items secondary to the activities of the Company, including gains or losses on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise cost of sales, advertisements, administration, premises and bad debts, etc.

Staff expenses

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial statements 1 January – 31 December

Accounting policies

Amortisation, depreciation and impairment losses

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

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. Tax attributable to the profit for the year is recognised in the income statement, whereas tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with its Parent Company and its wholly owned Danish subsidiaries and the ultimate Parent Company's other Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish entities in proportion to their taxable income. Mammoet Wind A/S (CVR No. 26 53 39 53) is the administrative company.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the date on which the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, as follows:

Fixtures and fittings, tools and equipment	3-5 years

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 January – 31 December

Accounting policies

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery and equipment used in the manufacturing process as well as costs of factory management.

Receivables

Receivables are recognised at amortised cost in the balance sheet, which substantially corresponds to nominal value. Write-downs are made for estimated bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Financial statements 1 January – 31 December

Accounting policies

Provisions

Provisions comprise anticipated warranty costs. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects within the warranty period. Provisions are measured at net realisable value and recognised on the basis of the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligations are recognised as financial liabilities at amortised cost.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Accounting policies

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Return on assets $$\frac{\text{Profit for the year x 100}}{\text{Average total assets}}$$

Return on equity $$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

Financial statements 1 January – 31 December

Income statement

	Note	2015	2014
			DKK'000
Gross profit		28,986,354	42,247
Staff expenses	1	-16,311,038	-15,261
Depreciation		-331,978	-293
Ordinary operating profit		12,343,338	26,693
Financial income		146	0
Financial expenses	2	-195,147	-65
Profit before tax		12,148,337	26,628
Tax on profit for the year	3	-2,912,729	-6,535
Profit for the year		9,235,608	20,093

Proposed profit appropriation			
Proposed dividends for the financial year		9,200,000	20,100
Retained earnings		35,608	-7
		9,235,608	20,093

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
			DKK'000
ASSETS			
Non-current assets			
Property, plant and equipment	4		
Fixtures and fittings, tools and equipment		664,437	694
Total non-current assets		644,437	694
Current assets			
Inventories			
Raw materials and consumables		9,585,062	14,843
Work in progress		661,625	307
Prepayments for goods		1,564,339	847
		11,811,026	15,997
Receivables			
Trade receivables		7,298,735	31,876
Receivables from group entities		7,019,000	11,700
Other receivables		835,837	811
Deferred tax asset	5	76,652	37
Prepayments		136,722	96
		15,366,946	44,520
Cash at bank and in hand		3,100,355	616
Total current assets		30,278,327	61,133
TOTAL ASSETS		30,942,764	61,827

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
			DKK'000
EQUITY AND LIABILITIES			
Equity	6		
Share capital		2,000,000	2,000
Retained earnings		7,978,983	7,943
Proposed dividends for the financial year		9,200,000	20,100
Total equity		19,178,983	30,043
Provisions			
Other provisions		25,000	25
Total provisions		25,000	25
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		5,193,392	16,657
Payables to group entities		141,749	203
Prepayments received from customers		0	1,568
Joint taxation contribution		2,952,453	6,584
Deferred income		42,091	7
Other payables		3,409,096	6,740
Total liabilities other than provisions		11,738,781	31,759
TOTAL EQUITY AND LIABILITIES		30,942,764	61,827

Contractual obligations, contingencies, etc.	7
Related parties	8

Financial statements 1 January – 31 December

Notes

		2015	2014 DKK'000
1	**Staff costs and incentive schemes**		
	Wages and salaries	13,609,044	13,057
	Pensions	2,025,871	1,418
	Other social security costs	243,533	263
	Other staff expenses	432,590	523
		16,311,038	15,261
	Average number of full-time employees	30	26

Remuneration of the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

		2015	2014
2	**Financial expenses**		
	Interest expense to associates	4,200	65
	Other interest expense	190,947	0
		195,147	65
3	**Tax on profit for the year**		
	Current tax for the year	2,952,453	6,584
	Deferred tax adjustment for the year	-39,724	-49
		2,912,729	6,535

Financial statements 1 January – 31 December

Notes

4 Property, plant and equipment

	Fixtures and fittings, tools and equipment
Cost at 1 January 2015	3,396,040
Additions	302,421
Disposals	-150,000
Cost at 31 December 2015	3,548,461
Depreciation and impairment losses at 1 January 2015	2,702,046
Amortisation	331,978
Depreciation on disposals	-150,000
Depreciation and impairment losses at 31 December 2015	2,884,024
Carrying amount at 31 December 2015	664,437

	2015	2014
		DKK'000
5 Deferred tax asset		
Calculated tax asset	76,652	37
	76,652	37
Deferred tax asset relate to:		
Property, plant and equipment	-16,978	-45
Inventories	34,518	54
Trade receivables	59,112	28
	76,652	37

Financial statements 1 January – 31 December

Notes

6 Equity

	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2015	2,000,000	7,943,375	20,100,000	30,043,375
Distributed dividends	0	0	-20,100,000	-20,100,000
Net profit the year	0	35,608	9,200,000	9,235,608
Equity at 31 December 2015	2,000,000	7,978,983	9,200,000	19,178,983

The share capital consists of 200 shares of a nominal value of DKK 10,000. No shares carry special rights. There have been no changes in the share capital during the last 5 years.

7 Contractual obligations, contingencies, etc.

DKK'000	2015	2014
Lease liabilities arising from operating leases. Total future lease payments:		
Within 1 year	141	136
Between 1 and 5 years	233	188
Total lease liabilities	374	324
Rent commitment during the period of interminability (2016-2018):	4,713	5,579

Contingent liabilities

RBS have issued guarantees on behalf of the Company at a total of EUR 3.3 million. These are in the form of usual guarantees for work performed.

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax. The jointly taxed enterties' total know net liability to SKAT are stated in the administrative company's financial statements, Mammoet Wind A/S, CVR No. 26 53 39 53. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

Financial statements 1 January – 31 December

Notes

8 Related party disclosures

Valtor Offshore A/S' related parties comprise the following:

Control

Majority shareholder: ERIKS Denmark Holding ApS, Esbjerg

Valtor Offshore A/S is included in the consolidated financial statements of SHV Holdings N.V. The consolidated financial statements of SHV Holdings N.V. can be obtained at the following address:

SHV Holdings N.V.
P.O. Box 2065
3500 GB Utrecht
The Netherlands